WACHOVIA CORP NEW
Form 424B3
April 30, 2007
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The information in this preliminary prospectus supplement is not complete and may be changed. Neither this preliminary prospectus supplement nor the accompanying prospectus is an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

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Subject to completion. Dated April 30, 2007

Prospectus Supplement to Prospectus dated February 7, 2007.

Wachovia Capital Trust IX

% Trust Preferred Securities

(liquidation amount $25 per security)

fully and unconditionally guaranteed, as described herein,

by

Wachovia Corporation

Wachovia Capital Trust IX, a Delaware statutory trust, will issue the Trust Preferred Securities. Each Trust Preferred Security represents an undivided beneficial interest in the Trust. The only assets of the Trust will be the % Extendible Long Term Subordinated Notes issued by Wachovia Corporation, which we refer to as the LoTS^{SM}. * The Trust will pay distributions on the Trust Preferred Securities only from the proceeds, if any, of interest payments on the LoTS^{SM}.

The LoTS^{SM} will bear interest from the date they are issued until their repayment or earlier redemption at the annual rate of % of their principal amount, payable quarterly in arrears on each March 15, June 15, September 15 and December 15, beginning on September 15, 2007. Wachovia has the right, on one or more occasions, to defer the payment of interest on the LoTS^{SM} for up to 20 consecutive interest periods or, if earlier, until the first interest payment date on which it pays current interest without being subject to its obligations under the alternative payment mechanism described in this prospectus supplement and for up to 40 consecutive interest periods without giving rise to an event of default. In the event of Wachovia s bankruptcy, holders of the LoTS^{SM} will have a limited claim for deferred interest.

The principal amount of the LoTS^{SM} will become due on June 15, 2047, the scheduled maturity date, to the extent that Wachovia has received proceeds from the sale of certain qualifying capital securities during a 180-day period ending on a notice date not more than 15 or less than 10 business days prior to such date. Wachovia will use its commercially reasonable efforts, subject to certain market disruption events, to sell enough qualifying capital securities to permit repayment of the LoTS^{SM} in full on the scheduled maturity date. If any amount is not paid on the scheduled maturity date, it will remain outstanding and Wachovia will continue to use its commercially reasonable efforts to sell enough qualifying capital securities to permit repayment of the LoTS^{SM} in full. Wachovia must pay any remaining principal and interest in full on the LoTS^{SM} on the final repayment date whether or not it has sold qualifying capital securities. The final repayment date is initially June 1, 2067, but may be extended at Wachovia s option for up to two additional 10-year periods upon the satisfaction of certain criteria described in this prospectus supplement.

At Wachovia s option, the Trust Preferred Securities may be redeemed (i) at 100% of their liquidation amount on or after June 15, 2012 or after the occurrence of a tax event, capital treatment event or investment company event, as described herein, or (ii) at a make-whole redemption price after the occurrence of a rating agency event, as described herein, in each case plus accrued and unpaid distributions through the date of redemption.

The LoTS[SM] will be subordinated upon Wachovia s liquidation to all of its existing and future senior and subordinated debt other than any debt that by its terms does not rank senior to the LoTS[SM] upon Wachovia s liquidation, but will rank equally upon Wachovia s liquidation with its Remarketable Junior Subordinated Notes due 2042 held by Wachovia Capital Trust III and its 6.375% Extendible Long Term Subordinated Notes held by Wachovia Capital Trust IV (and Wachovia s guarantees of those trusts securities), and will be effectively subordinated to all liabilities of its subsidiaries. As a result, the Trust Preferred Securities also will be effectively subordinated to the same debt and liabilities. Wachovia will guarantee the Trust Preferred Securities on a subordinated basis to the extent described in this prospectus supplement.

The Trust Preferred Securities and the LoTS[SM] are not deposits or other obligations of a bank. They are not insured by the FDIC or any other government agency.

The Trust will apply to list the Trust Preferred Securities on the New York Stock Exchange under the symbol . Trading of the Trust Preferred Securities on the New York Stock Exchange is expected to begin within 30 days after they are first issued.

See Risk Factors beginning on page S-8 of this prospectus supplement to read about factors you should consider before buying the Trust Preferred Securities.

These securities have not been approved or disapproved by the Securities and Exchange Commission, any state securities commission or the Commissioner of Insurance of the state of North Carolina nor have these organizations determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Trust Preferred Security	Discounts and Commissions	Total (1)(2)
Initial public offering price	$	(2)	$
Proceeds, before expenses and commissions, to Wachovia Corporation	$	(2)	$

(1) The initial public offering price does not include accrued distributions, if any, on the Trust Preferred Securities from May , 2007 to the date of delivery.
(2) In view of the fact that the proceeds of the sale of the Trust Preferred Securities will be invested in the LoTS[SM], Wachovia has agreed to pay the underwriters, as compensation for arranging the investment therein of such proceeds, $ per Trust Preferred Security (or $ in the aggregate). See Underwriting.

The underwriters expect to deliver the Trust Preferred Securities in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on May , 2007.

To the extent that the underwriters sell more than Trust Preferred Securities, the underwriters have the option to purchase up to an additional Trust Preferred Securities from Wachovia Capital Trust IX at the initial public offering price and receive from Wachovia Corporation $ per Trust Preferred Security as compensation for arranging the investment of the proceeds of such sale in LoTS[SM].

Wachovia Securities

Sole Structuring Advisor & Sole Bookrunner

Prospectus Supplement dated , 2007

*LoTS[SM] is a service mark of Wachovia Corporation.

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NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS SUPPLEMENT, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS PROSPECTUS SUPPLEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES TO WHICH IT RELATES OR AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF WACHOVIA OR THE TRUST SINCE THE DATE HEREOF OR THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is the prospectus supplement, which describes the specific terms of this offering. The second part is the prospectus, which describes more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described under the heading Where You Can Find More Information in the accompanying prospectus.

When acquiring any securities discussed in this prospectus supplement, you should rely only on the information provided in this prospectus supplement and the accompanying prospectus, including the information incorporated by reference, and the final term sheet, which will contain solely a description of the LoTS℠ and the Trust Preferred Securities and will be made available to you at the time of pricing. Neither Wachovia nor any underwriters or agents have authorized anyone to provide you with different information. We are not offering the securities in any state where the offer is prohibited. You should not assume that the information in this prospectus supplement or any document incorporated by reference is accurate or complete at any date other than the date mentioned on the cover page of these documents.

One or more of Wachovia s subsidiaries, including Wachovia Capital Markets, LLC, may buy and sell any of the securities after the securities are issued as part of their business as a broker-dealer. Those subsidiaries may use this prospectus supplement and the accompanying prospectus in those transactions. Any sale by a subsidiary will be made at the prevailing market price at the time of sale. Wachovia Capital Markets, LLC and Wachovia Securities, LLC each conduct business under the name Wachovia Securities. Any reference in this prospectus supplement to Wachovia Securities means Wachovia Capital Markets, LLC and not Wachovia Securities, LLC, unless otherwise mentioned or unless the context requires otherwise.

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

If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement.

FORWARD-LOOKING STATEMENTS

This prospectus supplement contains or incorporates statements that are forward-looking statements. These statements can be identified by the use of forward-looking language such as will likely result, may, are expected to, is anticipated, estimate, projected, intends to or other words. Our actual results, performance or achievements could be significantly different from the results expressed in or implied by these forward-looking statements. These statements are subject to certain risks and uncertainties, including but not limited to certain risks described in the documents incorporated by reference. When considering these forward-looking statements, you should keep in mind these risks, uncertainties and other cautionary statements made in this prospectus supplement and the accompanying prospectus. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made. You should refer to Wachovia s periodic and current reports filed with the SEC for specific risks that could cause actual results to be significantly different from those expressed or implied by these forward-looking statements.

WHERE YOU CAN FIND MORE INFORMATION

Wachovia files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or *SEC*. You may read and copy any document Wachovia files at the

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SEC s public reference room at 100 F Street, N.E., Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. In addition, Wachovia s SEC filings are available to the public at the SEC s website at http://www.sec.gov. You can also inspect reports, proxy statements and other information about Wachovia at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York.

The SEC allows Wachovia to incorporate by reference into this prospectus supplement the information in documents it files with it. This means that Wachovia can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement and should be read with the same care. When Wachovia updates the information contained in documents that have been incorporated by reference by making future filings with the SEC, the information incorporated by reference in this prospectus supplement is considered to be automatically updated and superseded. In other words, in the case of a conflict or inconsistency between information contained in this prospectus supplement and information incorporated by reference into this prospectus supplement, you should rely on the information contained in the document that was filed later. Wachovia incorporates by reference the documents listed below and any documents it files with the SEC in the future (except, in either case, for such information that is deemed furnished to the SEC) under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act until the offering of securities by means of this prospectus supplement is completed:

- Annual Report on Form 10-K for the year ended December 31, 2006; and
- Current Reports on Form 8-K filed on January 23, 2007, February 13, 2007, February 15, 2007, February 21, 2007, April 16, 2007 and April 18, 2007.

You may obtain any of the documents incorporated by reference in this prospectus supplement through Wachovia s website, www.wachovia.com/investor. In addition, you may request a copy of these filings and copies of the documents referenced herein, at no cost, by writing or telephoning us at the following address:

Wachovia Corporation

Investor Relations

301 South College Street

Charlotte, North Carolina 28288-0206

(704) 374-6782

Other than any documents expressly incorporated by reference, the information on Wachovia s website and any other website that is referred to in this prospectus supplement is not part of this prospectus supplement.

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SUMMARY

This summary highlights information contained elsewhere, or incorporated by reference, in this prospectus supplement. As a result, it does not contain all of the information that may be important to you or that you should consider before investing in the Trust Preferred Securities or the LoTS^{SM}. You should read this entire prospectus supplement and accompanying prospectus, including the Risk Factors section and the documents incorporated by reference, which are described in the accompanying prospectus under Where You Can Find More Information.

Wachovia Corporation

Wachovia is a financial holding company organized under the laws of North Carolina and registered under the Bank Holding Company Act. Wachovia has approximately 3,400 full service financial centers, approximately 750 retail brokerage offices and approximately 5,100 ATM locations. Wachovia offers a comprehensive line of consumer and commercial banking products and services, personal and commercial trust, investment advisory, insurance, securities brokerage, investment banking, mortgage, credit card, cash management, international banking and other financial services.

At December 31, 2006, Wachovia had consolidated total assets of $707.1 billion, consolidated total deposits of $407.5 billion and consolidated stockholders equity of $69.7 billion. Based on total assets at December 31, 2006, Wachovia was the fourth largest bank holding company in the United States.

Wachovia s principal executive office is: Wachovia Corporation, 301 South College Street, Charlotte, North Carolina 28288, telephone number: (704) 374-6782.

Wachovia Capital Trust IX

The Trust is a statutory trust formed under Delaware law pursuant to a trust agreement by Wachovia, as sponsor of the Trust, and the property trustee, the Delaware trustee and the administrative trustees. The Trust exists for the exclusive purposes of:

- issuing the Trust Preferred Securities and common securities representing undivided beneficial interests in the Trust;
- investing the gross proceeds of the Trust Preferred Securities and the common securities in the LoTS^{SM}; and
- engaging in only those activities convenient, necessary or incidental thereto.

The Trust s business and affairs will be conducted by its trustees, each appointed by Wachovia as sponsor of the Trust. The trustees will be U.S. Bank National Association, as the *property trustee*, U.S. Bank Trust National Association, as the *Delaware trustee*, and two or more individual trustees, or *administrative trustees*, who are employees or officers of or affiliated with Wachovia.

The principal executive office of the Trust is c/o Wachovia Corporation, 301 South College Street, Charlotte, North Carolina 28288, telephone number: (704) 374-6782.

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The Trust Preferred Securities

Each Trust Preferred Security represents an undivided beneficial interest in the Trust.

The Trust will sell the Trust Preferred Securities to the public and its common securities to Wachovia. The Trust will use the proceeds from those sales to purchase $ aggregate principal amount of % Extendible Long Term Subordinated Notes of Wachovia, which we refer to in this prospectus supplement as the *LoTS*SM. Wachovia will pay interest on the LoTSSM at the same rate and on the same dates as the Trust makes payments on the Trust Preferred Securities. The Trust will use the payments it receives on the LoTSSM to make the corresponding payments on the Trust Preferred Securities.

The underwriters have the option to purchase up to an additional Trust Preferred Securities, or $ in the aggregate. The Trust will use the proceeds from those to purchase an additional corresponding amount of LoTSSM.

Distributions

If you purchase Trust Preferred Securities, you will be entitled to receive periodic distributions on the stated liquidation amount of $25 per Trust Preferred Security (the *liquidation amount*) on the same payment dates and in the same amounts as Wachovia pays interest to the Trust on a principal amount of LoTSSM equal to the liquidation amount of such Trust Preferred Security. Distributions will accumulate from May , 2007. The Trust will make distribution payments on the Trust Preferred Securities quarterly in arrears on each March 15, June 15, September 15 and December 15, beginning on September 15, 2007. If Wachovia defers payment of interest on the LoTSSM, distributions by the Trust on the Trust Preferred Securities will also be deferred.

Deferral of Distributions

Wachovia has the right, on one or more occasions, to defer the payment of interest on the LoTSSM for up to 20 consecutive quarterly interest periods without being subject to its obligations described under Description of the LoTSSM Alternative Payment Mechanism, and for up to 40 consecutive quarterly interest periods without giving rise to an event of default under the terms of the LoTSSM or the Trust Preferred Securities. However, no interest deferral may extend beyond the repayment or redemption of the LoTSSM.

If Wachovia exercises its right to defer interest payments on the LoTSSM, the Trust will also defer paying a corresponding amount of distributions on the Trust Preferred Securities during that deferral period.

Although neither Wachovia nor the Trust will be required to make any interest or distribution payments during a deferral period other than pursuant to the alternative payment mechanism, interest on the LoTSSM will continue to accrue during deferral periods and, as a result, distributions on the Trust Preferred Securities will continue to accumulate at the interest rate on the LoTSSM, compounded on each distribution date.

Following the earlier of (i) the fifth anniversary of the commencement of a deferral period or (ii) a payment of current interest on the LoTS^{SM}, Wachovia will be required, with certain exceptions, to pay deferred interest pursuant to the alternative payment mechanism described under Description of the LoTS^{SM} Alternative Payment Mechanism. At any time during a deferral period, Wachovia may not pay deferred interest on the LoTS^{SM} except pursuant to the alternative payment mechanism, subject to limited exceptions. However, it may pay current interest on any interest payment date out of any source of funds free of the limitations of the alternative payment mechanism, even if that interest payment date is during a deferral period.

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If Wachovia defers payments of interest on the LoTS^{SM}, the LoTS^{SM} will be treated as being issued with original issue discount for United States federal income tax purposes. This means that you must include interest income with respect to the deferred distributions on your Trust Preferred Securities in gross income for United States federal income tax purposes, prior to receiving any cash distributions. See Certain United States Federal Income Tax Consequences United States Holders Interest Income and Original Issue Discount.

Redemption of Trust Preferred Securities

The Trust will use the proceeds of any repayment or redemption of the LoTS^{SM} to redeem, on a proportionate basis, an equal amount of Trust Preferred Securities and common securities.

For a description of Wachovia s rights to redeem the LoTS^{SM}, see Description of the LoTS^{SM} Redemption.

Under the current rules of the Board of Governors of the Federal Reserve System (referred to collectively with the Federal Reserve Bank of Richmond, or any successor federal bank regulatory agency having primary jurisdiction over Wachovia, as the *Federal Reserve*), Federal Reserve approval is generally required for the early redemption of preferred stock or trust preferred securities included in regulatory capital. However, under current guidelines, rules and regulations, Federal Reserve approval is not required for the redemption of the Trust Preferred Securities on or after the scheduled maturity date in connection with the repayment of the LoTS^{SM} since, in this case, the redemption would not be an early redemption but would be pursuant to Wachovia s contractual obligation to repay the LoTS^{SM}, subject to the limitations described under Description of the LoTS^{SM} Repayment of Principal, on the scheduled maturity date.

Liquidation of the Trust and Distribution of LoTS^{SM} to Holders

Wachovia may elect to dissolve the Trust at any time and, after satisfaction of the Trust s liabilities, to cause the property trustee to distribute the LoTS^{SM} to the holders of the Trust Preferred Securities and common securities. However, if then required under the risk-based capital guidelines or policies of the Federal Reserve applicable to bank holding companies, it must obtain the approval of the Federal Reserve prior to making that election.

Further Issues

The Trust has the right to issue additional Trust Preferred Securities of this series in the future, subject to the conditions described under Description of the Trust Preferred Securities Further Issues. Any such additional Trust Preferred Securities will have the same terms as the Trust Preferred Securities being offered by this prospectus supplement but may be offered at a different offering price and accrue distributions from a different date than the Trust Preferred Securities being offered hereby, provided that the total liquidation amount of Trust Preferred Securities outstanding may not exceed $1.4 billion. If issued, any such additional Trust Preferred Securities will become part of the same series as the Trust Preferred Securities being offered hereby to the extent such securities bear the same CUSIP number.

Book-Entry

The Trust Preferred Securities will be represented by one or more global securities registered in the name of and deposited with The Depository Trust Company (*DTC*) or its nominee. This means that you will not receive a certificate for your Trust Preferred Securities and Trust Preferred Securities will not be registered in your name, except under certain limited circumstances described in Book-Entry System.

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Listing

Wachovia will apply to list the Trust Preferred Securities on the New York Stock Exchange. Trading in the Trust Preferred Securities is expected to commence within 30 days after they are first issued.

The LoTS^{SM}

Repayment of Principal

Wachovia must repay the principal amount of the LoTS^{SM}, together with accrued and unpaid interest, on June 15, 2047, or if that date is not a business day, the next business day (the *scheduled maturity date*), subject to the limitations described below.

Wachovia is required to repay the LoTS^{SM} on the scheduled maturity date to the extent of the net proceeds that it has raised from the issuance of *qualifying capital securities*, as described under Replacement Capital Covenant, during a 180-day period ending on a notice date not more than 15 or less than 10 business days prior to such date. If it has not raised sufficient net proceeds to permit repayment of all principal and accrued and unpaid interest on the LoTS^{SM} on the scheduled maturity date, it will repay the LoTS^{SM} to the extent of the net proceeds it has raised and the unpaid portion will remain outstanding. Wachovia will be required to repay the unpaid portion of the LoTS^{SM} on each subsequent interest payment date to the extent of the net proceeds it receives from any subsequent issuance of qualifying capital securities or upon the earliest to occur of:

- the redemption of the LoTS^{SM};
- an event of default that results in acceleration of the LoTS^{SM}; and
- June 1, 2067, or if that date is not a business day, the next business day, provided that such date may be extended at Wachovia s option for up to two additional 10-year periods upon the satisfaction of certain criteria, as described under Description of the LoTS^{SM} Repayment of Principal (as extended, if applicable, the *final repayment date*).

Wachovia will use its commercially reasonable efforts, subject to a *market disruption event*, as described under Description of the LoTS^{SM} Market Disruption Events, to raise sufficient net proceeds from the issuance of qualifying capital securities in a 180-day period ending on a notice date not more than 15 or less than 10 business days prior to the scheduled maturity date to permit repayment of the LoTS^{SM} in full on the scheduled maturity date in accordance with the preceding paragraph. If Wachovia is unable for any reason to raise sufficient proceeds, it will use its commercially reasonable efforts, subject to a market disruption event, to raise sufficient proceeds from the sale of qualifying capital securities to permit repayment of the LoTS^{SM} on the following interest payment date, and on each interest payment date thereafter, until the LoTS^{SM} are paid in full.

Any unpaid principal amount of the LoTS^{SM}, together with accrued and unpaid interest, will be due and payable on the final repayment date, regardless of the amount of qualifying capital securities or qualifying APM securities Wachovia has issued and sold by that time.

Wachovia is not required to issue any securities pursuant to the obligation described above other than qualifying capital securities.

Under the current risk-based capital adequacy guidelines of the Federal Reserve, Federal Reserve approval is generally required for the early redemption of preferred stock or trust preferred securities included in regulatory capital. However, under current guidelines, rules and regulations, Federal Reserve approval is not required for the redemption of the Trust Preferred Securities on or after the scheduled

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maturity date in connection with the repayment of the LoTS[SM] as described above since, in this case, the redemption would not be an early redemption but would be pursuant to our contractual obligation to repay the LoTS[SM].

Interest

The LoTS[SM] will bear interest at the annual rate of %. Interest on the LoTS[SM] will accrue from May , 2007. Wachovia will pay that interest quarterly in arrears on March 15, June 15, September 15 and December 15 of each year (we refer to these dates as *interest payment dates*), beginning on September 15, 2007.

Subordination

The LoTS[SM] will be unsecured and will be deeply subordinated upon Wachovia s liquidation, including to all of its existing and future senior and subordinated debt, but will rank equally upon liquidation with its Remarketable Junior Subordinated Notes due 2042 held by Wachovia Capital Trust III, its 6.375% Extendible Long Term Subordinated Notes held by Wachovia Capital Trust IV and Wachovia s guarantees of the trust preferred securities issued by such trusts (collectively, the *existing parity obligations*)), and will be effectively subordinated to all liabilities of its subsidiaries. Substantially all of Wachovia s existing indebtedness is senior and subordinated debt. At December 31, 2006, Wachovia s indebtedness for money borrowed ranking senior to the LoTS[SM] upon liquidation, on a consolidated basis, was $634 billion and its subsidiaries direct borrowings and deposit liabilities that would effectively rank senior to the LoTS[SM] was $730 billion. See Description of the LoTS[SM] Subordination for the definition of *senior and subordinated debt*.

Certain Payment Restrictions Applicable to Wachovia

During any period in which Wachovia has given notice of its election to defer interest payments on the LoTS[SM] but the related deferral period has not yet commenced or a deferral period is continuing, Wachovia generally may not make payments on or redeem or repurchase its capital stock or its debt securities or guarantees ranking *pari passu* with or junior to the LoTS[SM], subject to the exceptions described under Description of the LoTS[SM] Dividend and Other Payment Stoppages during Interest Deferral and under Certain Other Circumstances. In addition, if any deferral period lasts longer than one year, Wachovia generally may not repurchase or acquire any securities ranking *pari passu* with or junior to any qualifying APM securities, the proceeds of which were used to settle deferred interest during the relevant deferral period before the first anniversary of the date on which all deferred interest has been paid. We define qualifying APM securities under Description of the LoTS[SM] Alternative Payment Mechanism.

The terms of the LoTS[SM] permit Wachovia to make any payment of current or deferred interest on its debt securities or guarantees that rank on a parity with the LoTS[SM] upon its liquidation (*parity securities*) so long as the payment is made *pro rata* to the amounts due on parity securities (including the LoTS[SM]), subject to the limitations described in the last paragraph under Description of the LoTS[SM] Alternative Payment Mechanism to the extent that it applies, and any payment of deferred interest on parity securities outstanding on the date hereof that, if not made, would cause it to breach the terms of the instrument governing such parity securities.

Redemption of LoTS[SM]

Wachovia may elect to redeem any or all of the LoTS[SM] at any time on or after June 15, 2012 and it may elect to redeem all, but not less than all, of the LoTS[SM] at any time prior to such date if certain changes occur relating to the capital treatment or tax treatment of the Trust Preferred Securities, investment company laws or the rating agency equity credit accorded to the Trust Preferred Securities. The redemption price of the

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LoTS℠ will be equal to their principal amount (or, in the case of a redemption in connection with changes in the rating agency credit accorded to the Trust Preferred Securities, a make-whole redemption price), plus accrued and unpaid interest thereon through the date of redemption. For a description of the events that would permit redemption of the LoTS℠ prior to June 15, 2012 and the make-whole redemption price, see Description of the LoTS℠ Redemption.

Wachovia will be subject to its obligations under the replacement capital covenant (as described below) if it elects to redeem any or all of the LoTS℠ on or after the earlier of the scheduled maturity date and the date that is 30 years prior to the final repayment date and prior to the date that is 20 years prior to the final repayment date. In addition, under the current risk-based capital adequacy guidelines of the Federal Reserve applicable to bank holding companies, Federal Reserve approval is generally required for the early redemption of preferred stock or trust preferred securities included in regulatory capital. Accordingly, Federal Reserve approval would generally be required for the redemption of the LoTS℠ prior to the scheduled maturity date.

Events of Default

The following events are *events of default* with respect to the LoTS℠:

- default in the payment of interest, including compounded interest, in full on any LoTS℠ for a period of 30 days after the conclusion of a 10-year period following the commencement of any deferral period;
- bankruptcy of Wachovia; or
- receivership of Wachovia Bank, National Association.

If an event of default under the indenture occurs and continues, the indenture trustee or the holders of at least 25% in aggregate principal amount of the outstanding LoTS℠ may declare the entire principal and all accrued but unpaid interest of all LoTS℠ to be due and payable immediately. If the indenture trustee or the holders of LoTS℠ do not make such declaration and the LoTS℠ are beneficially owned by the Trust or a trustee of the Trust, the property trustee or the holders of at least 25% in aggregate liquidation amount of the Trust Preferred Securities shall have such right.

Tax Treatment

In connection with the issuance of the LoTS℠, Simpson Thacher & Bartlett LLP, Wachovia s tax counsel, has advised us that, under current law and assuming full compliance with the terms of the indenture and other relevant documents, and based on the representations, facts and assumptions set forth in its opinion, although the matter is not free from doubt, the LoTS℠ will be characterized as indebtedness for United States federal income tax purposes. The Trust Preferred Securities are novel financial instruments, and there is no statutory, judicial or administrative authority that directly addresses the United States federal income tax treatment of securities similar to the Trust Preferred Securities. Thus, no assurance can be given that the Internal Revenue Service or a court will agree with this characterization. By purchasing the Trust Preferred Securities, each holder of the Trust Preferred Securities agrees, and Wachovia and the Trust agree, to treat the LoTS℠ as indebtedness for all United States federal income tax purposes. See Certain United States Federal Income Tax Consequences.

Replacement Capital Covenant

Wachovia will enter into a replacement capital covenant for the benefit of persons that buy, hold or sell a specified series of its long-term indebtedness ranking senior to the LoTS^{SM} (or in certain limited cases long-term indebtedness of its subsidiary, Wachovia Bank, National Association.) in which it will agree that neither it nor any of its subsidiaries shall repay, redeem or purchase the LoTS^{SM} or Trust Preferred Securities at any time on or after the earlier of the scheduled maturity date and the date that is 30 years prior to the final repayment date and prior to the date that is 20 years prior to the final repayment date unless the principal amount repaid or the applicable redemption or purchase price does not exceed a maximum amount determined by reference to the aggregate amount of net cash proceeds Wachovia has received from the sale of common stock, rights to acquire common stock, mandatorily convertible preferred stock, debt exchangeable for common equity, debt exchangeable for preferred equity, qualifying preferred stock, REIT preferred securities and certain qualifying capital securities within the 180-day period (or after the scheduled maturity date, the 90-day period) prior to delivery of notice of such repayment or redemption or the date of such purchase.

The replacement capital covenant, including the definitions of common stock, mandatorily convertible preferred stock, debt exchangeable for common equity, debt exchangeable for preferred equity, qualifying preferred stock, REIT preferred securities, qualifying capital securities and other important terms, is described in more detail under Replacement Capital Covenant.

If an event of default resulting in the acceleration of the LoTS^{SM} occurs, Wachovia will not have to comply with the replacement capital covenant. Wachovia s covenant in the replacement capital covenant will run only to the benefit of the covered debtholders. It may not be enforced by the holders of the Trust Preferred Securities or the LoTS^{SM}. The initial covered debt is Wachovia s Floating Rate Junior Subordinated Deferrable Interest Debentures due January 15, 2027, owned of record by Wachovia Capital Trust II, the trust preferred securities of which have CUSIP No. 929768AA7.

Guarantee by Wachovia

Wachovia will fully and unconditionally guarantee payment of amounts due under the Trust Preferred Securities on a subordinated basis and to the extent the Trust has funds available for payment of those amounts. We refer to this obligation as the *guarantee*. However, the guarantee does not cover payments if the Trust does not have sufficient funds to make the distribution payments, including, for example, if Wachovia has failed to pay to the Trust amounts due under the LoTS^{SM} or if it elects to defer payment of interest under the LoTS^{SM}.

As issuer of the LoTS^{SM}, Wachovia is also obligated to pay the expenses and other obligations of the Trust, other than its obligations to make payments on the Trust Preferred Securities.

RISK FACTORS

An investment in the Trust Preferred Securities is subject to the risks described below. You should carefully review the following risk factors and other information contained in this prospectus supplement, in documents incorporated by reference in this prospectus supplement and in the accompanying prospectus before deciding whether this investment is suited to your particular circumstances. In addition, because each Trust Preferred Security sold in the offering will represent a beneficial interest in the Trust, which will own the LoTS^{SM}, you are also making an investment decision with regard to the LoTS^{SM}, as well as Wachovia s guarantee of the Trust s obligations. You should carefully review all the information in this prospectus supplement about all of these securities.

The indenture does not limit the amount of indebtedness for money borrowed Wachovia may issue that ranks senior to the LoTS^{SM} upon its liquidation or in right of payment as to principal or interest.

The LoTS^{SM} will be subordinate and junior upon Wachovia s liquidation to its obligations under all of its indebtedness for money borrowed that is not by its terms made *pari passu* with or junior to the LoTS^{SM} upon liquidation, which will include $2.3 billion of junior subordinated debt securities underlying outstanding traditional trust preferred securities. At December 31, 2006, Wachovia s indebtedness for money borrowed ranking senior to the LoTS^{SM} on liquidation, on a non-consolidated basis, was $730 billion. The LoTS^{SM} will rank *pari passu* with the existing parity obligations.

Parity securities means debt securities or guarantees that rank on a parity with the LoTS^{SM} upon Wachovia s liquidation and include the existing parity obligations. Wachovia may issue or have outstanding parity securities as to which it is required to make payments of interest during a deferral period on the LoTS^{SM} that, if not made, would cause it to breach the terms of the instrument governing such parity securities. The terms of the LoTS^{SM} permit Wachovia to make any payment of deferred interest on parity securities outstanding on the date hereof that, if not made, would cause it to breach the terms of the instrument governing such parity securities. They also permit Wachovia to make any payment of current or deferred interest on parity securities and on the LoTS^{SM} during a deferral period that is made *pro rata* to the amounts due on such parity securities and the LoTS^{SM}, subject to the limitations described in the last paragraph under Description of the LoTS^{SM} Alternative Payment Mechanism to the extent that it applies.

The LoTS^{SM} beneficially owned by the Trust will be effectively subordinated to the obligations of Wachovia s subsidiaries.

Wachovia receives a significant portion of its revenue from dividends from its subsidiaries. Because it is a holding company, its right to participate in any distribution of the assets of its banking or nonbanking subsidiaries, upon a subsidiary s dissolution, winding-up, liquidation or reorganization or otherwise, and thus your ability to benefit indirectly from such distribution, is subject to the prior claims of creditors of any such subsidiary, except to the extent that Wachovia may be a creditor of that subsidiary and its claims are recognized. There are legal limitations on the extent to which some of its subsidiaries may extend credit, pay dividends or otherwise supply funds to, or engage in transactions with, it or some of its other subsidiaries. Wachovia s subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay amounts due under Wachovia s contracts or otherwise to make any funds available to it. Accordingly, the payments on the LoTS^{SM}, and therefore the Trust Preferred Securities, effectively will be subordinated to all existing and future liabilities of Wachovia s subsidiaries. At December 31, 2006, Wachovia s subsidiaries direct borrowings and deposit liabilities was $730 billion.

Wachovia s ability to make distributions on or redeem the Trust Preferred Securities is restricted.

Federal banking authorities will have the right to examine the Trust and its activities because it is Wachovia s subsidiary. Under certain circumstances, including any determination that Wachovia s

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relationship to the Trust would result in an unsafe and unsound banking practice, these banking authorities have the authority to issue orders that could restrict the Trust s ability to make distributions on or to redeem the Trust Preferred Securities.

Wachovia guarantees distributions on the Trust Preferred Securities only if the Trust has cash available.

If you hold any of the Trust Preferred Securities, Wachovia will guarantee you, on an unsecured and junior subordinated basis, the payment of the following:

- any accumulated and unpaid distributions required to be paid on the Trust Preferred Securities, to the extent the Trust has funds available to make the payment;
- the redemption price for any Trust Preferred Securities called for redemption, to the extent the Trust has funds available to make the payment; and
- upon a voluntary or involuntary dissolution, winding-up or liquidation of the Trust, other than in connection with a distribution of corresponding assets to holders of Trust Preferred Securities, the lesser of:
  - the aggregate of the stated liquidation amount and all accumulated and unpaid distributions on the Trust Preferred Securities to the date of payment, to the extent the Trust has funds available to make the payment; and
  - the amount of assets of the Trust remaining available for distribution to holders of the Trust Preferred Securities upon liquidation of the Trust.

If Wachovia does not make a required interest payment on the LoTS^{SM} or elects to defer interest payments on the LoTS^{SM}, the Trust will not have sufficient funds to make the related distribution on the Trust Preferred Securities. The guarantee does not cover payments on the Trust Preferred Securities when the Trust does not have sufficient funds to make them. If Wachovia does not pay any amounts on the LoTS^{SM} when due, holders of the Trust Preferred Securities will have to rely on the enforcement by the property trustee of the property trustee s rights as owner of the LoTS^{SM}, or proceed directly against Wachovia for payment of any amounts due on the LoTS^{SM}.

Wachovia s obligations under the guarantee are unsecured and are subordinated to and junior in right of payment to all of its secured and senior indebtedness, and will rank *pari passu* with its guarantees of the existing parity obligations and any similar guarantees it issues in the future.

Wachovia may redeem the LoTS^{SM} before June 15, 2012 if there is a challenge to their tax characterization or certain other events occur.

Wachovia may redeem any or all of the LoTS^{SM} at any time on or after June 15, 2012 and it may elect to redeem all, but not less than all, of the LoTS^{SM} before such date if certain changes occur relating to the capital treatment or tax treatment of the Trust Preferred Securities, investment company laws or the rating agency credit accorded to the Trust Preferred Securities. The redemption price for the LoTS^{SM} will be equal to their principal amount or, in the case of a redemption in connection with changes in the rating agency credit accorded to the Trust Preferred Securities, a make-whole redemption price, in each case plus accrued and unpaid interest through the date of redemption. If the Trust Preferred

Securities were redeemed, the redemption would be a taxable event to you. In addition, you might not be able to reinvest the money you receive upon redemption of the Trust Preferred Securities at the same rate as the rate of return on the Trust Preferred Securities. See Description of the LoTS^{SM} Redemption.

An IRS pronouncement or threatened challenge resulting in a tax event could occur at any time. Similarly, changes in rating agency methodology for assigning equity credit to the LoTS^{SM}, changes or proposed changes in the treatment of the LoTS^{SM} for Federal Reserve capital adequacy purposes, and changes

relating to the treatment of the trust as an investment company , could result in the LoTS[SM] being redeemed earlier than would otherwise be the case. See Description of the LoTS[SM] Redemption for a further description of those events.

Wachovia s right to redeem the LoTS[SM] on or after the scheduled maturity date is limited by the replacement capital covenant.

As described above, Wachovia may redeem any or all of LoTS[SM] at any time on or after June 15, 2012, including on or after the scheduled maturity date. However, the replacement capital covenant described under Replacement Capital Covenant will limit its right to redeem or purchase LoTS[SM] on or after the earlier of the scheduled maturity date and the date that is 30 years prior to the final repayment date and prior to the date that is 20 years prior to the final repayment date. In the replacement capital covenant, Wachovia covenants, for the benefit of holders of a designated series of its indebtedness that ranks senior to the LoTS[SM], or in certain limited cases holders of a designated series of indebtedness of Wachovia Bank, National Association, that neither it nor any of its subsidiaries will redeem, repay or purchase the LoTS[SM] or the Trust Preferred Securities unless the principal amount repaid or the applicable redemption or purchase price does not exceed a maximum amount determined by reference to the aggregate amount of net cash proceeds it receives from the sale of certain replacement capital securities and the market value of certain issuances of common stock within the 180-day period (or after the scheduled maturity date, the 90-day period) prior to the delivery of notice of such repayment or redemption or the date of such purchase. Accordingly, there could be circumstances in which it would be in the interest of both you and Wachovia that some or all of the LoTS[SM] or the Trust Preferred Securities be redeemed, and sufficient cash is available for that purpose, but Wachovia will be restricted from doing so because it did not obtain proceeds from the sale of replacement capital securities, which are described in Replacement Capital Covenant, within the relevant period.

Wachovia s obligation to repay the LoTS[SM] on the scheduled maturity date is subject to issuance of qualifying capital securities.

Wachovia s obligation to repay the LoTS[SM] on the scheduled maturity date of June 15, 2047 is limited. Wachovia is required to repay the LoTS[SM] on the scheduled maturity date to the extent that it has raised sufficient net proceeds from the issuance of qualifying capital securities (as defined under Replacement Capital Covenant) within a 180-day period ending on a notice date not more than 15 or less than 10 business days prior to such date. If it has not raised sufficient proceeds from the issuance of qualifying capital securities to permit repayment of the LoTS[SM] on the scheduled maturity date, it will repay the LoTS[SM] to the extent of the net proceeds it has received and the unpaid portion will remain outstanding. Moreover, Wachovia may only pay deferred interest out of the net proceeds from the sale of qualifying APM securities, as described under Wachovia s ability to pay deferred interest is limited by the terms of the alternative payment mechanism, and is subject to market disruption events and other factors beyond its control. Wachovia will be required to repay the unpaid portion of the LoTS[SM] on each subsequent interest payment date to the extent of net proceeds it receives from any subsequent issuance of qualifying capital securities until: (i) it has raised sufficient net proceeds to permit repayment in full in accordance with this requirement, (ii) payment of the LoTS[SM] is accelerated upon the occurrence of an event of default or (iii) the final repayment date for the LoTS[SM]. Wachovia s ability to issue qualifying capital securities in connection with this obligation to repay the LoTS[SM] will depend on, among other things, market conditions at the time the obligation arises, as well as the acceptability to prospective investors of the terms of these qualifying capital securities. Although Wachovia has agreed to use its commercially reasonable efforts to issue sufficient qualifying capital securities to repay the LoTS[SM] during the 180-day period referred to above and from quarter to quarter thereafter until the LoTS[SM] are repaid in full, its failure to do so would not be an event of default or give rise to a right of acceleration or similar remedy until the final repayment date, and it will be excused from using its commercially reasonable efforts if certain market disruption events occur.

Moreover, at or around the time of issuance of the Trust Preferred Securities, Wachovia will enter into the replacement capital covenant pursuant to which Wachovia will covenant that neither it nor any of its

subsidiaries will repay, redeem or purchase LoTS℠ or Trust Preferred Securities at any time on or after the earlier of the scheduled maturity date and the date that is 30 years prior to the final repayment date and prior to the date that is 20 years prior to the final repayment date unless during the applicable measurement period Wachovia or its subsidiaries have issued certain amounts of common stock or received sufficient proceeds from the sale of replacement capital securities. Although under the replacement capital covenant, the principal amount of LoTS℠ that Wachovia may repay on or after the earlier of the scheduled maturity date and the date that is 30 years prior to the final repayment date may be based on the net cash proceeds from certain issuances of common stock, rights to acquire common stock, mandatorily convertible preferred stock, debt exchangeable for common equity, debt exchangeable for preferred equity and REIT preferred securities in addition to qualifying capital securities, Wachovia may modify the replacement capital covenant without your consent if the modification does not further restrict its ability to repay the LoTS℠ in connection with an issuance of qualifying capital securities. See Replacement Capital Covenant.

Wachovia has no obligation to issue any securities other than qualifying capital securities in connection with its obligation to repay the LoTS℠ on or after the scheduled maturity date.

Wachovia has the right to defer interest for 10 years without causing an event of default.

Wachovia has the right to defer interest on the LoTS℠ for up to 40 consecutive quarterly interest periods. Although it would be subject to the alternative payment mechanism after the earlier of the fifth anniversary of the commencement of the deferral period and the first interest payment date on which it makes any payment of current interest during a deferral period, if it is unable to raise sufficient eligible proceeds, it may fail to pay accrued interest on the LoTS℠ for a period of up to 10 consecutive years without causing an event of default. During any such deferral period, holders of Trust Preferred Securities will receive limited or no current payments on the Trust Preferred Securities and, so long as Wachovia is otherwise in compliance with its obligations, such holders will have no remedies against the Trust or Wachovia for nonpayment unless it fails to pay all deferred interest (including compounded interest) within 30 days of the conclusion of a 10-year deferral period.

Wachovia s ability to pay deferred interest is limited by the terms of the alternative payment mechanism, and is subject to market disruption events and other factors beyond its control.

If Wachovia elects to defer interest payments, it will not be permitted to pay deferred interest on the LoTS℠ (and compounded interest thereon) during the deferral period, which may last up to 10 years, from any source other than the issuance of common stock, qualifying preferred stock up to the preferred stock issuance cap and qualifying warrants (each as defined under Description of the LoTS℠ Alternative Payment Mechanism) unless a supervisory event has occurred and is continuing (*i.e.*, the Federal Reserve has disapproved of such issuance or disapproved of the use of proceeds of such issuance to pay deferred interest), in the case of certain business combinations or if an event of default has occurred and is continuing, in which case Wachovia will be permitted, but not required, to pay deferred interest with cash from any source, all as described under Description of the LoTS℠ Alternative Payment Mechanism. Common stock, qualifying preferred stock and qualifying warrants issuable under the alternative payment mechanism are referred to as qualifying APM securities. The preferred stock issuance cap limits the net proceeds of the issuance of qualifying preferred stock that Wachovia may apply to the payment of deferred interest with respect to all deferral periods to 25% of the aggregate principal amount of the LoTS℠ initially issued. The occurrence of a market disruption event or supervisory event may prevent or delay a sale of qualifying APM securities pursuant to the alternative payment mechanism and, accordingly, the payment of deferred interest on the LoTS℠. Market disruption events include events and circumstances both within and beyond Wachovia s control, such as the failure to obtain approval of a regulatory body or governmental authority to issue qualifying APM securities or shareholder consent to increase the shares available for issuance in a sufficient amount, in each case notwithstanding its commercially reasonable efforts. Moreover, Wachovia may encounter difficulties in successfully marketing its qualifying APM securities, particularly during times it is

subject to the restrictions on dividends as a result of the deferral of interest. If Wachovia does not sell sufficient qualifying APM securities to fund deferred interest payments in these circumstances (other than as a result of a supervisory event), Wachovia will not be permitted to pay deferred interest to the Trust and, accordingly, no payment of distributions may be made on the Trust Preferred Securities, even if it has cash available from other sources. See Description of the LoTS^{SM} Option to Defer Interest Payments, Alternative Payment Mechanism and Market Disruption Events.

The terms of Wachovia s outstanding junior subordinated debentures prohibit it from making any payment of principal or interest on the LoTS^{SM} or the guarantee relating to the Trust Preferred Securities and from repaying, redeeming or repurchasing any LoTS^{SM} if it has actual knowledge of any event that would be an event of default under any indenture governing those debentures or at any time when it has deferred interest thereunder.

Wachovia must notify the Federal Reserve before using the alternative payment mechanism and may not use it if the Federal Reserve shall have disapproved.

The indenture for the LoTS^{SM} provides that Wachovia must notify the Federal Reserve if the alternative payment mechanism is applicable and that it may not sell its qualifying APM securities or apply any eligible proceeds to pay interest pursuant to the alternative payment mechanism if a supervisory event has occurred and is continuing (*i.e.*, the Federal Reserve has disapproved of such issuance or disapproved of the use of proceeds of such issuance to pay deferred interest). The Federal Reserve may allow the issuance of qualifying APM securities, but not allow use of the proceeds to pay deferred interest on the LoTS^{SM} and require that the proceeds be applied to other purposes, including supporting a troubled bank subsidiary. Accordingly, if Wachovia elects to defer interest on the LoTS^{SM} and the Federal Reserve disapproves of the issuance of qualifying APM securities or the application of the proceeds to pay deferred interest, it may be unable to pay the deferred interest on the LoTS^{SM}.

Wachovia may continue to defer interest in the event of Federal Reserve disapproval of all or part of the alternative payment mechanism until 10 years have elapsed since the beginning of the deferral period without triggering an event of default under the indenture. As a result, Wachovia could defer interest for up to 10 years without being required to sell qualifying APM securities and apply the proceeds to pay deferred interest.

The indenture limits Wachovia s obligation to raise proceeds from the sale of common stock to pay deferred interest during the first nine years of a deferral period and generally does not obligate it to issue qualifying warrants.

The indenture limits Wachovia s obligation to raise proceeds from the sale of shares of common stock to pay deferred interest attributable to the first five years of any deferral period (including compounded interest thereon) prior to the ninth anniversary of the commencement of a deferral period in excess of an amount we refer to as the *common equity issuance cap*. The common equity issuance cap takes into account all sales of common stock and qualifying warrants under the alternative payment mechanism for that deferral period. Once Wachovia reaches the common equity issuance cap for a deferral period, it will no longer be obligated to sell common stock to pay deferred interest relating to such deferral period unless such deferral extends beyond the date which is nine years following its commencement. Although Wachovia has the right to sell common stock if it has reached the common equity issuance cap, it has no obligation to do so. In addition, the sale of qualifying warrants to raise proceeds to pay deferred interest is an option that Wachovia has, but in general it is not obligated to sell qualifying warrants and no party may require it to. See Description of the LoTS^{SM} Alternative Payment Mechanism.

Wachovia has the ability under certain circumstances to narrow the definition of qualifying APM securities.

Wachovia may, without the consent of the holders of the Trust Preferred Securities or the LoTS[SM], amend the definition of qualifying APM securities for the purposes of the alternative payment mechanism

to eliminate common stock or qualifying warrants (but not both) from the definition if Wachovia has been advised in writing by a nationally recognized independent accounting firm that there is more than an insubstantial risk that the failure to do so would result in a reduction in its earnings per share as calculated for financial reporting purposes. The elimination of either common stock or qualifying warrants from the definition of qualifying APM securities, together with continued application of the preferred stock issuance cap, may make it more difficult for Wachovia to succeed in selling sufficient qualifying APM securities to fund the payment of deferred interest.

Deferral of interest payments could adversely affect the market price of the Trust Preferred Securities.

Wachovia currently does not intend to exercise its right to defer payments of interest on the LoTS^{SM}. However, if it exercises that right in the future, the market price of the Trust Preferred Securities is likely to be affected. As a result of the existence of this deferral right, the market price of the Trust Preferred Securities, payments on which depend solely on payments being made on the LoTS^{SM}, may be more volatile than the market prices of other securities that are not subject to optional deferral. If Wachovia does defer interest on the LoTS^{SM} and you elect to sell Trust Preferred Securities during the deferral period, you may not receive the same return on your investment as a holder that continues to hold its Trust Preferred Securities until the payment of interest at the end of the deferral period.

If Wachovia does defer interest payments on the LoTS^{SM}, you will be required to accrue income, in the form of original issue discount, for United States federal income tax purposes during the period of the deferral in respect of your proportionate share of the LoTS^{SM}, even if you normally report income when received and even though you may not receive the cash attributable to that income during the deferral period. You will also not receive the cash distribution related to any accrued and unpaid interest from the Trust if you sell the Trust Preferred Securities before the record date for any deferred distributions, even if you held the Trust Preferred Securities on the date that the payments would normally have been paid. See Certain United States Federal Income Tax Consequences United States Holders Interest Income and Original Issue Discount.

Claims for deferred interest would be limited upon bankruptcy, insolvency or receivership.

In certain events of Wachovia s bankruptcy, insolvency or receivership prior to the redemption or repayment of any LoTS^{SM}, whether voluntary or not, a holder of LoTS^{SM} will have no claim for, and thus no right to receive, deferred and unpaid interest (including compounded interest thereon) that has not been settled through the application of the alternative payment mechanism to the extent the amount of such interest exceeds the sum of (x) two years of accumulated and unpaid interest (including compounded interest thereon) on the LoTS^{SM} and (y) an amount equal to such holder s *pro rata* share of the excess, if any, of the preferred stock issuance cap over the aggregate amount of net proceeds from the sale of qualifying preferred stock that Wachovia has applied to pay such deferred interest pursuant to the alternative payment mechanism. Each holder of LoTS^{SM} is deemed to agree, however, that, to the extent the claim for deferred interest exceeds the amount set forth in clause (x), the amount it receives in respect of such excess shall not exceed the amount it would have received had the claim for such excess ranked *pari passu* with the interests of the holders, if any, of qualifying preferred stock.

Holders of the Trust Preferred Securities have limited rights under the LoTS^{SM}.

Except as described below, you, as a holder of the Trust Preferred Securities, will not be able to exercise directly any other rights with respect to the LoTS^{SM}.

If an event of default under the Trust Agreement were to occur and be continuing, holders of the Trust Preferred Securities would rely on the enforcement by the property trustee of its rights as the registered holder of the LoTS^{SM} against Wachovia. In addition, the holders of a majority in liquidation amount of the

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Trust Preferred Securities would have the right to direct the time, method and place of conducting any proceeding for any remedy available to the property trustee or to direct the exercise of any trust or power conferred upon the property trustee under the Trust Agreement, including the right to direct the property trustee to exercise the remedies available to it as the holder of the LoTS^{SM}.

The indenture for the LoTS^{SM} provides that the indenture trustee must give holders notice of all defaults or events of default within 30 days after they become known to the indenture trustee. However, except in the cases of a default or an event of default in payment on the LoTS^{SM}, the indenture trustee will be protected in withholding the notice if its responsible officers determine that withholding of the notice is in the interest of the holders.

If the property trustee were to fail to enforce its rights under the LoTS^{SM} in respect of an indenture event of default after a record holder of the Trust Preferred Securities has made a written request, that record holder may, to the extent permitted by applicable law, institute a legal proceeding against Wachovia to enforce the property trustee s rights under the LoTS^{SM}. In addition, if Wachovia were to fail to pay interest or principal on the LoTS^{SM} on the date that interest or principal is otherwise payable, except for deferrals permitted by the Trust Agreement and the indenture, and this failure to pay were continuing, holders of the Trust Preferred Securities may directly institute a proceeding for enforcement of Wachovia s obligations to issue qualifying APM securities pursuant to the alternative payment mechanism or to use commercially reasonable efforts to sell qualifying capital securities as described under Description of the LoTS^{SM} Repayment of Principal , in each case subject to a market disruption event, and for payment of the principal or interest on the LoTS^{SM} having a principal amount equal to the aggregate liquidation amount of their Trust Preferred Securities (a *direct action*) after the respective due dates specified in the LoTS^{SM}. In connection with a direct action, Wachovia would have the right under the indenture and the Trust Agreement to set off any payment made to that holder by it.

The property trustee, as holder of the LoTS^{SM} on behalf of the Trust, has only limited rights of acceleration.

The property trustee, as holder of the LoTS^{SM} on behalf of the Trust, may accelerate payment of the principal and accrued and unpaid interest on the LoTS^{SM} only upon the occurrence and continuation of an indenture event of default. An indenture event of default is generally limited to payment defaults after giving effect to Wachovia s deferral rights, and specific events of bankruptcy, insolvency and reorganization relating to Wachovia or the receivership of its lead bank.

There is no right of acceleration upon Wachovia s breach of other covenants under the indenture or default on its payment obligations under the guarantee. In addition, the indenture does not protect holders from a sudden and dramatic decline in credit quality resulting from takeovers, recapitalizations, or similar restructurings or other highly leveraged transactions.

The secondary market for the Trust Preferred Securities may be illiquid.

We are unable to predict how the Trust Preferred Securities will trade in the secondary market or whether that market will be liquid or illiquid. There is currently no secondary market for the Trust Preferred Securities. Although Wachovia will apply to list the Trust Preferred Securities on the New York Stock Exchange, we can give you no assurance as to the liquidity of any market that may develop for the Trust Preferred Securities.

There can be no assurance that the Internal Revenue Service or a court will agree with the characterization of the LoTS^{SM} as indebtedness for United States federal income tax purposes.

The Trust Preferred Securities are novel financial instruments, and there is no statutory, judicial or administrative authority that directly addresses the United States federal income tax treatment of securities

similar to the Trust Preferred Securities. Thus, no assurance can be given that the Internal Revenue Service or a court will agree with the characterization of the LoTS^{SM} as indebtedness for United States federal income tax purposes. If, contrary to the opinion of Wachovia s tax counsel, the LoTS^{SM} were recharacterized as equity of Wachovia, payments on the LoTS^{SM} to non-United States holders would generally be subject to the United States federal withholding tax at a rate of 30% (or such lower applicable tax treaty rate). See Certain United States Federal Income Tax Consequences. In addition, upon a tax event Wachovia will be entitled to redeem the LoTS^{SM} before June 15, 2012, at 100% of their principal amount, plus accrued and unpaid interest to the date of redemption.

A dissolution of the Trust may affect the value of your investment.

A dissolution of the Trust may affect the market price of your investment. The Trust will be dissolved prior to the redemption of all the LoTS^{SM} upon a bankruptcy, dissolution or liquidation of Wachovia or the entry of an order for dissolution of the Trust by a court. If the Trust dissolves, holders of Trust Preferred Securities will receive $25 principal amount of LoTS^{SM} for each Trust Preferred Security. The LoTS^{SM} will not be listed on a national securities exchange or quoted on any automated interdealer quotation system unless Wachovia determines to list them and they meet the applicable criteria and are accepted for listing and quotation. For these reasons, the LoTS^{SM} may be less liquid than the Trust Preferred Securities and you may not be able to sell them for as much as you would have been able to sell the Trust Preferred Securities.

The general level of interest rates and Wachovia s credit quality will directly affect the value of the Trust Preferred Securities.

The trading prices of the Trust Preferred Securities will be directly affected by, among other things, interest rates generally and Wachovia s credit quality. It is impossible to predict whether interest rates will rise or fall. Wachovia s operating results and prospects and economic, financial and other factors will affect the value of the Trust Preferred Securities.

General market conditions and unpredictable factors could adversely affect market prices for the Trust Preferred Securities.

There can be no assurance about the market prices for the Trust Preferred Securities. Several factors, many of which are beyond our control, will influence the market value of the Trust Preferred Securities. Factors that might influence the market value of the Trust Preferred Securities include:

- whether Wachovia is deferring interest or is likely to defer interest on the LoTS^{SM};
- Wachovia s creditworthiness;
- the market for similar securities; and
- economic, financial, geopolitical, regulatory or judicial events that affect Wachovia or the financial markets generally.

Accordingly, the Trust Preferred Securities that an investor purchases, whether in this offering or in the secondary market, may trade at a discount to their cost.

WACHOVIA CORPORATION

Wachovia was incorporated under the laws of North Carolina in 1967. Wachovia is registered as a financial holding company and a bank holding company under the Bank Holding Company Act of 1956, as amended, and is supervised and regulated by the Federal Reserve. Its banking and securities subsidiaries are supervised and regulated by various federal and state banking and securities regulatory authorities. On September 1, 2001, the former Wachovia Corporation merged with and into First Union Corporation, and First Union Corporation changed its name to Wachovia Corporation.

In addition to North Carolina, Wachovia s full-service banking subsidiaries operate in Alabama, Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Illinois, Kansas, Maryland, Mississippi, Nevada, New Jersey, New York, Pennsylvania, South Carolina, Tennessee, Texas, Virginia and Washington, D.C. These full-service banking subsidiaries provide a wide range of commercial and retail banking and trust services. Wachovia also provides various other financial services, including mortgage lending, home equity lending, leasing, investment banking, insurance and securities brokerage services through other subsidiaries.

In 1985, the Supreme Court upheld regional interstate banking legislation. Since then, Wachovia has concentrated its efforts on building a large regional banking organization in what it perceives to be some of the better banking markets in the United States. Since November 1985, Wachovia has completed over 100 banking-related acquisitions.

Wachovia continually evaluates its business operations and organizational structures to ensure they are aligned closely with its goal of maximizing performance in its core business lines, the General Bank, Wealth Management, the Corporate and Investment Bank, and Capital Management. When consistent with its overall business strategy, Wachovia may consider the disposition of certain of its assets, branches, subsidiaries or lines of business. Wachovia continues to routinely explore acquisition opportunities, particularly in areas that would complement its core business lines, and frequently conducts due diligence activities in connection with possible acquisitions. As a result, acquisition discussions and, in some cases, negotiations frequently take place, and future acquisitions involving cash, debt or equity securities can be expected.

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

Recent Developments

First Quarter 2007 Results

On April 16, 2007, Wachovia announced its results of operations for the quarter ended March 31, 2007. Wachovia s earnings were $2.3 billion in the first quarter of 2007 compared with earnings of $1.7 billion in the first quarter of 2006. On a diluted per share basis, earnings were $1.20 compared with $1.09 a year ago.

Tax-equivalent net interest income was $4.5 billion in the first quarter of 2007 compared with $3.5 billion in the first quarter of 2006. Fee and other income was $3.7 billion in the first quarter of 2007 compared with $3.5 billion in the first quarter of 2006.

Nonperforming assets were $1.8 billion, or 0.41% of net loans and foreclosed properties, at March 31, 2007, compared with $1.4 billion, or 0.32%, at December 31, 2006. Annualized net charge-offs as a percentage of average net loans were 0.15% in the first quarter of 2007 compared with 0.09% in the first quarter of 2006. The provision for credit losses was $177 million in the first quarter of 2007 compared with $61 million a year ago.

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Net loans at March 31, 2007 were $421.7 billion compared with $420.2 billion at December 31, 2006. Total deposits were $408.1 billion at March 31, 2007, compared with $407.5 billion at December 31, 2006. Stockholders equity was $69.8 billion at March 31, 2007, compared with $69.7 billion at December 31, 2006. At March 31, 2007, Wachovia had assets of $706.4 billion.

THE TRUST

The following is a summary of some of the terms of the Trust. This summary, together with the summary of some of the provisions of the related documents described below, contains a description of the material terms of the Trust but is not necessarily complete. We refer you to the documents referred to in the following description, copies of which are available upon request as described in the accompanying prospectus under Where You Can Find More Information.

Wachovia Capital Trust IX, or the *Trust*, is a statutory trust organized under Delaware law pursuant to a Trust Agreement, signed by Wachovia, as sponsor of the Trust, and the Delaware trustee and the filing of a certificate of trust with the Delaware Secretary of State. The Trust Agreement of the Trust will be amended and restated in its entirety by Wachovia, the Delaware trustee, the property trustee and the administrative trustees before the issuance of the Trust Preferred Securities. We refer to the Trust Agreement, as so amended and restated, as the *Trust Agreement*. The Trust Agreement will be qualified as an indenture under the Trust Indenture Act of 1939, as amended, or *Trust Indenture Act*.

The Trust was established solely for the following purposes:

- issuing the Trust Preferred Securities and common securities representing undivided beneficial interests in the Trust;
- investing the gross proceeds of the Trust Preferred Securities and the common securities in the LoTS[SM]; and
- engaging in only those activities convenient, necessary or incidental thereto.

Wachovia will own all of the Trust s common securities, either directly or indirectly. The common securities rank equally with the Trust Preferred Securities and the Trust will make payment on its Trust securities *pro rata*, except that upon certain events of default under the Trust Agreement relating to payment defaults on the LoTS[SM], the rights of the holders of the common securities to payment in respect of distributions and payments upon liquidation and otherwise will be subordinated to the rights of the holders of the Trust Preferred Securities. Wachovia will acquire common securities in an aggregate liquidation amount equal to $10,000.

The Trust s business and affairs will be conducted by its trustees, each appointed by Wachovia as sponsor of the Trust. The trustees will be U.S. Bank National Association, as the property trustee, or *property trustee*, and U.S. Bank Trust National Association, as the Delaware trustee, or *Delaware trustee*, and two or more individual trustees, or *administrative trustees*, who are employees or officers of or affiliated with Wachovia. The property trustee will act as sole trustee under the Trust Agreement for purposes of compliance with the Trust Indenture Act and will also act as trustee under the guarantee and the indenture. See Description of the Guarantee.

Unless an event of default under the indenture has occurred and is continuing at a time that the Trust owns any LoTS^{SM}, the holders of the common securities will be entitled to appoint, remove or replace the property trustee and/or the Delaware trustee.

The property trustee and/or the Delaware trustee may be removed or replaced for cause by the holders of a majority in liquidation amount of the Trust Preferred Securities. In addition, holders of a majority in

liquidation amount of the Trust Preferred Securities will be entitled to appoint, remove or replace the property trustee and/or the Delaware trustee if an event of default under the indenture has occurred and is continuing.

The right to vote to appoint, remove or replace the administrative trustees is vested exclusively in the holders of the Trust s common securities, and in no event will the holders of the Trust Preferred Securities have such right.

The Trust is a finance subsidiary of Wachovia within the meaning of Rule 3-10 of Regulation S-X under the Securities Act of 1933, or *Securities Act*. As a result, no separate financial statements of the Trust are included in this prospectus supplement, and Wachovia does not expect that the Trust will file reports with the SEC under the Securities Exchange Act of 1934, or *Exchange Act*.

The Trust is perpetual, but may be dissolved earlier as provided in the Trust Agreement.

Wachovia will pay all fees and expenses related to the Trust and the offering of the Trust Preferred Securities.

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USE OF PROCEEDS

The Trust will invest the proceeds from its sale of the Trust Preferred Securities through the underwriters to investors and its common securities to Wachovia in the LoTS[SM] issued by Wachovia. Wachovia expects to use the net proceeds it will receive upon issuance of the LoTS[SM], expected to be approximately $ after expenses and underwriting commissions, for general corporate purposes.

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SELECTED CONSOLIDATED CONDENSED FINANCIAL DATA

The following is selected consolidated condensed financial information for Wachovia for the years ended December 31, 2006 and 2005. The summary below should be read in conjunction with Wachovia s consolidated financial statements, and the related notes thereto, and the other detailed information contained in its 2006 Annual Report on Form 10-K.

(In millions, except per share data)	Years Ended December 31, 2006	Years Ended December 31, 2005
CONSOLIDATED CONDENSED SUMMARIES OF INCOME		
Interest income	$ 32,265	23,689
Interest expense	17,016	10,008
Net interest income	15,249	13,681
Provision for credit losses	434	249
Net interest income after provision for credit losses	14,815	13,432
Securities gains	118	89
Fee and other income	14,427	12,130
Merger-related and restructuring expenses	179	292
Other noninterest expense	17,297	15,555
Minority interest in income of consolidated subsidiaries	414	342
Income from continuing operations before income taxes	11,470	9,462
Income taxes	3,725	3,033
Income from continuing operations	7,745	6,429
Discontinued operations, net of income taxes	46	214
Net income	$ 7,791	6,643
PER COMMON SHARE DATA		
Basic		
Income from continuing operations	$ 4.70	4.13
Net income	4.72	4.27
Diluted earnings		
Income from continuing operations	4.61	4.05
Net income	4.63	4.19
Cash dividends	$ 2.14	1.94
Average common shares Basic	1,651	1,556
Average common shares Diluted	1,681	1,585
CONSOLIDATED CONDENSED PERIOD-END BALANCE SHEETS		
ASSETS		
Cash and cash equivalents	$ 34,916	37,625
Trading account assets	45,529	42,704
Securities	108,619	113,698
Loans, net of unearned income	420,158	259,015
Allowance for loan losses	(3,360)	(2,724)
Loans, net	416,798	256,291

Loans held for sale	12,568	6,405
Goodwill	38,379	21,807
Other intangible assets	1,635	1,208
Other assets	48,677	41,017
Total assets	$ 707,121	520,755
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits	407,458	324,894
Short-term borrowings	49,157	61,953
Trading account liabilities	18,228	17,598
Other liabilities	20,867	16,878
Long-term debt	138,594	48,971
Total liabilities	634,304	470,294
Minority interest in net assets of consolidated subsidiaries	3,101	2,900
Stockholders equity	69,716	47,561
Total liabilities and stockholders equity	$ 707,121	520,755

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CAPITALIZATION

Wachovia s consolidated actual unaudited capitalization as of December 31, 2006, and its capitalization as adjusted to give effect to the sale of the securities offered hereby and the sale of $875 million principal amount of its 6.375% Extendible Long Term Subordinated Notes on February 15, 2007 are presented below. See Use of Proceeds.

	December 31, 2006	
(In millions, except per share data)	**Actual**	**Adjusted**
Long-term Debt:		
Senior and subordinated debt	$ 136,093	136,093
LoTS[SM] and *Pari Passu* Securities	2,501	
Total long-term debt	138,594	
Stockholders Equity:		
Dividend Equalization Preferred shares, no par value, 97 million shares issued and outstanding		
Non-Cumulative Perpetual Class A Preferred Stock, Series I, $100,000 liquidation preference per share, 25,010 shares authorized		
Common stock, $3.33 1/3 par value, 3 billion shares authorized, 1,904 billion shares outstanding	6,347	6,347
Paid-in capital	51,746	51,746
Retained earnings	13,723	13,723
Accumulated other comprehensive income, net	(2,100)	(2,100)
Total stockholders equity	69,716	69,716
Total long-term debt and stockholders equity	$ 208,310	

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REGULATORY CONSIDERATIONS

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

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

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

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

ACCOUNTING TREATMENT; REGULATORY CAPITAL

The Trust will not be consolidated on Wachovia s balance sheet as a result of the accounting changes reflected in FASB Interpretation No. 46, Consolidation of Variable Interest Entities, as revised in December 2003. Accordingly, for balance sheet purposes Wachovia will recognize the aggregate principal amount, net of discount, of the LoTS^{SM} it issues to the Trust as a liability and the amount it invests in the Trust s common securities as an asset. The interest paid on the LoTS^{SM} will be recorded as interest expense on Wachovia s income statement.

On March 1, 2005, the Federal Reserve adopted amendments to its risk-based capital guidelines. Among other things, the amendments confirm the continuing inclusion of outstanding and prospective issuances of trust preferred securities in the Tier 1 capital of bank holding companies, but make the qualitative requirements for trust preferred securities issued on or after April 15, 2005 more restrictive in certain respects and make the quantitative limits applicable to the aggregate amount of trust preferred securities and other restricted core capital elements that may be included in Tier 1 capital of bank holding companies more restrictive. The Trust Preferred Securities will qualify as Tier 1 capital for Wachovia.

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DESCRIPTION OF THE TRUST PREFERRED SECURITIES

The following is a brief description of the terms of the Trust Preferred Securities and of the Trust Agreement under which they are issued. It does not purport to be complete in all respects. This description is subject to and qualified in its entirety by reference to the Trust Agreement, which has been filed with the SEC and incorporated by reference into the registration statement to which this prospectus supplement relates and copies of which are available upon request from Wachovia.

General

The Trust Preferred Securities will be issued pursuant to the Trust Agreement. The property trustee, U.S. Bank National Association, will act as indenture trustee for the Trust Preferred Securities under the Trust Agreement for purposes of compliance with the provisions of the Trust Indenture Act. The terms of the Trust Preferred Securities will include those stated in the Trust Agreement, including any amendments thereto, and those made part of the Trust Agreement by the Trust Indenture Act and the Delaware Statutory Trust Act. The Trust will own all of Wachovia s % Extendible Long Term Subordinated Notes, or *LoTS*SM

In addition to the Trust Preferred Securities, the Trust Agreement authorizes the administrative trustees of the Trust to issue common securities on behalf of the Trust. Wachovia will own directly or indirectly all of the Trust s common securities. The common securities rank on a parity, and payments upon redemption, liquidation or otherwise will be made on a proportionate basis, with the Trust Preferred Securities except as set forth under Ranking of Common Securities. The Trust Agreement does not permit the Trust to issue any securities other than the common securities and the Trust Preferred Securities or to incur any indebtedness.

The payment of distributions out of money held by the Trust, and payments upon redemption of the Trust Preferred Securities or liquidation of the Trust, are guaranteed by Wachovia to the extent described under Description of the Guarantee. The guarantee, when taken together with Wachovia s obligations under the LoTSSM and the indenture and its obligations under the Trust Agreement, including its obligations to pay costs, expenses, debts and liabilities of the Trust, other than with respect to the common securities and the Trust Preferred Securities, has the effect of providing a full and unconditional guarantee of amounts due on the Trust Preferred Securities. U.S. Bank National Association, as the guarantee trustee, will hold the guarantee for the benefit of the holders of the Trust Preferred Securities. The guarantee does not cover payment of distributions when the Trust does not have sufficient available funds to pay those distributions. In that case, except in the limited circumstances in which the holder may take direct action, the remedy of a holder of the Trust Preferred Securities is to vote to direct the property trustee to enforce the property trustee s rights under the LoTSSM.

The term *holder* in this prospectus supplement with respect to a registered Trust Preferred Security means the person in whose name such Trust Preferred Security is registered in the security register. The Trust Preferred Securities will be held in book-entry form only, as described under Book-Entry System, except in the circumstances described in that section, and will be held in the name of The Depository Trust Company (*DTC*) or its nominee.

The Trust will apply to list the Trust Preferred Securities on the New York Stock Exchange.

Distributions

A holder of record of the Trust Preferred Securities will be entitled to receive periodic distributions on the stated liquidation amount of $25 per Trust Preferred Security on the same payment dates and in the same amounts as Wachovia pays interest on a principal amount of LoTS[SM] equal to the liquidation amount of such Trust Preferred Security. Distributions will accumulate from May , 2007. The Trust will make distribution

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payments on the Trust Preferred Securities quarterly in arrears, on each March 15, June 15, September 15 and December 15, beginning on September 15, 2007. If Wachovia defers payment of interest on the LoTS^{SM}, distributions by the Trust on the Trust Preferred Securities will also be deferred.

On each distribution date, the Trust will pay the applicable distribution to the holders of the Trust Preferred Securities on the record date for that distribution date, which shall be the last day of the month immediately preceding the month in which the distribution date falls, whether or not a business day. Distributions on the Trust Preferred Securities will be cumulative. The Trust Preferred Securities will be effectively subordinated to the same debts and liabilities to which the LoTS^{SM} are subordinated, as described under Description of the LoTS^{SM} Subordination.

For purposes of this prospectus supplement, *business day* means any day other than a Saturday, Sunday or other day on which banking institutions in New York, New York, Charlotte, North Carolina, or Wilmington, Delaware are authorized or required by law or executive order to remain closed.

In the event that any date on which distributions are payable on the Trust Preferred Securities is not a business day, then payment of the distribution will be made on the next succeeding business day, and no additional amount will accrue for such delay. Each date on which distributions are payable in accordance with the foregoing is referred to as a *distribution date*. The term *distribution* includes any interest payable on unpaid distributions unless otherwise stated. The period beginning on and including May , 2007 and ending on but excluding the first distribution date, September 15, 2007, and each period after that period beginning on and including a distribution date and ending on but excluding the next distribution date is called a *distribution period*. Distributions to which holders of Trust Preferred Securities are entitled but are not paid will accumulate additional distributions at the annual rate.

The funds available to the Trust for distribution to holders of the Trust Preferred Securities will be limited to payments under the LoTS^{SM}. If Wachovia does not make interest payments on the LoTS^{SM}, the property trustee will not have funds available to pay distributions on the Trust Preferred Securities. The Trust will pay distributions through the property trustee, which will hold amounts received from the LoTS^{SM} in a payment account for the benefit of the holders of the Trust Preferred Securities and the common securities.

Deferral of Distributions

Wachovia has the right, on one or more occasions, to defer payment of interest on the LoTS^{SM} for up to 40 consecutive quarterly interest periods, as described under Description of the LoTS^{SM} Option to Defer Interest Payments. If it exercises this right, the Trust will also defer paying a corresponding amount of distributions on the Trust Preferred Securities during that period of deferral. No deferral period may extend beyond the final repayment date of the LoTS^{SM} or the earlier repayment or redemption in full of the LoTS^{SM}.

Although neither Wachovia nor the Trust will be required to make interest or distribution payments during deferral periods other than pursuant to the alternative payment mechanism described under Description of the LoTS^{SM} Alternative Payment Mechanism, interest on the LoTS^{SM} will continue to accrue during deferral periods and, as a result, distributions on the Trust Preferred Securities will continue to accumulate at the annual rate for the LoTS^{SM}, compounded on each interest payment date. References to *accumulated and unpaid distributions* in this prospectus supplement include all accumulated and unpaid distributions, including compounded amounts thereon.

If the Trust defers distributions, the accumulated and unpaid distributions will be paid on the distribution payment date following the last day of the deferral period to the holders on the record date for that distribution payment date. Upon termination of a deferral period and payment of all amounts due on the Trust Preferred Securities, Wachovia may elect to begin a new deferral period.

If Wachovia exercises its deferral right, then during any deferral period, it generally may not make payments on or redeem or repurchase its capital stock or its debt securities or guarantees ranking *pari passu*

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with or junior to the LoTS^{SM} upon its liquidation, subject to certain limited exceptions, as described under Description of the LoTS^{SM} Dividend and Other Payment Stoppages during Interest Deferral and under Certain Other Circumstances.

Redemption

If Wachovia repays or redeems the LoTS^{SM}, in whole or in part, whether at, prior to or after the scheduled maturity date, the property trustee will use the proceeds of that repayment or redemption to redeem a liquidation amount of Trust Preferred Securities and common securities equal to the principal amount of LoTS^{SM} redeemed or repaid.

Under the current risk-based capital adequacy guidelines of the Federal Reserve applicable to bank holding companies, Federal Reserve approval is generally required for the early redemption or repurchase of preferred stock or trust preferred securities included in regulatory capital. However, under current guidelines, rules and regulations, Federal Reserve approval is not required for the redemption of the Trust Preferred Securities on or after the scheduled maturity date in connection with the repayment of the LoTS^{SM} since, in this case, the redemption would not be an early redemption but would be pursuant to our contractual obligation to repay the LoTS^{SM}, subject to the limitations described under Description of the LoTS^{SM} Repayment of Principal, on the scheduled maturity date.

The redemption price per Trust Preferred Security will equal $25 (or in the case of a redemption pursuant to a rating agency event, the make-whole redemption price) plus accumulated but unpaid distributions to the date of payment. If less than all Trust Preferred Securities and common securities are redeemed, the amount of each to be redeemed will be allocated *pro rata* based upon the total amount of Trust Preferred Securities and common securities outstanding, except in the case of a payment default, as set forth under Ranking of Common Securities.

Redemption Procedures

Notice of any redemption will be mailed by the property trustee at least 30 days but not more than 60 days before the redemption date to the registered address of each holder of Trust Preferred Securities to be redeemed. Notwithstanding the foregoing, notice of any redemption of Trust Preferred Securities relating to the repayment of the LoTS^{SM} will be mailed at least 10 but not more than 15 business days before the redemption date to the registered address of each holder of Trust Preferred Securities to be redeemed.

If (i) the Trust gives a notice of redemption of Trust Preferred Securities for cash and (ii) Wachovia has paid to the property trustee, or the paying agent on behalf of the property trustee, a sufficient amount of cash in connection with the related redemption or maturity of the LoTS^{SM}, then on the redemption date, the property trustee, or the paying agent on behalf of the property trustee, will irrevocably deposit with DTC funds sufficient to pay the redemption price for the Trust Preferred Securities being redeemed. See Book-Entry System. The Trust will also give DTC irrevocable instructions and authority to pay the redemption amount in immediately available funds to the beneficial owners of the global securities representing the Trust Preferred Securities. Distributions to be paid on or before the redemption date for any Trust Preferred Securities called for redemption will be payable to the holders as of the record dates for the related dates of distribution. If the Trust Preferred Securities called for redemption are no longer in book-entry form, the property trustee, to the extent funds are available, will irrevocably deposit with the paying agent for the Trust Preferred Securities funds sufficient to pay the applicable redemption price and will give such paying agent irrevocable instructions and authority to pay the redemption price to the holders thereof upon surrender of their certificates evidencing the Trust Preferred Securities.

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If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit:

- all rights of the holders of such Trust Preferred Securities called for redemption will cease, except the right of the holders of such Trust Preferred Securities to receive the redemption price and any distribution payable in respect of the Trust Preferred Securities on or prior to the redemption date, but without interest on such redemption price; and
- the Trust Preferred Securities called for redemption will cease to be outstanding.

If any redemption date is not a business day, then the redemption amount will be payable on the next business day (and without any interest or other payment in respect of any such delay).

If payment of the redemption amount for any LoTS^{SM} called for redemption is improperly withheld or refused and accordingly the redemption amount of the Trust Preferred Securities is not paid either by the Trust or by Wachovia under the guarantee, then interest on the LoTS^{SM} will continue to accrue and distributions on the Trust Preferred Securities called for redemption will continue to accumulate at the annual rate, compounded on each distribution date, from the original redemption date scheduled to the actual date of payment. In this case, the actual payment date will be considered the redemption date for purposes of calculating the redemption amount.

If less than all of the LoTS^{SM} are to be redeemed or repaid on any date, the property trustee will select the particular Trust Preferred Securities to be redeemed not more than 60 days before the redemption date from the outstanding Trust Preferred Securities not previously called for redemption by any method the property trustee deems fair and appropriate, or if the Trust Preferred Securities are in book-entry only form, in accordance with the procedures of DTC. See   Book-Entry System.

For all purposes of the Trust Agreement, unless the context otherwise requires, all provisions relating to the redemption of Trust Preferred Securities shall relate, in the case of any Trust Preferred Securities redeemed or to be redeemed only in part, to the portion of the aggregate liquidation amount of Trust Preferred Securities that has been or is to be redeemed.

Subject to applicable law, including, without limitation, U.S. federal securities laws and, on and after the earlier of the scheduled maturity date and the date that is 30 years prior to the final repayment date and prior to the date that is 20 years prior to the final repayment date, the replacement capital covenant, and subject to the Federal Reserve s risk-based capital guidelines and policies applicable to bank holding companies, Wachovia or its affiliates may at any time and from time to time purchase outstanding Trust Preferred Securities by tender, in the open market or by private agreement. Under the current risk-based capital adequacy guidelines of the Federal Reserve applicable to bank holding companies, Federal Reserve approval is required for a purchase of outstanding Trust Preferred Securities by tender, in the open market or by private agreement prior to the scheduled maturity date.

Optional Liquidation of Trust and Distribution of LoTS^{SM} to Holders

Under the Trust Agreement, the Trust shall dissolve upon the first to occur of:

certain events of bankruptcy, dissolution or liquidation of Wachovia;

the written direction from Wachovia, as holder of the Trust s common securities, to the property trustee to dissolve the Trust and distribute a like amount of the LoTS^{SM} to the holders of the Trust Preferred Securities and common securities, subject to Wachovia s having received any required prior approval of the Federal Reserve;

redemption of all of the Trust Preferred Securities as described under Redemption ; or

the entry of an order for the dissolution of the Trust by a court of competent jurisdiction.

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Except as set forth in the next sentence, if an early dissolution occurs as described above, the property trustee will liquidate the Trust as expeditiously as possible by distributing, after satisfaction of liabilities to creditors of the Trust as provided by applicable law, to the holders of the Trust Preferred Securities and common securities a like amount of the LoTS℠. If the property trustee determines that such distribution is not possible or if the early dissolution occurs as a result of the redemption of Trust Preferred Securities, then the holders will be entitled to receive out of the assets of the Trust available for distribution to holders and after satisfaction of liabilities to creditors of the Trust as provided by applicable law, an amount equal to the aggregate liquidation amount plus accrued and unpaid distributions to the date of payment. If the Trust has insufficient assets available to pay in full such aggregate liquidation distribution, then the amounts payable directly by the Trust on its Trust Preferred Securities and common securities shall be paid on a *pro rata* basis, except as set forth under Ranking of Common Securities.

After the liquidation date fixed for any distribution of LoTS℠ to holders of Trust Preferred Securities:

- the Trust Preferred Securities will no longer be deemed to be outstanding;
- DTC or its nominee, as the record holder of the Trust Preferred Securities, will receive a registered global certificate or certificates representing the LoTS℠ to be delivered upon such distribution;
- any certificates representing the Trust Preferred Securities not held by DTC or its nominee or surrendered to the exchange agent will be deemed to represent LoTS℠ having a principal amount equal to the stated liquidation amount of such Trust Preferred Securities, and bearing accrued and unpaid interest in an amount equal to the accrued and unpaid distributions on such Trust Preferred Securities until such certificates are so surrendered for transfer or reissuance; and
- all rights of the holders of the Trust Preferred Securities will cease, except the right to receive LoTS℠ upon such surrender.

Under current United States federal income tax law, and assuming, as expected, the Trust is treated as a grantor trust, a distribution of LoTS℠ in exchange for the Trust Preferred Securities would not be a taxable event to you. See Certain United States Federal Income Tax Consequences United States Holders Distribution of LoTS℠ or Cash to Holders of Trust Preferred Securities.

Ranking of Common Securities

Payment of distributions on, and the redemption price of and the liquidation distribution in respect of, Trust Preferred Securities and common securities, as applicable, shall be made *pro rata* based on the liquidation amount of the Trust Preferred Securities and common securities, except upon the occurrence and continuation of a payment default on the LoTS℠, the rights of the holders of the common securities to payment in respect of distributions and payments upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the Trust Preferred Securities.

In the case of any event of default under the Trust Agreement resulting from an event of default under the indenture for the LoTS℠, Wachovia, as holder of the Trust s common securities, will have no right to act with respect to any such event of default under the Trust Agreement until the effect of all such events of default with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated. Until all events of default under the Trust Agreement with respect to the Trust Preferred Securities have been so cured, waived or otherwise eliminated, the property trustee shall act solely on behalf of the holders of Trust Preferred Securities and not on Wachovia s behalf, and only the holders of the Trust Preferred Securities will have the right to direct the property trustee to act on their behalf.

If an early dissolution event occurs in respect of the Trust, no liquidation distributions shall be made on the Trust s common securities unless full liquidation distributions are made on the Trust Preferred Securities.

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Events of Default under Trust Agreement

Any one of the following events constitutes an event of default under the Trust Agreement, or a *Trust Event of Default*, regardless of the reason for such event of default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body:

- the occurrence of an event of default under the indenture with respect to the LoTS^{SM} beneficially owned by the Trust;
- the default by the Trust in the payment of any distribution on any Trust security of the Trust when such becomes due and payable, and continuation of such default for a period of 30 days;
- the default by the Trust in the payment of any redemption price of any Trust security of the Trust when such becomes due and payable;
- the failure to perform or the breach, in any material respect, of any other covenant or warranty of the trustees in the Trust Agreement for 90 days after the defaulting trustee or trustees have received written notice of the failure to perform or breach in the manner specified in such Trust Agreement; or
- the occurrence of certain events of bankruptcy or insolvency with respect to the property trustee and our failure to appoint a successor property trustee within 90 days.

Within 30 days after any Trust Event of Default actually known to the property trustee occurs, the property trustee will transmit notice of such Trust Event of Default to the holders of the Trust Securities and to the administrative trustees, unless such Trust Event of Default shall have been cured or waived. Wachovia, as sponsor, and the administrative trustees are required to file annually with the property trustee a certificate as to whether or not it or they are in compliance with all the conditions and covenants applicable to it and to them under the Trust Agreement.

The existence of a Trust Event of Default under the Trust Agreement, in and of itself, with respect to the LoTS^{SM} does not entitle the holders of the Trust Preferred Securities to accelerate the maturity of such LoTS^{SM}.

An event of default under the indenture for the LoTS^{SM} with respect to Wachovia s failure to pay interest that Wachovia is otherwise obligated to pay on the LoTS^{SM} in full within 30 days after the conclusion of a deferral period that continues for 10 years entitles the property trustee, as sole holder of the LoTS^{SM}, to declare the LoTS^{SM} due and payable under the indenture. For a more complete description of remedies available upon the occurrence of an event of default with respect to the LoTS^{SM}, see Description of the LoTS^{SM} Events of Default; Waiver and Notice and Relationship among Trust Preferred Securities, LoTS^{SM} and Guarantee.

Removal of Trustees

Unless an event of default under the indenture has occurred and is continuing, the property trustee and/or the Delaware trustee may be removed at any time by Wachovia, the holder of the Trust s common securities. The property trustee and the Delaware trustee may be removed by the holders of a majority in liquidation amount of the outstanding Trust Preferred Securities for cause or by the holders of a majority in liquidation amount of the Trust Preferred Securities if an event of default under the indenture has occurred and is continuing. In no event will the holders of the Trust Preferred Securities have the right to vote to appoint, remove or replace the administrative trustees, which voting rights are vested exclusively in Wachovia, as the holder of the common securities. No resignation or removal of a trustee and no appointment of a successor trustee shall be effective until the acceptance of appointment by the successor trustee in accordance with the provisions of the Trust Agreement.

Co-Trustees and Separate Property Trustee

Unless an event of default under the indenture shall have occurred and be continuing, at any time or from time to time, for the purpose of meeting the legal requirements of the Trust Indenture Act or of any jurisdiction in which any part of the Trust property may at the time be located, Wachovia, as the holder of the Trust s common securities, and the administrative trustees shall have the power to appoint one or more persons either to act as a co-trustee, jointly with the property trustee, of all or any part of such Trust property, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such person or persons in such capacity any property, title, right or power deemed necessary or desirable, subject to the provisions of such Trust Agreement. If an event of default under the indenture has occurred and is continuing, the property trustee alone shall have power to make such appointment.

Merger or Consolidation of Trustees

Any person into which the property trustee or the Delaware trustee, if not a natural person, may be merged or converted or with which it may be consolidated, or any person resulting from any merger, conversion or consolidation to which such trustee shall be a party, or any person succeeding to all or substantially all the corporate trust business of such trustee, shall be the successor of such trustee under the Trust Agreement, provided that such person shall be otherwise qualified and eligible.

Mergers, Consolidations, Amalgamations or Replacements of the Trust

The Trust may not merge with or into, consolidate, amalgamate, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to Wachovia or any other person, except as described below or as otherwise described in the Trust Agreement. The Trust may, at Wachovia s request, with the consent of the administrative trustees but without the consent of the holders of the Trust Preferred Securities, the property trustee or the Delaware trustee, merge with or into, consolidate, amalgamate, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, a successor trust organized as such under the laws of any state if:

- such successor entity either:
  - expressly assumes all of the obligations of the Trust with respect to the Trust Preferred Securities, or
  - substitutes for the Trust Preferred Securities other securities having substantially the same terms as the Trust Preferred Securities, or the *Successor Securities*, so long as the Successor Securities rank the same as the Trust Preferred Securities in priority with respect to distributions and payments upon liquidation, redemption and otherwise;
- a trustee of such successor entity possessing the same powers and duties as the property trustee is appointed to hold the LoTS^{SM} then held by or on behalf of the property trustee;
- such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not cause the Trust Preferred Securities, including any Successor Securities, to be downgraded by any nationally recognized statistical rating organization;

such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of Trust Preferred Securities, including any Successor Securities, in any material respect;

such successor entity has purposes substantially identical to those of the Trust;

prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, the property trustee has received an opinion from counsel to the Trust experienced in such matters to the effect that:

such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of Trust Preferred Securities, including any Successor Securities, in any material respect, and

following such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, neither the Trust nor such successor entity will be required to register as an investment company under the Investment Company Act of 1940, or *Investment Company Act* ;

the Trust has received an opinion of counsel experienced in such matters that such merger, consolidation, amalgamation, conveyance, transfer or lease will not cause the Trust or the successor entity to be classified other than as a grantor trust for U.S. federal income tax purposes; and

Wachovia or any permitted successor or assignee owns all of the common securities of such successor entity and guarantee the obligations of such successor entity under the Successor Securities at least to the extent provided by the guarantee.

Notwithstanding the foregoing, the Trust may not, except with the consent of holders of 100% in liquidation amount of the Trust Preferred Securities, consolidate, amalgamate, merge with or into, or be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger, replacement, conveyance, transfer or lease would cause the Trust or the successor entity to be classified as other than a grantor trust for U.S. federal income tax purposes.

Voting Rights; Amendment of the Trust Agreement

Except as provided herein and under Description of the Guarantee Amendments and Assignment and as otherwise required by law and the Trust Agreement, the holders of the Trust Preferred Securities will have no voting rights or control over the administration, operation or management of the Trust or the obligations of the parties to the Trust Agreement, including in respect of LoTS^{SM} beneficially owned by the Trust. Under the Trust Agreement, however, the property trustee will be required to obtain their consent before exercising some of its rights in respect of these securities.

Trust Agreement. Wachovia and the administrative trustees may amend the Trust Agreement without the consent of the holders of the Trust Preferred Securities, the property trustee or the Delaware trustee, unless in the case of the first two bullets below such amendment will materially and adversely affect the interests of any holder of Trust Preferred Securities or the property trustee or the Delaware trustee or impose any additional duty or obligation on the property trustee or the Delaware trustee, to:

cure any ambiguity, correct or supplement any provisions in the Trust Agreement that may be inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising under such Trust Agreement, which may not be inconsistent with the other provisions of the Trust Agreement;

modify, eliminate or add to any provisions of the Trust Agreement to such extent as shall be necessary to ensure that the Trust will be classified for U.S. federal income tax purposes as a grantor trust and not as an association or a partnership at all times that any Trust securities are outstanding, to ensure that the Trust will not be required to register as an investment company under the Investment Company Act or to ensure the treatment of the Trust Preferred Securities as Tier 1 capital under prevailing Federal Reserve rules and regulations;

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provide that certificates for the Trust Preferred Securities may be executed by an administrative trustee by facsimile signature instead of manual signature, in which case such amendment(s) shall also provide for the appointment by Wachovia of an authentication agent and certain related provisions;

require that holders that are not U.S. persons for U.S. federal income tax purposes irrevocably appoint a U.S. person to exercise any voting rights to ensure that the Trust will not be treated as a foreign trust for U.S. federal income tax purposes; or

conform the terms of the Trust Agreement to the description of the Trust Agreement, the Trust Preferred Securities and the Trust s common securities in this prospectus supplement, in the manner provided in the Trust Agreement.

Any such amendment shall become effective when notice thereof is given to the property trustee, the Delaware trustee and the holders of the Trust Preferred Securities.

Wachovia and the administrative trustees may generally amend the Trust Agreement with the consent of holders representing not less than a majority, based upon liquidation amounts, of the outstanding Trust Preferred Securities affected by the amendments; provided that the trustees of the Trust have received an opinion of counsel to the effect that such amendment or the exercise of any power granted to the trustees of the Trust or the administrative trustees in accordance with such amendment will not affect the Trust s status as a grantor trust for U.S. federal income tax purposes or affect the Trust s exemption from status as an investment company under the Investment Company Act.

However, without the consent of each affected holder of Trust securities, the Trust Agreement may not be amended to:

change the amount or timing, or otherwise adversely affect the amount, of any distribution required to be made in respect of Trust securities as of a specified date; or

restrict the right of a holder of Trust securities to institute a suit for the enforcement of any such payment on or after such date.

Indenture and LoTS^{SM}. So long as the property trustee holds any LoTS^{SM}, the trustees of the Trust may not, without obtaining the prior approval of the holders of a majority in aggregate liquidation amount of all outstanding Trust Preferred Securities:

direct the time, method and place of conducting any proceeding for any remedy available to the indenture trustee for the LoTS^{SM}, or execute any trust or power conferred on the indenture trustee with respect to such LoTS^{SM};

waive any past default that is waivable under the indenture;

exercise any right to rescind or annul a declaration that the principal of all the LoTS^{SM} is due and payable; or

consent to any amendment, modification or termination of the indenture or such LoTS^{SM}, where such consent by the holders of the LoTS^{SM} shall be required.

If a consent under the indenture would require the consent of each holder of LoTS^{SM} affected thereby, no such consent may be given by the property trustee without the prior consent of each holder of the Trust Preferred Securities.

The property trustee will notify each holder of Trust Preferred Securities of any notice of default with respect to the LoTS^{SM}. In addition to obtaining the foregoing approvals of the holders of the Trust Preferred Securities, before taking any of the foregoing actions, the administrative trustees of the Trust will obtain an

opinion of counsel experienced in such matters to the effect that such action would not cause the Trust to be classified as other than a grantor trust for U.S. federal income tax purposes. The property trustee may not revoke any action previously authorized or approved by a vote of the holders of the Trust Preferred Securities except by subsequent vote of the holders of the Trust Preferred Securities.

General. Any required approval of holders of Trust Preferred Securities may be given at a meeting of holders of Trust Preferred Securities convened for such purpose or pursuant to written consent. The property trustee will cause a notice of any meeting at which holders of Trust Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be given to each record holder of Trust Preferred Securities in the manner set forth in the Trust Agreement.

No vote or consent of the holders of Trust Preferred Securities will be required for the Trust to redeem and cancel the Trust Preferred Securities in accordance with the Trust Agreement.

Notwithstanding that holders of the Trust Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Trust Preferred Securities that are beneficially owned by Wachovia or its affiliates or the trustees or any of their affiliates, shall, for purposes of such vote or consent, be treated as if they were not outstanding.

Payment and Paying Agent

Payments on the Trust Preferred Securities shall be made to DTC, which shall credit the relevant accounts on the applicable distribution dates. If any Trust Preferred Securities are not held by DTC, such payments shall be made by check mailed to the address of the holder as such address shall appear on the register.

The paying agent shall initially be U.S. Bank National Association and any co-paying agent chosen by the property trustee and acceptable to Wachovia and to the administrative trustees. The paying agent shall be permitted to resign as paying agent upon 30 days written notice to the administrative trustees and to the property trustee. In the event that U.S. Bank National Association shall no longer be the paying agent, the property trustee will appoint a successor to act as paying agent, which will be a bank or trust company acceptable to the administrative trustees and to Wachovia.

Registrar and Transfer Agent

U.S. Bank National Association will act as registrar and transfer agent, or *Transfer Agent*, for the Trust Preferred Securities.

Registration of transfers of Trust Preferred Securities will be effected without charge by or on behalf of the Trust, but upon payment of any tax or other governmental charges that may be imposed in connection with any transfer or exchange. Neither the Trust nor the Transfer Agent shall be required to register the transfer of or exchange any Trust security during a period beginning at the opening of business 15 days before the day of selection for redemption of Trust securities and ending at the close of business on the day of mailing of notice of redemption or to transfer or exchange any Trust security so selected for redemption in whole or in part, except, in the case of any Trust security to be redeemed in part, any

portion thereof not to be redeemed.

Any Trust Preferred Securities can be exchanged for other Trust Preferred Securities so long as such other Trust Preferred Securities are denominated in authorized denominations and have the same aggregate liquidation amount and same terms as the Trust Preferred Securities that were surrendered for exchange. The Trust Preferred Securities may be presented for registration of transfer, duly endorsed or accompanied by a satisfactory written instrument of transfer, at the office or agency maintained by Wachovia for that purpose

in a place of payment. There will be no service charge for any registration of transfer or exchange of the Trust Preferred Securities, but the Trust may require holders to pay any tax or other governmental charge payable in connection with a transfer or exchange of the Trust Preferred Securities. Wachovia may at any time rescind the designation or approve a change in the location of any office or agency, in addition to the security registrar, designated by it where holders can surrender the Trust Preferred Securities for registration of transfer or exchange. However, the Trust will be required to maintain an office or agency in each place of payment for the Trust Preferred Securities.

Information Concerning the Property Trustee

Other than during the occurrence and continuance of a Trust Event of Default, the property trustee undertakes to perform only the duties that are specifically set forth in the Trust Agreement. After a Trust Event of Default, the property trustee must exercise the same degree of care and skill as a prudent individual would exercise or use in the conduct of his or her own affairs. Subject to this provision, the property trustee is under no obligation to exercise any of the powers vested in it by the Trust Agreement at the request of any holder of Trust Preferred Securities unless it is offered indemnity satisfactory to it by such holder against the costs, expenses and liabilities that might be incurred. If no Trust Event of Default has occurred and is continuing and the property trustee is required to decide between alternative courses of action, construe ambiguous provisions in the Trust Agreement or is unsure of the application of any provision of the Trust Agreement, and the matter is not one upon which holders of Trust Preferred Securities are entitled under the Trust Agreement to vote, then the property trustee will take any action that Wachovia directs. If it does not provide direction, the property trustee may take or refrain from taking any action that it deems advisable and in the interests of the holders of the Trust Preferred Securities and will have no liability except for its own bad faith, negligence or willful misconduct.

Wachovia and its affiliates may maintain certain accounts and other banking relationships with the property trustee and its affiliates in the ordinary course of business.

Governing Law

The Trust Agreement will be governed by and construed in accordance with the laws of Delaware.

Miscellaneous

The administrative trustees are authorized and directed to conduct the affairs of and to operate the Trust in such a way that it will not be required to register as an investment company under the Investment Company Act and will not be characterized as other than a grantor trust for U.S. federal income tax purposes. The administrative trustees are authorized and directed to conduct their affairs so that the LoTS^{SM} will be treated as indebtedness of Wachovia for U.S. federal income tax purposes.

In this regard, Wachovia and the administrative trustees are authorized to take any action, not inconsistent with applicable law, the certificate of trust of the Trust or the Trust Agreement, that Wachovia and the administrative trustees determine to be necessary or desirable to achieve such end, as long as such action does not materially and adversely affect the interests of the holders of the Trust Preferred Securities.

Holders of the Trust Preferred Securities have no preemptive or similar rights. The Trust Preferred Securities are not convertible into or exchangeable for Wachovia common stock or preferred stock.

Subject to the replacement capital covenant and to the Federal Reserve s risk-based capital guidelines and policies applicable to bank holding companies, Wachovia or its affiliates may from time to time purchase any of the Trust Preferred Securities that are then outstanding by tender, in the open market or by private agreement.

The Trust may not borrow money or issue debt or mortgage or pledge any of its assets.

Further Issues

The Trust has the right to issue additional Trust Preferred Securities in the future, provided that the Trust receives an opinion of counsel experienced in such matters that after the issuance the Trust will not be taxable as a corporation for United States federal income tax purposes and that the issuance will not result in the recognition of any gain or loss to existing holders, the Trust receives an opinion of counsel experienced in such matters that after the issuance the Trust will not be required to register as an investment company under the Investment Company Act, and the Trust concurrently purchases a like amount of LoTS^{SM}.

Any such additional Trust Preferred Securities will have the same terms as the Trust Preferred Securities being offered by this prospectus supplement but may be offered at a different offering price and accrue distributions from a different date than the Trust Preferred Securities being offered hereby, provided that the total liquidation amount of Trust Preferred Securities outstanding may not exceed $1.4 billion. If issued, any such additional Trust Preferred Securities will become part of the same series as the Trust Preferred Securities being offered hereby.

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DESCRIPTION OF THE LOTS℠

The following is a brief description of the terms of the LoTS℠ and the indenture. It does not purport to be complete in all respects. This description is subject to and qualified in its entirety by reference to the LoTS℠ and the indenture, which has been filed with the SEC and incorporated by reference into the registration statement to which this prospectus supplement relates and copies of which are available upon request from Wachovia.

The LoTS℠ will be issued pursuant to the junior subordinated indenture, dated as of February 1, 2006, between Wachovia and U.S. Bank National Association, as indenture trustee. We refer to the junior subordinated indenture, as amended and supplemented (including by a supplemental indenture, to be dated as of May , 2007), as the *indenture*, and to U.S. Bank National Association or its successor, as indenture trustee, as the *indenture trustee*. You should read the indenture for provisions that may be important to you.

When we use the term *holder* in this prospectus supplement with respect to a registered LoTS℠, we mean the person in whose name such LoTS℠ is registered in the security register.

The indenture does not limit the amount of debt that Wachovia or its subsidiaries may incur either under the indenture or other indentures to which Wachovia is or becomes a party. The LoTS℠ are not convertible into or exchangeable for Wachovia s common stock or authorized preferred stock.

General

The LoTS℠ will be unsecured and will be deeply subordinated upon Wachovia s liquidation (whether in bankruptcy or otherwise) to all of its indebtedness for money borrowed, including $2.3 billion of junior subordinated debt securities underlying outstanding traditional trust preferred securities of Wachovia and other subordinated debt that is not by its terms expressly made *pari passu* with or junior to the LoTS℠ upon liquidation. The LoTS℠ will be *pari passu* with the existing parity obligations and other *Pari Passu* Securities, as defined under Subordination.

Interest Rate and Interest Payment Dates

The LoTS℠ will bear interest at the annual rate of % and Wachovia will pay interest quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, beginning on September 15, 2007. These dates are referred to as *interest payment dates* and the period beginning on and including May , 2007 and ending on but excluding the first interest payment date, September 15, 2007, and each successive period beginning on and including an interest payment date and ending on but excluding the next interest payment date is referred to as an *interest period*. The amount of interest payable will be computed on the basis of a 360-day year consisting of twelve 30-day months. In the event that any interest payment date would otherwise fall on a day that is not a business day, the interest payment due on that date will be postponed to the next day that is a business day and no interest will accrue as a result of that postponement.

Accrued interest that is not paid on the applicable interest payment date will bear additional interest, to the extent permitted by law, at the same annual rate, from the relevant interest payment date, compounded on each subsequent interest payment date. The term *interest* refers not only to regularly scheduled interest payments but also to interest on interest payments not paid on the applicable interest payment date.

Option to Defer Interest Payments

Wachovia may on one or more occasions defer payment of interest on the LoTS[SM] for up to 40 consecutive interest periods. It may defer payment of interest prior to, on or after the scheduled maturity date. Wachovia may not defer interest beyond the final repayment date, as defined under Repayment of

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Principal, or the earlier repayment in full or redemption of the LoTS[SM]. Wachovia has no present intention of exercising its right to defer payments of interest on the LoTS[SM].

Deferred interest on the LoTS[SM] will bear interest at the annual rate of %, compounded on each interest payment date, subject to applicable law. As used in this prospectus supplement, a *deferral period* refers to the period beginning on an interest payment date with respect to which Wachovia elects to defer interest and ending on the earlier of (i) the tenth anniversary of that interest payment date and (ii) the next interest payment date on which it has paid the deferred amount, all deferred amounts with respect to any subsequent period and all other accrued interest on the LoTS[SM].

Wachovia has agreed in the indenture that, subject to the occurrence and continuation of a supervisory event or a market disruption event (each as described further below):

immediately following the first interest payment date during the deferral period on which Wachovia elects to pay current interest or, if earlier, the fifth anniversary of the beginning of the deferral period, it will be required to sell qualifying APM securities pursuant to the alternative payment mechanism and apply the eligible proceeds to the payment of any deferred interest (and compounded interest thereon) on the next interest payment date, and this requirement will continue in effect until the end of the deferral period; and

Wachovia will not pay deferred interest on the LoTS[SM] (and compounded interest thereon) prior to the final repayment date from any source other than eligible proceeds, except as contemplated by the following two paragraphs or at any time an event of default has occurred and is continuing.

Wachovia may pay current interest at all times from any available funds.

If a supervisory event, as defined under Alternative Payment Mechanism, has occurred and is continuing, then Wachovia may (but is not obligated to) pay deferred interest with cash from any source without a breach of its obligations under the indenture. In addition, if Wachovia sells qualifying APM securities pursuant to the alternative payment mechanism but a supervisory event arises from the Federal Reserve disapproving the use of the proceeds to pay deferred interest, it may use the proceeds for other purposes and continue to defer interest without a breach of its obligations under the indenture.

If Wachovia is involved in a merger, consolidation, amalgamation or conveyance, transfer or lease of assets substantially as an entirety to any other person (a *business combination*) where immediately after the consummation of the business combination more than 50% of the surviving entity s voting stock is owned by the shareholders of the other party to the business combination, then the foregoing rules with respect to the alternative payment mechanism and payment of interest during a deferral period will not apply to any deferral period that is terminated on the next interest payment date following the date of consummation of the business combination (or if later, at any time within 90 days following the date of consummation of the business combination). The settlement of all deferred interest, whether it occurs on an interest payment date or another date will immediately terminate the deferral period. Wachovia will establish a special record date for the payment of any deferred interest pursuant to this paragraph on a date other than an interest payment date, which record date shall also be a special record date for the payment of the corresponding distribution on the Trust Preferred Securities.

Although Wachovia s failure to comply with the foregoing rules with respect to the alternative payment mechanism and payment of interest during a deferral period will be a breach of the indenture, it will not constitute an event of default under the indenture or give rise to a right of

acceleration or similar remedy.

If Wachovia has paid all deferred interest (and compounded interest thereon) on the LoTS℠, it can again defer interest payments on the LoTS℠ as described above.

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If the property trustee, on behalf of the Trust, is the sole holder of the LoTS^{SM}, Wachovia will give the property trustee and the relevant Delaware trustee written notice of its election to commence or extend a deferral period at least five business days before the earlier of:

- the next succeeding date on which the distributions on the Trust Preferred Securities are payable; and
- the date the property trustee is required to give notice to holders of the Trust Preferred Securities of the record or payment date for the related distribution.

The property trustee will give notice of Wachovia s election of a deferral period to the holders of the Trust Preferred Securities.

If the property trustee, on behalf of the Trust, is not the sole holder of the LoTS^{SM}, Wachovia will give the holders of the LoTS^{SM} and the indenture trustee written notice of its election of a deferral period at least five business days before the next interest payment date.

Dividend and Other Payment Stoppages during Interest Deferral and under Certain Other Circumstances

Wachovia will agree that, so long as any LoTS^{SM} remain outstanding, if it has given notice of its election to defer interest payments on the LoTS^{SM} but the related deferral period has not yet commenced or a deferral period is continuing, then it will not, and will not permit any of its subsidiaries to:

- declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any shares of its capital stock;
- make any payment of principal of, or interest or premium, if any, on, or repay, purchase or redeem any parity securities or any of its debt securities that rank upon its liquidation junior in interest to the LoTS^{SM}; or
- make any payments under any guarantee by Wachovia that ranks junior upon Wachovia s liquidation to the guarantee related to the LoTS^{SM}.

The restrictions listed above do not apply to:

- any repurchase, redemption or other acquisition of shares of its capital stock in connection with:
  - any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors, consultants or independent contractors;

the satisfaction of its obligations pursuant to any contract entered into in the ordinary course prior to the beginning of the deferral period;

a dividend reinvestment or shareholder purchase plan; or

the issuance of its capital stock, or securities convertible into or exercisable for such capital stock, as consideration in an acquisition transaction entered into prior to the applicable deferral period;

any exchange, redemption or conversion of any class or series of its capital stock, or the capital stock of one of its subsidiaries, for any other class or series of its capital stock, or of any class or series of its indebtedness for any class or series of its capital stock;

any purchase of fractional interests in shares of its capital stock pursuant to the conversion or exchange provisions of such capital stock or the securities being converted or exchanged;

any declaration of a dividend in connection with any shareholder rights plan, or the issuance of rights, stock or other property under any shareholder rights plan, or the redemption or repurchase of rights pursuant thereto;

payments by Wachovia under any guarantee agreement executed for the benefit of the holders of the Trust Preferred Securities;

any dividend in the form of stock, warrants, options or other rights where the dividend stock or stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equally with or junior to such stock;

any payment of current or deferred interest on parity securities that is made *pro rata* to the amounts due on such parity securities (including the LoTS^{SM}), provided that such payments are made in accordance with the last paragraph under Alternative Payment Mechanism to the extent it applies, and any payments of deferred interest on parity securities outstanding on the date hereof that, if not made, would cause Wachovia to breach the terms of the instrument governing such parity securities; or

any payment of principal in respect of parity securities having an earlier scheduled maturity date than the LoTS^{SM} or the same scheduled maturity date as the LoTS^{SM}, as required under a provision of such parity securities that is substantially the same as the provision described under Repayment of Principal, and, in the case of parity securities having the same scheduled maturity date as the LoTS^{SM}, that is made on a *pro rata* basis among such parity securities and the LoTS^{SM}.

Wachovia s outstanding junior subordinated debt securities generally contain comparable provisions that will restrict the payment of principal of, and interest on, and the repurchase or redemption of, any of the LoTS^{SM} as well as any guarantee payments on the guarantee of the LoTS^{SM} if circumstances comparable to the foregoing occur with respect to those securities.

In addition, if any deferral period lasts longer than one year, Wachovia may not repurchase or acquire any securities ranking *pari passu* with or junior to any qualifying APM securities the proceeds of which were used to settle deferred interest during the relevant deferral period before the first anniversary of the date on which all deferred interest has been paid, subject to the exceptions listed above. However, if Wachovia is involved in a business combination where immediately after its consummation more than 50% of the surviving entity s voting stock is owned by the shareholders of the other party to the business combination, then the one-year restriction on such repurchases will not apply to any deferral period that is terminated on the next interest payment date following the date of consummation of the business combination (or if later, at any time within 90 days following the date of consummation of the business combination).

Alternative Payment Mechanism

Subject to the conditions described in Option to Defer Interest Payments and to the exclusions described in this section and in Market Disruption Events, if Wachovia defers interest on the LoTS^{SM}, it will be required, commencing not later than (i) the first interest payment date on which it pays current interest (which it may do from any source of funds) or (ii) the fifth anniversary of the commencement of the deferral period, to issue qualifying APM securities until Wachovia has raised an amount of eligible proceeds at least equal to the aggregate amount of accrued and unpaid deferred interest, including compounded interest, on the LoTS^{SM}. This method of funding the payment of accrued and unpaid interest is referred to as the *alternative payment mechanism*.

Except as provided below, Wachovia has agreed to apply eligible proceeds raised during any deferral period pursuant to the alternative payment mechanism to pay deferred interest (and compounded interest) on the LoTS^{SM}.

Notwithstanding (and as a qualification to) the foregoing, under the alternative payment mechanism:

Wachovia may (but is not obligated to) pay deferred interest with cash from any source if a supervisory event has occurred and is continuing;

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Wachovia is not required to issue common stock (or, if it has amended the definition of qualifying APM securities to eliminate common stock, as discussed below, qualifying warrants) with respect to deferred interest attributable to the first five years of any deferral period (including compounded interest thereon) if the net proceeds of any issuance of common stock (or, if it has amended the definition of qualifying APM securities to eliminate common stock, as discussed below, qualifying warrants) applied during such deferral period to pay interest on the LoTS^{SM} pursuant to the alternative payment mechanism, together with the net proceeds of all prior issuances of common stock and qualifying warrants so applied during that deferral period, would exceed an amount equal to 2% of the product of the average of the current stock market prices of its common stock on the 10 consecutive trading days ending on the second trading day immediately preceding the date of issuance of such securities multiplied by the total number of issued and outstanding shares of its common stock as of the date of its then most recent publicly available consolidated financial statements (the *common equity issuance cap*);

Wachovia is not permitted to issue qualifying preferred stock to the extent that the net proceeds of any issuance of qualifying preferred stock applied to pay interest on the LoTS^{SM} pursuant to the alternative payment mechanism, together with the net proceeds of all prior issuances of qualifying preferred stock so applied during the current and all prior deferral periods, would exceed 25% of the aggregate principal amount of the LoTS^{SM} initially issued under the indenture (the *preferred stock issuance cap*); and

so long as the definition of qualifying APM securities has not been amended to eliminate common stock, as discussed below, the sale of qualifying warrants to pay deferred interest is an option that may be exercised at Wachovia s sole discretion, and it will not be obligated to sell qualifying warrants or to apply the proceeds of any such sale to pay deferred interest on the LoTS^{SM}, and no class of investors in its securities, or any other party, may require it to issue qualifying warrants.

Once Wachovia reaches the common equity issuance cap for a deferral period, it will not be required to issue more common stock (or, if it has amended the definition of qualifying APM securities to eliminate common stock, as discussed below, qualifying warrants) under the alternative payment mechanism with respect to deferred interest attributable to the first five years of such deferral period (including compounded interest thereon) even if the amount referred to in the second bullet point above subsequently increases because of a subsequent increase in the current stock market price of Wachovia s common stock or the number of outstanding shares of its common stock. The common equity issuance cap will cease to apply after the ninth anniversary of the commencement of any deferral period, at which point Wachovia must pay any deferred interest regardless of the time at which it was deferred, using the alternative payment mechanism, subject to any supervisory event or market disruption event. In addition, if the common equity issuance cap is reached during a deferral period and Wachovia subsequently repays all deferred interest, the common equity issuance cap will cease to apply at the termination of such deferral period and will not apply again unless and until it starts a new deferral period.

Eligible proceeds means, for each relevant interest payment date, the net proceeds (after underwriters or placement agents fees, commissions or discounts and other expenses relating to the issuance or sale) Wachovia has received during the 180-day period prior to that interest payment date from the issuance or sale of qualifying APM securities (in the case of qualifying preferred stock, up to the preferred stock issuance cap), in each case to persons that are not its subsidiaries.

Qualifying APM securities means common stock, qualifying preferred stock and qualifying warrants, provided that Wachovia may, without the consent of the holders of the Trust Preferred Securities or the LoTS^{SM}, amend the definition of qualifying APM securities to eliminate common stock or qualifying warrants (but not both) from the definition if it has been advised in writing by a nationally recognized independent accounting firm that there is more than an insubstantial risk that the failure to do so would

result in a reduction in its earnings per share as calculated for financial reporting purposes. Wachovia will promptly notify the holders of the LoTS^{SM}, and the trustees of the Trust will promptly notify the holders of the Trust Preferred Securities, in the manner contemplated in the indenture and the Trust Agreement, of such change.

Qualifying preferred stock means non-cumulative perpetual preferred stock that (1) contains no remedies other than permitted remedies and (2) (a) is not redeemable, (b) is subject to intent-based replacement disclosure and has a provision that prohibits Wachovia from making any distributions thereon upon its failure to satisfy one or more financial tests set forth therein or (c) is subject to a qualifying replacement capital covenant, as such terms are defined under Replacement Capital Covenant.

Qualifying warrants means net share settled warrants to purchase Wachovia s common stock that (1) have an exercise price greater than the *current stock market price* of its common stock, and (2) Wachovia is not entitled to redeem for cash and the holders of which are not entitled to require it to repurchase for cash in any circumstances. Wachovia will be required to use commercially reasonable efforts, subject to the common equity issuance cap, to set the terms of the qualifying warrants so as to raise sufficient proceeds from their issuance to pay all deferred interest on the LoTS^{SM} in accordance with the alternative payment mechanism. Wachovia intends that any qualifying warrants issued in accordance with the alternative payment mechanism will have exercise prices at least 10% above the current stock market price of its common stock on the date of issuance. The *current stock market price* of Wachovia common stock on any date shall be the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions by the New York Stock Exchange or, if its common stock is not then listed on the New York Stock Exchange, as reported by the principal U.S. securities exchange on which its common stock is traded. If its common stock is not listed on any U.S. securities exchange on the relevant date, the current stock market price shall be the last quoted bid price for its common stock in the over-the-counter market on the relevant date as reported by the National Quotation Bureau or similar organization. If Wachovia s common stock is not so quoted, the current stock market price shall be the average of the mid-point of the last bid and ask prices for its common stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by it for this purpose.

A *supervisory event* shall commence upon the date Wachovia has notified the Federal Reserve of its intention and affirmatively requested Federal Reserve approval both (1) to sell qualifying APM securities and (2) to apply the net proceeds of such sale to pay deferred interest on the LoTS^{SM}, and Wachovia has been notified that the Federal Reserve disapproves of either action mentioned in that notice. A supervisory event shall cease on the business day following the earlier to occur of (a) the tenth anniversary of the commencement of any deferral period, or (b) the day on which the Federal Reserve notifies Wachovia in writing that it no longer disapproves of its intention to both (i) issue or sell qualifying APM securities and (ii) apply the net proceeds from such sale to pay deferred interest on the LoTS^{SM}. The occurrence and continuation of a supervisory event will excuse Wachovia from its obligation to sell qualifying APM securities and to apply the net proceeds of such sale to pay deferred interest on the LoTS^{SM} and will permit it to pay deferred interest using cash from any other source without breaching its obligations under the indenture. Because a supervisory event will exist if the Federal Reserve disapproves of either of these requests, the Federal Reserve will be able, without triggering a default under the indenture, to permit Wachovia to sell qualifying APM securities but to prohibit it from applying the proceeds to pay deferred interest on the LoTS^{SM}.

Although Wachovia s failure to comply with its obligations with respect to the alternative payment mechanism will breach the indenture, it will not constitute an event of default thereunder or give rise to a right of acceleration or similar remedy. The remedies of holders of the LoTS^{SM} and the Trust Preferred Securities will be limited in such circumstances as described under Risk Factors The property trustee, as holder of the LoTS^{SM} on behalf of the Trust, has only limited rights of acceleration.

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If, due to a market disruption event or otherwise, Wachovia were able to raise some, but not all, eligible proceeds necessary to pay all deferred interest (including compounded interest thereon) on any interest payment date, it will apply any available eligible proceeds to pay accrued and unpaid interest on the applicable interest payment date in chronological order based on the date each payment was first deferred, subject to the common equity issuance cap and preferred stock issuance cap, and each holder of Trust Preferred Securities will be entitled to receive a *pro rata* share of any amounts received on the LoTS^{SM}. If Wachovia has outstanding parity securities under which it is obligated to sell securities that are qualifying APM securities and apply the net proceeds to the payment of deferred interest or distributions, then on any date and for any period the amount of net proceeds received by it from those sales and available for payment of the deferred interest and distributions shall be applied to the LoTS^{SM} and those other parity securities on a *pro rata* basis up to the common equity issuance cap or the preferred stock issuance cap, as applicable (or comparable provisions in the instruments governing those parity securities), in proportion to the total amounts of accrued and unpaid interest that are due on the LoTS^{SM} and such securities at such time, or on such other basis as the Federal Reserve may approve. The existing parity obligations obligate Wachovia to sell certain qualifying APM securities and apply the net proceeds to the payment of deferred interest or distributions on the *pro rata* basis described above for the parity securities.

Market Disruption Events

A *market disruption event* means the occurrence or existence of any of the following events or sets of circumstances:

trading in securities generally (or in Wachovia s common stock or preferred stock specifically) on the New York Stock Exchange or any other national securities exchange, or in the over-the-counter market, on which its common stock and/or preferred stock is then listed or traded shall have been suspended or its settlement generally shall have been materially disrupted or minimum prices shall have been established on any such exchange or market by the relevant exchange or by any other regulatory body or governmental agency having jurisdiction, and the establishment of such minimum prices materially disrupts or otherwise has a material adverse effect on trading in, or the issuance and sale of, Wachovia s qualifying APM securities or qualifying capital securities, as the case may be;

Wachovia would be required to obtain the consent or approval of a regulatory body (including, without limitation, any securities exchange) or governmental authority to issue or sell qualifying APM securities pursuant to the alternative payment mechanism or to issue qualifying capital securities pursuant to its repayment obligations described under Repayment of Principal, as the case may be, and that consent or approval has not yet been obtained notwithstanding its commercially reasonable efforts to obtain that consent or approval;

the number of shares necessary to raise sufficient proceeds to pay the deferred interest payments would exceed Wachovia s shares available for issuance (as defined below) and consent of its shareholders to increase the amount of authorized shares has not been obtained (Wachovia having used commercially reasonable efforts to obtain such consent); provided that this market disruption event will not relieve Wachovia of its obligation to issue the number of shares available for issuance and to apply the proceeds thereof in partial payment of deferred interest;

a banking moratorium shall have been declared by the federal or state authorities of the United States and such moratorium materially disrupts or otherwise has a material adverse effect on trading in, or the issuance and sale of, Wachovia s qualifying APM securities or qualifying capital securities, as the case may be;

a material disruption shall have occurred in commercial banking or securities settlement or clearance services in the United States and such disruption materially disrupts or otherwise has a material adverse effect on trading in, or the issuance and sale of, Wachovia s qualifying APM securities or qualifying capital securities, as the case may be;

the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States, there shall have been a declaration of a national emergency or war by the United States or there shall have occurred any other national or international calamity or crisis and such event materially disrupts or otherwise has a material adverse effect on trading in, or the issuance and sale of, Wachovia s qualifying APM securities or qualifying capital securities, as the case may be;

there shall have occurred such a material adverse change in general domestic or international economic, political or financial conditions, including without limitation as a result of terrorist activities, and such change materially disrupts or otherwise has a material adverse effect on trading in, or the issuance and sale of, Wachovia s qualifying APM securities or qualifying capital securities, as the case may be;

an event occurs and is continuing as a result of which the offering document for the offer and sale of qualifying APM securities or qualifying capital securities, as the case may be, would, in Wachovia s reasonable judgment, contain an untrue statement of a material fact or omit to state a material fact required to be stated in that offering document or necessary to make the statements in that offering document not misleading and either (a) the disclosure of that event at such time, in Wachovia s reasonable judgment, is not otherwise required by law and would have a material adverse effect on its business or (b) the disclosure relates to a previously undisclosed proposed or pending material business transaction, the disclosure of which would impede Wachovia s ability to consummate that transaction, provided that no single suspension period described in this bullet shall exceed 90 consecutive days and multiple suspension periods described in this bullet shall not exceed an aggregate of 90 days in any 180-day period; or

Wachovia reasonably believes that the offering document for the offer and the sale of its qualifying APM securities or qualifying capital securities, as the case may be, would not be in compliance with a rule or regulation of the SEC (for reasons other than those described in the immediately preceding bullet) and it is unable to comply with such rule or regulation or such compliance is unduly burdensome, provided that no single suspension period described in this bullet shall exceed 90 consecutive days and multiple suspension periods described in this bullet shall not exceed an aggregate of 90 days in any 180-day period.

Wachovia will be excused from its obligations under the alternative payment mechanism in respect of any interest payment date if it provides written certification to the indenture trustee (which the indenture trustee will promptly forward upon receipt to each holder of record of Trust Preferred Securities) no more than 15 and no less than 10 business days in advance of that interest payment date certifying that:

a market disruption event or supervisory event was existing after the immediately preceding interest payment date; and

either (a) the market disruption event or supervisory event continued for the entire period from the business day immediately following the preceding interest payment date to the business day immediately preceding the date on which that certification is provided or (b) the market disruption event or supervisory event continued for only part of this period, but Wachovia was unable to raise sufficient eligible proceeds during the rest of that period to pay all accrued and unpaid interest.

Wachovia will not be excused from its obligations under the alternative payment mechanism if it determines not to pursue or complete the sale of qualifying APM securities due to pricing, dividend rate or dilution considerations.

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Obligation to Seek Shareholder Approval to Increase Authorized Shares

Under the indenture, Wachovia will be required to use commercially reasonable efforts to seek shareholder approval to amend its articles of incorporation to increase the number of its authorized shares if, at any date, the *shares available for issuance* fall below the greater of:

million shares or, if Wachovia has amended the definition of qualifying APM securities to eliminate common stock, million shares (as adjusted for any stock split, reverse stock split, stock dividend, reclassification, recapitalization, split-up, combination, exchange of shares or similar transaction), and

three times the number of shares that it would need to issue to raise sufficient proceeds to pay (assuming a price per share equal to the average trading price of its shares over the 10 trading day period preceding such date):

any then outstanding deferred interest on the LoTS^{SM}, *plus*

twelve additional months of deferred interest on the LoTS^{SM}.

If the Trust issues additional Trust Preferred Securities, the number of shares referred to in the first bullet above will be increased proportionately to the number of such additional Trust Preferred Securities.

Wachovia s failure to use commercially reasonable efforts to seek shareholder approval to increase the number of authorized shares would constitute a breach under the indenture, but would not constitute an event of default under the indenture or give rise to a right of acceleration or similar remedy.

Wachovia s *shares available for issuance* will be calculated in two steps. First, Wachovia will deduct from the number of its authorized and unissued shares, the maximum number of shares of common stock that can be issued under existing reservations and commitments under which it is able to determine such maximum number. After deducting that number of shares from its authorized and unissued shares, Wachovia will allocate on a *pro rata* basis or such other basis as it determines is appropriate, the remaining available shares to the alternative payment mechanism and to any other similar commitment that is of an indeterminate nature and under which it is then required to issue shares. The definition of shares available for issuance will have the effect of giving absolute priority for issuance to those reservations and commitments under which it is able to determine the maximum number of shares issuable irrespective of when they were entered into.

Wachovia will be permitted to modify the definition of shares available for issuance and the related provisions of the indenture without the consent of holders of the Trust Preferred Securities or LoTS^{SM}, provided that (i) it has determined, in its reasonable discretion, that such modification is not materially adverse to such holders, (ii) the rating agencies then rating the Trust Preferred Securities confirm the then current ratings of the Trust Preferred Securities and (iii) the number of shares available for issuance after giving effect to such modification will not fall below the then applicable threshold set forth in the third preceding paragraph.

Repayment of Principal

Scheduled maturity. Wachovia must repay the principal amount of the LoTS[SM], together with accrued and unpaid interest, on June 15, 2047, or if that date is not a business day, the following business day (*scheduled maturity date*), subject to the limitations described below.

Wachovia s obligation to repay the LoTS[SM] on the scheduled maturity date is limited. The indenture requires that Wachovia repay the LoTS[SM] on the scheduled maturity date to the extent of the net proceeds it has received from the issuance of qualifying capital securities, as these terms are defined under Replacement

Capital Covenant, during a 180-day period ending on a notice date not more than 15 and not less than 10 business days prior to the scheduled maturity date. If it has not sold sufficient qualifying capital securities to permit repayment of all principal and accrued and unpaid interest on the LoTS℠ on the scheduled maturity date and has not otherwise voluntarily redeemed the LoTS℠, the unpaid amount will remain outstanding. Wachovia will be required to repay the unpaid portion of the LoTS℠ on each subsequent interest payment date to the extent of the net proceeds it receives from any subsequent issuance of qualifying capital securities or upon the earliest to occur of the redemption of the LoTS℠, an event of default that results in acceleration of the LoTS℠ or the final repayment date. Wachovia s right to redeem, repay or purchase LoTS℠ or Trust Preferred Securities on or after the earlier of the scheduled maturity date and the date that is 30 years prior to the final repayment date is subject to its covenant described under Replacement Capital Covenant.

Wachovia will agree in the indenture to use its commercially reasonable efforts (except as described below) to raise sufficient net proceeds from the issuance of qualifying capital securities in a 180-day period ending on a notice date not more than 15 and not less than 10 business days prior to the scheduled maturity date to permit repayment of the LoTS℠ in full on this date in accordance with the above requirement. Wachovia will further agree in the indenture that if it is unable for any reason to raise sufficient proceeds to permit payment in full on the scheduled maturity date, it will use its commercially reasonable efforts (except as described below) to raise sufficient proceeds from the sale of qualifying capital securities to permit repayment on the next interest payment date, and on each interest payment date thereafter, until it repays the LoTS℠ in full, it redeems the LoTS℠, an event of default that results in acceleration of the LoTS℠ occurs or the final repayment date. Wachovia s failure to use its commercially reasonable efforts to raise these proceeds would be a breach of covenant under the indenture. However, in no event will such failure be an event of default thereunder.

Although under the replacement capital covenant the principal amount of LoTS℠ that Wachovia may redeem or repay at any time on or after the earlier of the scheduled maturity date and the date that is 30 years prior to the final repayment date may be based on the net cash proceeds from certain issuances during the applicable measurement period of common stock, rights to acquire common stock, mandatorily convertible preferred stock, debt exchangeable for common equity, debt exchangeable for preferred equity and REIT preferred securities in addition to qualifying capital securities, Wachovia is not required under the indenture to use commercially reasonable efforts to issue any securities other than qualifying capital securities in connection with the above obligation.

Wachovia will deliver to the indenture trustee and the holders of the LoTS℠ a notice of repayment at least 10 but not more than 30 days before the scheduled repayment date. If any LoTS℠ are to be repaid in part only, the notice of repayment will state the portion of the principal amount thereof to be repaid.

Wachovia generally may amend or supplement the replacement capital covenant without the consent of the holders of the LoTS℠ or the Trust Preferred Securities. However, with respect to qualifying capital securities, Wachovia has agreed in the indenture for the LoTS℠ that it will not amend the replacement capital covenant to impose additional restrictions on the type or amount of qualifying capital securities that it may include for purposes of determining whether or to what extent the repayment, redemption or purchase of the LoTS℠ or Trust Preferred Securities is permitted, except with the consent of holders of a majority by liquidation amount of the Trust Preferred Securities or, if the LoTS℠ have been distributed by the Trust, a majority by principal amount of the LoTS℠.

In addition, under the current risk-based capital adequacy guidelines of the Federal Reserve, Federal Reserve approval is generally required for the early redemption of preferred stock or trust preferred securities included in regulatory capital. However, under current guidelines, rules and regulations, Federal Reserve approval is not required for the redemption of the Trust Preferred Securities on or after the scheduled maturity date in connection with the repayment of the LoTS℠ as described above since, in this case, the redemption would not be an early redemption but would be pursuant to Wachovia s contractual obligation to repay the LoTS℠.

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Commercially reasonable efforts to sell qualifying capital securities means commercially reasonable efforts to complete the offer and sale of qualifying capital securities to third parties that are not subsidiaries of Wachovia in public offerings or private placements. Wachovia will not be considered to have made commercially reasonable efforts to effect a sale of qualifying capital securities if it determines not to pursue or complete such sale due to pricing, coupon, dividend rate or dilution considerations.

Wachovia will be excused from its obligation under the indenture to use commercially reasonable efforts to sell qualifying capital securities to permit repayment of the LoTS^{SM} if it provides written certification to the indenture trustee (which certification will be forwarded to each holder of record of Trust Preferred Securities) no more than 15 and no less than 10 business days in advance of the required repayment date certifying that:

- a market disruption event was existing during the 180-day period preceding the date of the certificate or, in the case of any required repayment date after the scheduled maturity date, the 90-day period preceding the date of the certificate; and

- either (a) the market disruption event continued for the entire 180-day period or 90-day period, as the case may be, or (b) the market disruption event continued for only part of the period, but it was unable after commercially reasonable efforts to sell sufficient qualifying capital securities during the rest of that period to permit repayment of the LoTS^{SM} in full.

Payments in respect of the LoTS^{SM} on and after the scheduled maturity date will be applied, first, to deferred interest (including compounded interest thereon) to the extent of eligible proceeds under the alternative payment mechanism, second, to pay current interest that Wachovia is not paying from other sources and, third, to repay the principal of the LoTS^{SM}; provided that if it is obligated to sell qualifying capital securities and make payments of principal on any outstanding securities in addition to the LoTS^{SM} in respect thereof, then on any date and for any period, such payments will be made first on any parity securities having an earlier scheduled maturity date than the LoTS^{SM} and then on the LoTS^{SM} and those other securities having the same scheduled maturity date as the LoTS^{SM} *pro rata* in accordance with their respective outstanding principal amounts and no such payment will be made on any other securities having a later scheduled maturity date until the principal of the LoTS^{SM} has been paid in full, except to the extent permitted under Dividend and Other Payment Stoppages during Interest Deferral and under Certain Other Circumstances and the last paragraph under Alternative Payment Mechanism. If Wachovia raises less than $5 million of net proceeds from the sale of qualifying capital securities during the relevant 180-day or 90-day period, Wachovia will not be required to repay any LoTS^{SM} on the scheduled maturity date or the next interest payment date, as applicable. On the next interest payment date as of which it has raised at least $5 million of net proceeds during the 180-day period preceding the applicable notice date (or, if shorter, the period since it last delivered to the trustee a notice of repayment of any principal amount of LoTS^{SM}), it will be required to repay a principal amount of the LoTS^{SM} equal to the entire net proceeds from the sale of qualifying capital securities during such 180-day or shorter period, together with accrued and unpaid interest thereon, subject in the case of deferred interest to the alternative payment mechanism.

Wachovia s 6.375% Extendible Long Term Subordinated Notes contain comparable repayment provisions and an earlier scheduled maturity date. Accordingly, to the extent they are outstanding on the scheduled maturity date of the LoTS^{SM}, in connection with any issuance of qualifying capital securities we will be required to repay them before repaying the LoTS^{SM}.

Final repayment date. Any principal amount of the LoTS^{SM}, together with accrued and unpaid interest, will be due and payable on the final repayment date for the LoTS^{SM}, regardless of the amount of qualifying capital securities or qualifying APM securities Wachovia has issued and sold by that time. Initially, the final repayment date will be June 1, 2067. Wachovia may elect to extend the final repayment date up to two times in 10-year increments on either or both of June 15, 2017 and June 15, 2027 (each, an *extension date*), and as a result the final repayment date may be extended to June 1, 2077 or June 1, 2087, if all the following criteria are satisfied:

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on the applicable extension date the LoTS℠ are rated at least Baa3 by Moody s Investor Services (*Moody s*) or BBB- by either of Standard & Poor s Ratings Services, a division of McGraw Hill, Inc. (*S&P*), or Fitch Ratings (*Fitch*) or, if any of Moody s, S&P and Fitch (or their respective successors) is no longer in existence, the equivalent rating by any other nationally recognized statistical rating organization within the meaning of 15c3-1 under the Exchange Act; and

during the three years prior to the applicable extension date:

no event of default has occurred or is occurring in respect of any payment obligation on, or financial covenant in, any of Wachovia s then outstanding debt for money borrowed having an aggregate principal amount of $100 million or greater; and

it did not have (and does not currently have) any outstanding deferred payments under any of its then outstanding preferred stock or debt for money borrowed.

From and after the applicable extension date the final repayment date will be the final repayment date as so extended.

Redemption

The LoTS℠:

are repayable on the scheduled maturity date or thereafter as described under Repayment of Principal ;

are redeemable, in whole or in part, at Wachovia s option at any time on or after June 15, 2012, including on or after the scheduled maturity date;

are redeemable, in whole but not in part, after the occurrence of a tax event, a rating agency event, a capital treatment event or an investment company event, as described below; and

are not subject to any sinking fund or similar provisions.

Any redemption or repayment of the LoTS℠ on or after the earlier of the scheduled maturity date and the date that is 30 years prior to the final repayment date and prior to the date that is 20 years prior to the final repayment date is subject to Wachovia s obligations under the replacement capital covenant as described under Replacement Capital Covenant. Moreover, under the current risk-based capital adequacy guidelines of the Federal Reserve, Federal Reserve approval is generally required for the early redemption of preferred stock or trust preferred securities included in regulatory capital. However, Federal Reserve approval is not required for the redemption of the Trust Preferred Securities on or after the scheduled maturity date in connection with the repayment of the LoTS℠ since, in this case, the redemption would not be an early redemption but would be pursuant to Wachovia s contractual obligation to repay the LoTS℠, subject to the limitations described under Repayment of Principal, on the scheduled maturity date.

The redemption price of the LoTS[SM] will be equal to (i) 100% of the principal amount of the LoTS[SM] being redeemed or (ii) in the case of a redemption after the occurrence of a rating agency event, a make-whole redemption price equal to (x) 100% of the principal amount of the LoTS[SM] being redeemed or (y) if greater, the sum of the present values of the remaining scheduled payments of principal (discounted from June 15, 2012) and interest that would have been payable to and including June 15, 2012 (discounted from their respective interest payment dates) on the LoTS[SM] to be redeemed (not including any portion of such payments of interest accrued to the redemption date) to the redemption date on a quarterly basis (assuming a 360-day year consisting of twelve 30-day months) at the treasury rate plus 50 basis points, as calculated by the premium calculation agent, in each case plus accrued and unpaid interest to the redemption date.

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Tax event means that Wachovia has requested and received an opinion of counsel experienced in such matters to the effect that, as a result of any:

- amendment to or change (including any announced prospective change) in the laws or regulations of the United States or any political subdivision or taxing authority of or in the United States that is enacted or issued or becomes effective after the initial issuance of the Trust Preferred Securities;

- proposed change in those laws or regulations that is announced after the initial issuance of the Trust Preferred Securities;

- official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the initial issuance of the Trust Preferred Securities; or

- threatened challenge asserted in connection with an audit of the Trust, Wachovia or its subsidiaries, or a threatened challenge asserted in writing against any other taxpayer that has raised capital through the issuance of securities that are substantially similar to the LoTS[SM] or the Trust Preferred Securities;

there is more than an insubstantial increase in risk that:

- the Trust is or will be subject to United States federal income tax with respect to income received or accrued on the LoTS[SM];

- interest payable by Wachovia on the LoTS[SM] is not, or will not be, deductible by Wachovia, in whole or in part, for United States federal income tax purposes; or

- the Trust is or will be subject to more than a *de minimis* amount of other taxes, duties or other governmental charges.

If Wachovia redeems the LoTS[SM] pursuant to a tax event of the type described in the second or fourth bullet point above, it intends to do so only with the proceeds of replacement capital securities that have terms and provisions at the time of redemption that are as or more equity-like than the LoTS[SM] then being redeemed, raised within 180 days prior to the applicable redemption.

A *rating agency event* means an amendment, clarification or change has occurred in the equity criteria for securities such as the LoTS[SM] of any nationally recognized statistical rating organization within the meaning of Rule 15c3-1 under the Exchange Act that then publishes a rating for Wachovia (a *rating agency*), which amendment, clarification or change results in (i) the length of time for which such current criteria are scheduled to be in effect being shortened with respect to the LoTS[SM] or (ii) a lower equity credit for the LoTS[SM] than the then respective equity credit assigned by such rating agency on the closing date of this offering.

Capital treatment event means Wachovia s reasonable determination that, as a result of the occurrence of any amendment to, or change (including any announced prospective change) in, the laws (or any rules or regulations thereunder) of the United States or any political subdivision thereof or therein, or as a result of any official or administrative pronouncement or action or judicial decision interpreting or applying such laws, rules or regulations, which amendment or change is effective or which pronouncement, action or decision is announced on or after the date of issuance of the Trust Preferred Securities, there is more than an insubstantial risk that Wachovia will not be entitled to treat an amount equal to the aggregate liquidation amount of the Trust Preferred Securities as Tier 1 capital (or the then equivalent thereof) for

purposes of the capital adequacy guidelines of the Federal Reserve, as then in effect and applicable to Wachovia.

Investment company event means the receipt by the Trust of an opinion of counsel experienced in such matters to the effect that, as a result of any amendment to, or change (including any announced prospective

change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or which pronouncement or decision is announced on or after the date of issuance of the Trust Preferred Securities, there is more than an insubstantial risk that the Trust is or will be considered an investment company that is required to be registered under the Investment Company Act.

Treasury rate means the semi-annual equivalent yield to maturity of the treasury security that corresponds to the treasury price (calculated in accordance with standard market practice and computed as of the second trading day preceding the redemption date).

Treasury security means the United States Treasury security that the treasury dealer determines would be appropriate to use, at the time of determination and in accordance with standard market practice, in pricing the LoTS[SM] being redeemed in a tender offer based on a spread to United States Treasury yields.

Treasury price means the bid-side price for the treasury security as of the third trading day preceding the redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York on that trading day and designated Composite 3:30 p.m. Quotations for U.S. Government Securities , except that: (i) if that release (or any successor release) is not published or does not contain that price information on that trading day; or (ii) if the treasury dealer determines that the price information is not reasonably reflective of the actual bid-side price of the treasury security prevailing at 3:30 p.m., New York City time, on that trading day, then treasury price will instead mean the bid-side price for the treasury security at or around 3:30 p.m., New York City time, on that trading day (expressed on a next trading day settlement basis) as determined by the treasury dealer through such alternative means as the treasury dealer considers to be appropriate under the circumstances.

Treasury dealer means U.S. Bank National Association (or its successor) or, if U.S. Bank National Association (or its successor) refuses to act as treasury dealer for this purpose or ceases to be a primary U.S. Government securities dealer, another nationally recognized investment banking firm that is a primary U.S. Government securities dealer specified by us for these purposes.

Wachovia will notify the Trust of the make-whole redemption price promptly after the calculation thereof and the Trustee will have no responsibility for calculating the make-whole redemption price.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of LoTS[SM] to be redeemed at its registered address. Unless Wachovia defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the LoTS[SM] or portions thereof called for redemption.

Wachovia may not redeem the LoTS[SM] in part if the principal amount has been accelerated and such acceleration has not been rescinded or unless all accrued and unpaid interest, including deferred interest, has been paid in full on all outstanding LoTS[SM] for all interest periods terminating on or before the redemption date.

In the event of any redemption, neither Wachovia nor the indenture trustee will be required to:

issue, register the transfer of, or exchange, LoTS℠ during a period beginning at the opening of business 15 days before the day of selection for redemption of LoTS℠ and ending at the close of business on the day of mailing of notice of redemption; or

transfer or exchange any LoTS℠ so selected for redemption, except, in the case of any LoTS℠ being redeemed in part, any portion thereof not to be redeemed.

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Subordination

Wachovia s obligations to pay interest on, and principal of, the LoTS^{SM} are subordinate and junior in right of payment and upon liquidation to all its senior and subordinated indebtedness, whether now outstanding or subsequently incurred, including:

- $634 billion of its indebtedness for money borrowed, including $2.3 billion of junior subordinated debt securities underlying outstanding traditional trust preferred securities of Wachovia and other indebtedness evidenced by bonds, debentures, notes or similar instruments,
- similar obligations arising from off-balance sheet guarantees and direct credit substitutes,
- obligations associated with derivative products including but not limited to interest rate and foreign exchange contracts and futures contracts relating to mortgages, commodity contracts, capital lease obligations, and
- guarantees of any of the foregoing;

but not including trade accounts payable and accrued liabilities arising in the ordinary course of business or the existing parity obligations or other debt securities and guarantees that by their terms rank junior or *pari passu* in right of payment to the LoTS^{SM}. Wachovia s obligations to which the LoTS^{SM} are subordinated upon liquidation are referred to as its *senior and subordinated debt*.

The LoTS^{SM} and the guarantee will rank equally upon liquidation and in right of payment with any *Pari Passu* Securities, which means (i) indebtedness that, among other things, (a) qualifies or is issued to financing vehicles issuing securities that qualify as Tier 1 capital of Wachovia under the capital guidelines of the Federal Reserve and (b) by its terms ranks equally with the LoTS^{SM} in right of payment and upon liquidation; and (ii) guarantees of indebtedness described in clause (i) or securities issued by one or more financing vehicles described in clause (i). *Pari Passu* Securities does not include Wachovia s junior subordinated debentures or guarantees issued in connection with Wachovia s outstanding traditional trust preferred securities, each of which ranks senior to the Trust Preferred Securities, or any junior subordinated debentures or guarantees that may be issued in the future in connection with traditional trust preferred securities, but does include the existing parity obligations. All liabilities of Wachovia s subsidiaries including trade accounts payable and accrued liabilities arising in the ordinary course of business are effectively senior to the LoTS^{SM} to the extent of the assets of such subsidiaries. At December 31, 2006, Wachovia s indebtedness for money borrowed (excluding all of the liabilities of its subsidiaries) that would rank senior to the LoTS^{SM} upon liquidation was $634 billion and its subsidiaries direct borrowings and deposit liabilities that would effectively rank senior to the LoTS^{SM} upon liquidation totaled approximately $730 billion.

Notwithstanding the foregoing or any other provision of the indenture, provided that Wachovia is not subject to a bankruptcy, insolvency, liquidation or similar proceeding, it may pay interest or principal on parity securities, as that term is defined under Dividend and Other Payment Stoppages during Interest Deferral and under Certain Other Circumstances, in accordance with that section and free of the limitations described in the preceding paragraph.

In addition, Wachovia will not incur any additional indebtedness for borrowed money that ranks *pari passu* with or junior to the LoTS^{SM} except in compliance with applicable Federal Reserve regulations and guidelines.

If certain events in bankruptcy, insolvency or reorganization occur, Wachovia will first pay all senior and subordinated debt, including any interest accrued after the events occur, in full before it makes any payment or distribution, whether in cash, securities or other property, on account of the principal of or interest on the LoTS[SM]. In such an event, it will pay or deliver directly to the holders of senior and subordinated debt and of other indebtedness described in the previous sentence, any payment or distribution

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otherwise payable or deliverable to holders of the LoTS℠. Wachovia will make the payments to the holders of senior and subordinated debt according to priorities existing among those holders until it has paid all senior and subordinated debt, including accrued interest, in full. Notwithstanding the subordination provisions discussed in this paragraph, it may make payments or distributions on the LoTS℠ so long as:

- the payments or distributions consist of securities issued by Wachovia or another company in connection with a plan of reorganization or readjustment; and
- payment on those securities is subordinate to outstanding senior and subordinated debt and any securities issued with respect to senior and subordinated debt under such plan of reorganization or readjustment at least to the same extent provided in the subordination provisions of the LoTS℠.

If such events in bankruptcy, insolvency or reorganization occur, after Wachovia has paid in full all amounts owed on senior and subordinated debt, the holders of LoTS℠ together with the holders of any of its other obligations ranking equal with the LoTS℠ will be entitled to receive from its remaining assets any principal or interest due at that time on the LoTS℠ and such other obligations before it makes any payment or other distribution on account of any of its capital stock or obligations ranking junior to the LoTS℠.

If Wachovia violates the indenture by making a payment or distribution to holders of the LoTS℠ before Wachovia has paid all the senior and subordinated debt in full, then such holders of the LoTS℠ will have to pay or transfer the payments or distributions to the trustee in bankruptcy, receiver, liquidating trustee or other person distributing its assets for payment of the senior and subordinated debt. Notwithstanding the subordination provisions discussed in this paragraph, holders of LoTS℠ will not be required to pay, or transfer payments or distributions to, holders of senior and subordinated debt so long as:

- the payments or distributions consist of securities issued by Wachovia or another company in connection with a plan of reorganization or readjustment; and
- payment on those securities is subordinate to outstanding senior and subordinated debt and any securities issued with respect to senior and subordinated debt under such plan of reorganization or readjustment at least to the same extent provided in the subordination provisions of the LoTS℠.

Because of the subordination, if Wachovia becomes insolvent, holders of senior and subordinated debt may receive more, ratably, and holders of the LoTS℠ having a claim pursuant to those securities may receive less, ratably, than its other creditors, including trade creditors. This type of subordination will not prevent an event of default from occurring under the indenture in connection with the LoTS℠.

Wachovia may modify or amend the indenture as provided under Modification of Indenture. However, the modification or amendment may not, without the consent of the holders of all senior and subordinated debt outstanding, modify any of the provisions of the indenture relating to the subordination of the LoTS℠ in a manner that would adversely affect the holders of senior and subordinated debt.

The indenture places no limitation on the amount of senior and subordinated debt that Wachovia may incur. Wachovia expects from time to time to incur additional indebtedness and other obligations constituting senior and subordinated debt.

Limitation on Claims in the Event of Bankruptcy, Insolvency or Receivership

The indenture provides that a holder of LoTS[SM], by that holder s acceptance of the LoTS[SM], agrees that in certain events of bankruptcy, insolvency or receivership prior to the redemption or repayment of its LoTS[SM], that holder of LoTS[SM] will have no claim for, and thus no right to receive, optionally deferred and unpaid interest (including compounded interest thereon) that has not been settled through the application of

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the alternative payment mechanism to the extent the amount of such interest exceeds the sum of (x) two years of accumulated and unpaid interest (including compounded interest thereon) on the LoTS[SM] and (y) an amount equal to such holder s *pro rata* share of the excess, if any, of the preferred stock issuance cap over the aggregate amount of net proceeds from the sale of qualifying preferred stock that Wachovia has applied to pay such deferred interest pursuant to the alternative payment mechanism. Each holder of LoTS[SM] is deemed to agree that, to the extent the claim for such deferred interest exceeds the amount set forth in clause (x), the amount it receives in respect of such excess shall not exceed the amount it would have received had the claim for such excess ranked *pari passu* with the interests of the holders, if any, of qualifying preferred stock.

Payment; Exchange; Transfer

If the Trust is dissolved and the LoTS[SM] are distributed to the holders of the Trust Preferred Securities, Wachovia will appoint a paying agent from whom holders of LoTS[SM] can receive payment of the principal of and interest on the LoTS[SM]. It may elect to pay any interest on the LoTS[SM] by mailing a check to the person listed as the owner of the LoTS[SM] in the security register or by wire transfer to an account designated by that person in writing not less than 10 days before the date of the interest payment. One of Wachovia s affiliates may serve as the paying agent under the indenture. It will pay interest on the LoTS[SM]:

- on an interest payment date to the person in whose name that LoTS[SM] is registered at the close of business on the record date relating to that interest payment date; and

- on the date of maturity or earlier redemption or repayment to the person who surrenders such LoTS[SM] at the office of the appointed paying agent.

Any money that Wachovia pays to a paying agent for the purpose of making payments on the LoTS[SM] and that remains unclaimed two years after the payments were due will, at its request, be returned to Wachovia and after that time any holder of such LoTS[SM] can only look to Wachovia for the payments on such LoTS[SM].

Any LoTS[SM] can be exchanged for other LoTS[SM] so long as such other LoTS[SM] are denominated in authorized denominations and have the same aggregate principal amount and same terms as the LoTS[SM] that were surrendered for exchange. The LoTS[SM] may be presented for registration of transfer, duly endorsed or accompanied by a satisfactory written instrument of transfer, at the office or agency maintained by Wachovia for that purpose in a place of payment. There will be no service charge for any registration of transfer or exchange of the LoTS[SM], but Wachovia may require holders to pay any tax or other governmental charge payable in connection with a transfer or exchange of the LoTS[SM]. It may at any time rescind the designation or approve a change in the location of any office or agency, in addition to the security registrar, designated by Wachovia where holders can surrender the LoTS[SM] for registration of transfer or exchange. However, Wachovia will be required to maintain an office or agency in each place of payment for the LoTS[SM].

Denominations

The LoTS[SM] will be issued only in registered form, without coupons, in denominations of $25 each or multiples of $25.

Limitation on Mergers and Sales of Assets

The indenture generally permits a consolidation or merger between Wachovia and another entity. It also permits the sale or transfer by Wachovia of all or substantially all of its property and assets. These transactions are permitted if:

- the resulting or acquiring entity, if other than Wachovia, is organized and existing under the laws of a domestic jurisdiction and assumes all of its responsibilities and liabilities under the indenture, including the payment of all amounts due on the debt securities and performance of the covenants in the indenture;

immediately after the transaction, and giving effect to the transaction, no event of default under the indenture exists; and

certain other conditions as prescribed in the indenture are met.

If Wachovia consolidates or merges with or into any other entity or sells or leases all or substantially all of its assets according to the terms and conditions of the indenture, the resulting or acquiring entity will be substituted for Wachovia in such indenture with the same effect as if it had been an original party to the indenture. As a result, such successor entity may exercise Wachovia s rights and powers under the indenture, in Wachovia s name and, except in the case of a lease of all or substantially all of its properties and assets, it will be released from all of its liabilities and obligations under the indenture and under the LoTS[SM].

Events of Default; Waiver and Notice

The following events are *events of default* with respect to the LoTS[SM]:

default in the payment of interest, including compounded interest, in full on any LoTS[SM] for a period of 30 days after the conclusion of a 10-year period following the commencement of any deferral period;

bankruptcy of Wachovia; or

receivership of Wachovia Bank, National Association.

The indenture for the LoTS[SM] provides that the indenture trustee must give holders notice of all defaults or events of default within 30 days after it becomes actually known to a responsible officer of the indenture trustee. However, except in the cases of a default or an event of default in payment on the LoTS[SM], the indenture trustee will be protected in withholding the notice if its responsible officers determine that withholding of the notice is in the interest of such holders.

If an event of default under the indenture occurs and continues, the indenture trustee or the holders of at least 25% in aggregate principal amount of the outstanding LoTS[SM] may declare the entire principal and all accrued but unpaid interest on all LoTS[SM] to be due and payable immediately. If the indenture trustee or the holders of LoTS[SM] do not make such declaration and the LoTS[SM] are beneficially owned by the Trust or a trustee of the Trust, the property trustee or the holders of at least 25% in aggregate liquidation amount of the Trust Preferred Securities shall have such right.

If such a declaration occurs, the holders of a majority of the aggregate principal amount of the outstanding LoTS[SM] can, subject to certain conditions (including, if the LoTS[SM] are held by the Trust or a trustee of the Trust, the consent of the holders of at least a majority in aggregate liquidation amount of the Trust Preferred Securities), rescind the declaration. If the holders of the LoTS[SM] do not rescind such declaration and the LoTS[SM] are beneficially owned by the Trust or property trustee of the Trust, the holders of at least a majority in aggregate liquidation amount of the Trust Preferred Securities shall have such right.

The holders of a majority in aggregate principal amount of the outstanding LoTS[SM] may waive any past default, except:

- a default in payment of principal or interest; or
- a default under any provision of the indenture that itself cannot be modified or amended without the consent of the holder of each outstanding LoTS[SM].

If the LoTS[SM] are beneficially owned by the Trust or a trustee of the Trust, any such waiver shall require the consent of the holders of at least a majority in aggregate liquidation amount of the Trust Preferred Securities.

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The holders of a majority in principal amount of the LoTS[SM] shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the indenture trustee.

Wachovia is required to file an officers certificate with the indenture trustee each year that states, to the knowledge of the certifying officer, whether or not any defaults exist under the terms of the indenture.

If the LoTS[SM] are beneficially owned by the Trust or a trustee of the Trust, a holder of Trust Preferred Securities may institute a direct action against Wachovia for failure to pay principal or interest or if it breaches its obligations to issue qualifying APM securities pursuant to the alternative payment mechanism or to use commercially reasonable efforts to sell qualifying capital securities as described under Description of the LoTS[SM] Repayment of Principal, in each case subject to a market disruption event or it fails to make interest or other payments on the LoTS[SM] when due, taking into account any deferral period. A direct action may be brought without first:

- directing the property trustee to enforce the terms of the LoTS[SM]; or
- suing Wachovia to enforce the property trustee s rights under the LoTS[SM].

This right of direct action cannot be amended in a manner that would impair the rights of the holders of the Trust Preferred Securities without the consent of all such holders.

Actions Not Restricted by Indenture

The indenture does not contain restrictions on Wachovia s ability to:

- incur, assume or become liable for any type of debt or other obligation;
- create liens on its property for any purpose; or
- pay dividends or make distributions on its capital stock or repurchase or redeem its capital stock, except as set forth under Dividend and Other Payment Stoppages during Interest Deferral and under Certain Other Circumstances.

The indenture does not require the maintenance of any financial ratios or specified levels of net worth or liquidity. In addition, the indenture does not contain any provisions that would require Wachovia to repurchase or redeem or modify the terms of any of the LoTS[SM] upon a change of control or other event involving it that may adversely affect the creditworthiness of the LoTS[SM].

The alternative payment mechanism, which is implemented through Wachovia s covenants in the indenture, will not affect the ability of the Federal Reserve to allow or require Wachovia to issue qualifying APM securities for supervisory purposes independent of, and not restricted by,

the alternative payment mechanism or the other terms of the LoTS[SM].

No Protection in the Event of a Highly Leveraged Transaction

The indenture does not protect holders from a sudden and dramatic decline in credit quality resulting from takeovers, recapitalizations, or similar restructurings or other highly leveraged transactions.

Distribution of Corresponding Assets

If the LoTS[SM] are owned by the Trust, under circumstances involving the dissolution of the Trust, the LoTS[SM] may be distributed to the holders of the Trust securities in liquidation of the Trust after satisfaction of the Trust s liabilities to its creditors, provided that any required regulatory approval is obtained. See Description of the Trust Preferred Securities Optional Liquidation of Trust and Distribution of LoTS[SM] to Holders.

If the LoTS[SM] are distributed to the holders of Trust Preferred Securities, Wachovia anticipates that the depositary arrangements for the LoTS[SM] will be substantially identical to those in effect for the Trust Preferred Securities. See Book-Entry System.

Modification of Indenture

Under the indenture, certain of Wachovia s rights and obligations and certain of the rights of holders of the LoTS[SM] may be modified or amended with the consent of the holders of at least a majority of the aggregate principal amount of the outstanding LoTS[SM]. However, the following modifications and amendments will not be effective against any holder without its consent:

- a change in the stated maturity date of any payment of principal or interest (including any additional interest), including the scheduled maturity date and the final repayment date (other than changes of the final maturity date upon an extension as described under Repayment of Principal);
- a reduction in or change in the manner of calculating payments due on the LoTS[SM];
- a change in the place of payment or currency in which any payment on the LoTS[SM] is payable;
- a limitation of a holder s right to sue Wachovia for the enforcement of payments due on the LoTS[SM];
- a reduction in the percentage of outstanding LoTS[SM] required to consent to a modification or amendment of the indenture or required to consent to a waiver of compliance with certain provisions of the indenture or certain defaults under the indenture;
- a reduction in the requirements contained in the indenture for quorum or voting;
- a change in the subordination of the LoTS[SM] in a manner adverse to holders; and
- a modification of any of the foregoing requirements contained in the indenture.

Under the indenture, the holders of at least a majority of the aggregate principal amount of the outstanding LoTS[SM] may, on behalf of all holders of the LoTS[SM], waive compliance by Wachovia with any covenant or condition contained in the indenture.

If the LoTS[SM] are held by or on behalf of the Trust, no modification may be made that adversely affects the holders of the Trust Preferred Securities in any material respect, and no termination of the indenture may occur, and no waiver of any compliance with any covenant will be effective without the prior consent of a majority in liquidation amount of the Trust Preferred Securities. If the consent of the holder of each outstanding LoTS[SM] is required for such modification or waiver, no such modification or waiver shall be effective without the prior consent of each holder of the Trust Preferred Securities.

Wachovia and the indenture trustee may execute, without the consent of any holder of LoTS^{SM}, any supplemental indenture for the purposes of:

- evidencing the succession of another corporation to Wachovia, and the assumption by such successor of its covenants contained in the indenture and the LoTS^{SM};

- adding covenants of Wachovia for the benefit of the holders of the LoTS^{SM}, transferring any property to or with the indenture trustee or surrendering any of Wachovia s rights or powers under the indenture;

- changing or eliminating any restrictions on the payment of principal or premium, if any, on LoTS^{SM} in registered form, provided that any such action shall not adversely affect the interests of the holders of the LoTS^{SM} of any series in any material respect;

evidencing and providing for the acceptance of appointment under the indenture by a successor trustee with respect to the LoTS[SM];

curing any ambiguity, correcting or supplementing any provision in the indenture that may be defective or inconsistent with any other provision therein or making any other provisions with respect to matters or questions arising under the indenture that shall not be inconsistent with any provision therein, provided that such other provisions shall not adversely affect the interests of the holders of the LoTS[SM] in any material respect or if the LoTS[SM] are beneficially owned by the Trust and for so long as any of the Trust Preferred Securities shall remain outstanding, the holders of the Trust Preferred Securities;

adding to, changing or eliminating any provision of the indenture as shall be necessary or desirable in accordance with any amendments to the Trust Indenture Act, provided that such action shall not adversely affect the interest of the holders of the LoTS[SM] in any material respect; or

conforming the terms of the indenture and the LoTS[SM] to the description of the LoTS[SM] in this prospectus supplement, in the manner provided in the indenture.

Trust Expenses

Pursuant to the indenture, Wachovia, as issuer of the LoTS[SM], agrees to pay:

all debts and other obligations of the Trust (other than with respect to the Trust securities);

all costs and expenses of the Trust, including costs and expenses relating to the organization of the Trust, the fees, expenses and indemnities of the trustees and the cost and expenses relating to the operation of the Trust; and

any and all taxes and costs and expenses with respect thereto, other than U.S. withholding taxes, to which the Trust might become subject.

Governing Law

The indenture and the LoTS[SM] will be governed by, and construed in accordance with, the laws of the State of New York.

The Indenture Trustee

The indenture trustee will have all of the duties and responsibilities specified under the Trust Indenture Act. Other than its duties in a case of default, the indenture trustee is under no obligation to exercise any of the powers under the indenture at the request, order or direction of any holders of LoTS[SM] unless offered reasonable indemnification.

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DESCRIPTION OF THE GUARANTEE

The following is a brief description of the terms of the guarantee. It does not purport to be complete in all respects. This description is subject to and qualified in its entirety by reference to the guarantee, which has been filed with the SEC and incorporated by reference into the registration statement to which this prospectus supplement relates and copies of which are available upon request from Wachovia.

General

The following payments on the Trust Preferred Securities, also referred to as the *guarantee payments*, if not fully paid by the Trust, will be paid by Wachovia under a guarantee, or *guarantee*, that Wachovia will execute and deliver for the benefit of the holders of Trust Preferred Securities. Pursuant to the guarantee, it will irrevocably and unconditionally agree to pay in full the guarantee payments, without duplication:

- any accumulated and unpaid distributions required to be paid on the Trust Preferred Securities, to the extent the Trust has funds available to make the payment;
- the redemption price for any Trust Preferred Securities called for redemption by the Trust, to the extent the Trust has funds available to make the payment; and
- upon a voluntary or involuntary dissolution, winding-up or liquidation of the Trust, other than in connection with a distribution of a like amount of corresponding assets to the holders of the Trust Preferred Securities, the lesser of:
  - the aggregate of the liquidation amount and all accumulated and unpaid distributions on the Trust Preferred Securities to the date of payment, to the extent the Trust has funds available to make the payment; and
  - the amount of assets of the Trust remaining available for distribution to holders of the Trust Preferred Securities upon liquidation of the Trust.

Wachovia s obligation to make a guarantee payment may be satisfied by direct payment of the required amounts by Wachovia to the holders of the Trust Preferred Securities or by causing the Trust to pay the amounts to the holders.

If Wachovia does not make a required payment on the LoTS^{SM} , the Trust will not have sufficient funds to make the related payments on the Trust Preferred Securities. The guarantee does not cover payments on the Trust Preferred Securities when the Trust does not have sufficient funds to make these payments. If Wachovia does not pay any amounts on the LoTS^{SM} when due, holders of the Trust Preferred Securities will have to rely on the enforcement by the property trustee of its rights as registered holder of the LoTS^{SM} or proceed directly against Wachovia for payment of any amounts due on the LoTS^{SM} . See Status of the Guarantee. Because Wachovia is a holding company, its rights to participate in the assets of any of its subsidiaries upon the subsidiary s liquidation or reorganization will be subject to the prior claims of the subsidiary s creditors except to the extent that Wachovia may itself be a creditor with recognized claims against the subsidiary. The guarantee does not limit the incurrence or issuance by Wachovia of other secured or unsecured indebtedness.

The guarantee will be qualified as an indenture under the Trust Indenture Act. U.S. Bank National Association will act as *guarantee trustee* for the guarantee for purposes of compliance with the provisions of the Trust Indenture Act. The guarantee trustee will hold the guarantee for the benefit of the holders of the Trust Preferred Securities.

Effect of the Guarantee

The guarantee, when taken together with Wachovia s obligations under the indenture and the Trust s obligations under the Trust Agreement, including Wachovia s obligations to pay costs, expenses, debts and

liabilities of the Trust, other than with respect to the Trust securities, has the effect of providing a full and unconditional guarantee on a subordinated basis of payments due on the Trust Preferred Securities. See Relationship among Trust Preferred Securities, LoTS[SM] and Guarantee.

Wachovia will also agree separately to irrevocably and unconditionally guarantee the obligations of the Trust with respect to the Trust s common securities to the same extent as the guarantee.

Status of the Guarantee

The guarantee will be unsecured and will rank:

- subordinate and junior in right of payment to all Wachovia s senior and subordinated debt in the same manner as the LoTS[SM] as set forth in the indenture; and

- equally with all other guarantees for payments on Trust Preferred Securities that Wachovia issues in the future to the extent the related subordinated notes by their terms rank *pari passu* with the LoTS[SM], subordinated notes that Wachovia issues in the future to the extent that by their terms rank *pari passu* with the LoTS[SM] and any of its other present or future obligations that by their terms rank *pari passu* with such guarantee.

The guarantee will constitute a guarantee of payment and not of collection, which means that the guaranteed party may sue the guarantor to enforce its rights under the guarantee without suing any other person or entity. The guarantee will be held for the benefit of the holders of the Trust Preferred Securities. The guarantee will be discharged only by payment of the guarantee payments in full to the extent not paid by the Trust.

Amendments and Assignment

The guarantee may be amended only with the prior approval of the holders of not less than a majority in aggregate liquidation amount of the outstanding Trust Preferred Securities. The approval of such holders will not be required, however, for any changes that do not adversely affect the rights of holders of the Trust Preferred Securities in any material respect. All guarantees and agreements contained in the guarantee will bind Wachovia s successors, assignees, receivers, trustees and representatives and will be for the benefit of the holders of the Trust Preferred Securities then outstanding.

Termination of the Guarantee

The guarantee will terminate:

upon full payment of the redemption price of all Trust Preferred Securities;

upon the distribution of the LoTS[SM] in exchange for all of the Trust Preferred Securities; or

upon full payment of the amounts payable in accordance with the Trust Agreement upon liquidation of the Trust.

The guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of Trust Preferred Securities must restore payment of any sums paid under the Trust Preferred Securities or the guarantee.

Events of Default

An event of default under the guarantee will occur if Wachovia fails to perform any payment obligation or if it fails to perform any other obligation under the guarantee and such default remains unremedied for 30 days.

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The holders of a majority in liquidation amount of the Trust Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the guarantee trustee in respect of the guarantee or to direct the exercise of any trust or power conferred upon the guarantee trustee under the guarantee. Any holder of Trust Preferred Securities may institute a legal proceeding directly against Wachovia to enforce the guarantee trustee s rights and Wachovia s obligations under the guarantee, without first instituting a legal proceeding against the Trust, the guarantee trustee or any other person or entity.

As guarantor, Wachovia is required to file annually with the guarantee trustee a certificate as to whether or not it is in compliance with all applicable conditions and covenants under the guarantee.

Information Concerning the Guarantee Trustee

Prior to the occurrence of an event of default relating to the guarantee, the guarantee trustee is required to perform only the duties that are specifically set forth in the guarantee. Following the occurrence of an event of default, the guarantee trustee will exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Provided that the foregoing requirements have been met, the guarantee trustee is under no obligation to exercise any of the powers vested in it by the guarantee at the request of any holder of Trust Preferred Securities, unless offered indemnity satisfactory to it against the costs, expenses and liabilities that might be incurred thereby.

Wachovia and its affiliates may maintain certain accounts and other banking relationships with the guarantee trustee and its affiliates in the ordinary course of business.

Governing Law

The guarantee will be governed by and construed in accordance with the laws of the State of New York.

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RELATIONSHIP AMONG TRUST PREFERRED SECURITIES, LOTS^{SM} AND GUARANTEE

As set forth in the Trust Agreement, the exclusive purposes of the Trust are:

- issuing the Trust securities representing beneficial interests in the Trust;
- investing the gross proceeds of the Trust securities in the LoTS^{SM}; and
- engaging in only those activities necessary or incidental thereto.

As long as payments of interest and other payments are made when due on the LoTS^{SM}, those payments will be sufficient to cover the distributions and payments due on the Trust securities. This is due to the following factors:

- the Trust will hold an aggregate principal amount of LoTS^{SM} equal to the sum of the aggregate liquidation amount of the Trust Preferred Securities and Trust s common securities;
- the interest rate on the LoTS^{SM} will match the distribution rate on the Trust Preferred Securities and the Trust s common securities;
- the interest and other payment dates on the LoTS^{SM} will match the distribution dates for the Trust Preferred Securities and the Trust s common securities;
- under the indenture, Wachovia will pay, and the Trust will not be obligated to pay, directly or indirectly, all costs, expenses, debts and obligations of the Trust, other than those relating to such Trust securities; and
- the Trust Agreement further provides that the trustees may not cause or permit the Trust to engage in any activity that is not consistent with the purposes of the Trust.

To the extent that funds are available, Wachovia guarantees payments of distributions and other payments due on the Trust securities to the extent described in this prospectus supplement. If Wachovia does not make interest payments on the LoTS^{SM}, the Trust will not have sufficient funds to pay distributions on the Trust securities. The guarantee is a subordinated guarantee in relation to the Trust securities. The guarantee does not apply to any payment of distributions unless and until the Trust has sufficient funds for the payment of such distributions. See Description of the Guarantee.

Wachovia has the right to set off any payment that it is otherwise required to make under the indenture with any payment that it has previously made or are concurrently on the date of such payment making under the guarantee.

The guarantee covers the payment of distributions and other payments on the Trust securities only if and to the extent that Wachovia has made a payment of interest or principal or other payments on the LoTS^{SM}. The guarantee, when taken together with Wachovia s obligations under the LoTS^{SM} and the indenture and its obligations under the Trust Agreement, will provide a full and unconditional guarantee of distributions, redemption payments and liquidation payments on the Trust securities.

If Wachovia fails to make interest or other payments on the LoTS^{SM} when due, taking into account any applicable deferral period, the Trust Agreement allows the holders of the Trust Preferred Securities to direct the property trustee to enforce its rights under the LoTS^{SM}. If the property trustee fails to enforce these rights, any holder of Trust Preferred Securities may directly sue Wachovia to enforce such rights without first suing the property trustee or any other person or entity.

A holder of Trust Preferred Securities may institute a direct action if Wachovia breaches its obligations to issue qualifying APM securities pursuant to the alternative payment mechanism or to use commercially reasonable efforts to sell qualifying capital securities as described under Description of the

LoTS^{SM} Repayment of Principal, in each case subject to a market disruption event or it fails to make interest or other payments on the LoTS^{SM} when due, taking into account any applicable deferral period. A direct action may be brought without first:

- directing the property trustee to enforce the terms of the LoTS^{SM}; or
- suing Wachovia to enforce the property trustee s rights under the LoTS^{SM}.

Wachovia acknowledges that the guarantee trustee will enforce the guarantee on behalf of the holders of the Trust Preferred Securities. If Wachovia fails to make payments under the guarantee, the holders of the Trust Preferred Securities may direct the guarantee trustee to enforce its rights under such guarantee. If the guarantee trustee fails to enforce the guarantee, any holder of Trust Preferred Securities may directly sue Wachovia to enforce the guarantee trustee s rights under the guarantee. Such holder need not first sue the Trust, the guarantee trustee, or any other person or entity. A holder of Trust Preferred Securities may also directly sue Wachovia to enforce such holder s right to receive payment under the guarantee. Such holder need not first direct the guarantee trustee to enforce the terms of the guarantee or sue the Trust or any other person or entity.

Wachovia and the Trust believe that the above mechanisms and obligations, taken together, are equivalent to a full and unconditional guarantee by Wachovia of payments due on the Trust Preferred Securities.

Limited Purpose of Trust

The Trust securities evidence beneficial interests in the Trust. A principal difference between the rights of a holder of a Trust security and a holder of LoTS^{SM} is that a holder of LoTS^{SM} would be entitled to receive from the issuer the principal amount of and interest accrued on such LoTS^{SM}, while a holder of Trust securities is entitled to receive distributions from the Trust, or from Wachovia under the guarantee, if and to the extent the Trust has funds available for the payment of such distributions.

Rights upon Dissolution

Upon any voluntary or involuntary dissolution of the Trust, holders of Trust Preferred Securities will receive the distributions described under Description of the Trust Preferred Securities Optional Liquidation of Trust and Distribution of LoTS^{SM} to Holders. Upon any voluntary or involuntary liquidation or bankruptcy of Wachovia, the holders of the LoTS^{SM} would be subordinated creditors of Wachovia, subordinated in right of payment to all indebtedness senior to the LoTS^{SM} as set forth in the indenture, but entitled to receive payment in full of principal and interest before any of Wachovia s shareholders receive distributions. Since Wachovia is the guarantor under the guarantee and has agreed under the indenture to pay for all costs, expenses and liabilities of the Trust, other than the Trust s obligations to the holders of the Trust securities, the positions of a holder of Trust Preferred Securities relative to other creditors and to Wachovia s shareholders in the event of liquidation or bankruptcy are expected to be substantially the same as if that holder held the corresponding assets of the Trust directly.

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REPLACEMENT CAPITAL COVENANT

The following is a brief description of the terms of the replacement capital covenant. It does not purport to be complete in all respects. This description is subject to and qualified in its entirety by reference to the replacement capital covenant, copies of which are available upon request from Wachovia.

At or around the time of issuance of the Trust Preferred Securities, Wachovia will enter into a replacement capital covenant pursuant to which Wachovia will agree for the benefit of persons that buy, hold or sell a specified series of its long-term indebtedness ranking senior to the LoTS[SM] (or in certain limited cases long-term indebtedness of its subsidiary, Wachovia Bank, National Association) that it will not repay, redeem or purchase, nor will any of its subsidiaries purchase, any of the LoTS[SM] or the Trust Preferred Securities on or after the earlier of the scheduled maturity date and the date that is 30 years prior to the final repayment date and prior to the date that is 20 years prior to the final repayment date, unless the principal amount repaid, or the applicable redemption or purchase price does not exceed the sum of:

- the applicable percentage of the aggregate amount of:
  - the net cash proceeds received by us and our subsidiaries from the sale of common stock and rights to acquire common stock (including common stock or rights to acquire common stock issued pursuant to our dividend reinvestment plan or employee benefit plans), *plus*
  - the market value of any common stock that we and our subsidiaries have delivered as consideration for property or assets in an arm s-length transaction, *plus*
  - the market value of any common stock that we and our subsidiaries have issued in connection with the conversion or exchange of any convertible or exchangeable securities, other than securities for which we or any of our subsidiaries has received equity credit from any NRSRO; *plus*
- the applicable percentage of the aggregate amount of net cash proceeds received by us and our subsidiaries from the sale of debt exchangeable for common equity, debt exchangeable for preferred equity, mandatorily convertible preferred stock, REIT preferred securities or qualifying capital securities;

in each case within the applicable measurement period (without double counting proceeds received in any prior measurement period) to persons other than us and our subsidiaries; *provided, however,* that the foregoing limits shall not apply to (i) the purchase of the Trust Preferred Securities or any portion thereof by our subsidiaries in connection with the distribution thereof or market-making or other secondary-market activities or (ii) any distribution of the LoTS[SM] to holders of the Trust Preferred Securities upon a dissolution of the Trust. We refer collectively to common stock, rights to acquire common stock, debt exchangeable for common equity, debt exchangeable for preferred equity, mandatorily convertible preferred stock, REIT preferred securities and qualifying capital securities as *replacement capital securities*. For purposes of the replacement capital covenant, the term *repay* includes the defeasance by Wachovia of the LoTS[SM] as well as the satisfaction and discharge of its obligations under the indenture with respect to the LoTS[SM].

The following terms, as used in this description of the replacement capital covenant, have the following definitions:

Applicable percentage means:

with respect to common stock and rights to acquire common stock, 200% with respect to any repayment, redemption or purchase of any LoTS^{SM} or trust preferred securities prior to the scheduled maturity date and 400% with respect to any repayment, redemption or purchase of any LoTS^{SM} or trust preferred securities on or after the scheduled maturity date;

with respect to any debt exchangeable for common equity, debt exchangeable for preferred equity, mandatorily convertible preferred stock, REIT preferred securities or qualifying capital securities defined in clause (i) of the definition of that term, 100% with respect to any repayment,

redemption or purchase of any LoTS^{SM} or trust preferred securities prior to the scheduled maturity date and 300% with respect to any repayment, redemption or purchase of any LoTS^{SM} or trust preferred securities on or after the scheduled maturity date;

with respect to any qualifying capital securities defined in clause (ii) of the definition of that term, 100% with respect to any repayment, redemption or purchase of any LoTS^{SM} or trust preferred securities prior to the scheduled maturity date and 200% with respect to any repayment, redemption or purchase of any LoTS^{SM} or trust preferred securities on or after the scheduled maturity date; and

with respect to any qualifying capital securities defined in clause (iii) of the definition of that term, 100%.

Common stock means Wachovia s common stock (including common stock issued pursuant to its dividend reinvestment plan and employee benefit plans).

Debt exchangeable for common equity means a security or combination of securities (together in this definition, *such securities*) that:

gives the holder a beneficial interest in (i) our subordinated debt securities that are non-callable prior to the settlement date of the stock purchase contract and (ii) a fractional interest in a stock purchase contract for a share of common stock that will be settled in three years or less, with the number of shares of common stock purchasable pursuant to such stock purchase contract to be within a range established at the time of issuance of such subordinated debt securities, subject to customary anti-dilution adjustments;

provides that the holders directly or indirectly grant us a security interest in such subordinated debt securities and their proceeds (including any substitute collateral permitted under the transaction documents) to secure the holders direct or indirect obligation to purchase common stock pursuant to such stock purchase contracts;

includes a remarketing feature pursuant to which the subordinated debt securities are remarketed to new investors commencing not later than the last distribution date that is at least one month prior to the settlement date of the stock purchase contract; and

provides for the proceeds raised in the remarketing to be used to purchase common stock under the stock purchase contracts and, if there has not been a successful remarketing by the settlement date of the stock purchase contract, provides that the stock purchase contracts will be settled by us exercising our remedies as a secured party with respect to the subordinated debt securities or other collateral directly or indirectly pledged by holders in the debt exchangeable for common equity.

Debt exchangeable for preferred equity means a security or combination of securities (together in this definition, *such securities*) that:

gives the holder a beneficial interest in (a) our subordinated debt securities that include a provision requiring us to issue (or use Commercially Reasonable Efforts to issue) one or more types of APM qualifying securities raising proceeds at least equal to the deferred distributions on such subordinated debt securities commencing not later than two years after the issuer first defers distributions on such securities and that are our most junior subordinated debt (or rank *pari passu* with our most junior subordinated debt) and (b) an interest in a stock purchase contract that obligates the holder to acquire a beneficial interest in qualifying preferred stock;

provides that the holders directly or indirectly grant to us a security interest in such subordinated debt securities and their proceeds (including any substitute collateral permitted under the transaction documents) to secure the investors direct or indirect obligation to purchase qualifying preferred stock pursuant to such stock purchase contracts;

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includes a remarketing feature pursuant to which our subordinated debt is remarketed to new investors commencing not later than the first distribution date that is at least five years after the date of issuance of such securities or earlier in the event of an early settlement event based on (a) our capital ratios, (b) our capital ratios as anticipated by the Federal Reserve, or (c) the dissolution of the issuer of such debt exchangeable for preferred equity;

provides for the proceeds raised in the remarketing to be used to purchase qualifying preferred stock under the stock purchase contracts and, if there has not been a successful remarketing by the first distribution date that is six years after the date of issuance of such securities, provides that the stock purchase contracts will be settled by us exercising our rights as a secured creditor with respect to the subordinated debt securities or other collateral directly or indirectly pledged by investors in the debt exchangeable for preferred equity;

includes a qualifying replacement capital covenant that will apply to such securities and to any qualifying preferred stock issued pursuant to the stock purchase contracts; *provided* that such qualifying replacement capital covenant will not include debt exchangeable for common equity or debt exchangeable for preferred equity as replacement capital securities ; and

after the issuance of such qualifying preferred stock, provides the holder with a beneficial interest in such qualifying preferred stock.

Mandatorily convertible preferred stock means cumulative preferred stock with (a) no prepayment obligation on the part of the issuer thereof, whether at the election of the holders or otherwise, and (b) a requirement that the preferred stock convert into Wachovia s common stock within three years from the date of its issuance at a conversion ratio within a range established at the time of issuance of the preferred stock, subject to customary anti-dilution adjustments.

Measurement date means (a) with respect to any repayment, redemption or purchase of the LoTS[SM] or the Trust Preferred Securities on or prior to the scheduled maturity date, the date that is 180 days prior to delivery of notice of such repayment or redemption or the date of such purchase, and (b) with respect to any repayment, redemption or purchase after the scheduled maturity date, the date that is 90 days prior to the date of such repayment, redemption or purchase, except that, if during the 90-day (or any shorter) period preceding the date that is 90 days prior to the date of such repayment, redemption or purchase, Wachovia and its subsidiaries issued replacement capital securities to persons other than Wachovia and its subsidiaries but no repayment, redemption or purchase was made in connection therewith, the date upon which such 90-day (or shorter) period began.

Measurement period with respect to any notice date or purchase date means the period (i) beginning on the measurement date with respect to such notice date or purchase date and (ii) ending on such notice date or purchase date. Measurement periods cannot run concurrently.

NRSRO means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

Qualifying capital securities means securities or combinations of securities (other than common stock, rights to acquire common stock, mandatorily convertible preferred stock, debt exchangeable for common equity, debt exchangeable for preferred equity and REIT preferred securities) that, in the determination of Wachovia s board of directors reasonably construing the definitions and other terms of the replacement capital covenant, meet one of the following criteria:

(i) (A)

securities issued by Wachovia or its subsidiaries that (1) rank *pari passu* with or junior to the LoTS[SM] upon the liquidation, dissolution or winding up of Wachovia, (2) have no maturity or a maturity of at least 60 years and (3) either:

(x) (I) have a no payment provision or are non-cumulative and (II) are subject to a qualifying replacement capital covenant, or

(y) have an optional deferral provision and a mandatory trigger provision and are subject to intent-based replacement disclosure;

(B) securities issued by Wachovia or its subsidiaries that (1) rank *pari passu* or junior to the LoTS[SM] upon the liquidation, dissolution or winding up of Wachovia, (2) have no maturity or a maturity of at least 40 years and are subject to a qualifying replacement capital covenant and (3) have an optional deferral provision and a mandatory trigger provision; or

(C) qualifying preferred stock; or

(ii) (A) securities issued by Wachovia or its subsidiaries that (1) rank *pari passu* with or junior to the LoTS[SM] upon a liquidation, dissolution or winding up of Wachovia, (2) have no maturity or a maturity of at least 60 years and (3) either:

(x) are subject to a qualifying replacement capital covenant and have an optional deferral provision, or

(y) (I) are subject to intent-based replacement disclosure and (II) have a no payment provision or are non-cumulative;

(B) securities issued by Wachovia or its subsidiaries that (1) rank *pari passu* with or junior to the LoTS[SM] upon a liquidation, dissolution or winding up of Wachovia, (2) have no maturity or a maturity of at least 40 years and (3) either:

(x) (I) have a no payment provision or are non-cumulative and (II) are subject to a qualifying replacement capital covenant , or

(y) have an optional deferral provision and a mandatory trigger provision and are subject to intent-based replacement disclosure;

(C) securities issued by Wachovia or its subsidiaries that (1) rank *pari passu* with or junior to the LoTS[SM] upon a liquidation, dissolution or winding-up of Wachovia, (2) have no maturity or a maturity of at least 25 years and are subject to a qualifying replacement capital covenant and (3) have an optional deferral provision and a mandatory trigger provision; or

(D) securities issued by Wachovia or its subsidiaries that (1) rank (i) senior to the LoTS[SM] and securities that are *pari passu* with the LoTS[SM] but (ii) junior to all other debt securities of Wachovia (other than (x) LoTS[SM] and securities that *are pari passu* with the LoTS[SM] and (y) securities that are *pari passu* with such qualifying capital securities) upon its liquidation, dissolution or winding-up, and (2) either:

(x) have no maturity or a maturity of at least 60 years and either (I) are (a) non-cumulative or subject to a no payment provision and (b) subject to a qualifying replacement capital covenant or (II) have a mandatory trigger provision and an optional deferral provision and are subject to intent-based replacement disclosure, or

(y) have no maturity or a maturity of at least 40 years, are subject to a qualifying replacement capital covenant and have a mandatory trigger provision and an optional deferral provision;

(E) preferred stock issued by Wachovia or its subsidiaries that (1) has no prepayment obligation on the part of the issuer thereof, whether at the election of the holders or otherwise, (2) has no maturity or a maturity of at least 60 years and (3) is subject to a qualifying replacement capital covenant ; or

(iii) (A) securities issued by Wachovia or its subsidiaries that (1) rank *pari passu* with or junior to the LoTS[SM] upon a liquidation, dissolution or winding up of Wachovia, (2) either

(x) have no maturity or a maturity of at least 60 years and are subject to intent-based replacement disclosure, or

(y) (I) have no maturity or a maturity at least 40 years and (II) are subject to a qualifying replacement capital covenant ; and

(3) have an optional deferral provision;

(B) securities issued by Wachovia or its subsidiaries that (1) rank *pari passu* with or junior to the LoTS[SM] upon a liquidation, dissolution or winding up of Wachovia, (2) have no maturity or a maturity at least 40 years are subject to intent-based replacement disclosure and (3) are non-cumulative or have a no payment provision;

(C) securities issued by Wachovia or its subsidiaries that (1) rank (i) senior to the LoTS[SM] and securities that are *pari passu* with the LoTS[SM] but (ii) junior to all other debt securities of Wachovia (other than (x) LoTS[SM] and securities that are *pari passu* with the LoTS[SM] and (y) securities that are *pari passu* with such qualifying capital securities) upon its liquidation, dissolution or winding-up, and (2) either:

(x) have no maturity or a maturity of at least 60 years and either (i) have an optional deferral provision and are subject to a qualifying replacement capital covenant or (ii) (a) are non-cumulative or have a no payment provision and (b) are subject to intent-based replacement disclosure, or

(y) have no maturity or a maturity of at least 40 years and either (i) (a) are non-cumulative or have a no payment provision and (b) are subject to a qualifying replacement capital covenant or (ii) are subject to intent-based replacement disclosure and have a mandatory trigger provision and an optional deferral provision; or

(D) preferred stock issued by Wachovia or its subsidiaries that either (1) has no maturity or a maturity of at least 60 years and is subject to intent-based replacement disclosure or (2) has a maturity of at least 40 years and is subject to a qualifying replacement capital covenant.

REIT Preferred Securities means non-cumulative perpetual preferred stock of a Wachovia subsidiary that Wachovia holds through a subsidiary (a *depository institution subsidiary*) that is a depository institution within the meaning of 12 C.F.R. § 204.2(m), which issuing subsidiary may or may not be a real estate investment trust (*REIT*) within the meaning of Section 856 of the Internal Revenue Code of 1986, as amended, that is exchangeable for Wachovia s non-cumulative perpetual preferred stock and that satisfies the following requirements:

such non-cumulative perpetual preferred stock and the related non-cumulative perpetual preferred stock for which it may be exchanged qualifies as Tier 1 capital of the depository institution subsidiary under the risk-based capital guidelines of the appropriate federal banking agency and related interpretive guidance of such agency;

such non-cumulative perpetual preferred stock must be exchangeable automatically into Wachovia s non-cumulative perpetual preferred stock in the event that the appropriate federal banking agency directs such depository institution subsidiary in writing to make a conversion because such depository institution subsidiary is (i) undercapitalized under the applicable prompt corrective action regulations, (ii) placed into conservatorship or receivership, or (iii) expected to become undercapitalized in the near term;

if the issuing subsidiary is a REIT, the transaction documents include provisions that would enable the REIT to stop paying dividends on its non-cumulative perpetual preferred stock without causing the REIT to fail to comply with the income distribution and other requirements of the Internal Revenue Code of 1986, as amended, applicable to REITs;

Wachovia s non-cumulative perpetual preferred stock issued upon exchange for the non-cumulative perpetual preferred stock ranks *pari passu* or junior to its other preferred stock; and

such REIT preferred securities and Wachovia non-cumulative perpetual preferred stock for which it may be exchanged are subject to a qualifying replacement capital covenant.

For purposes of the definition of qualifying capital securities, the following terms shall have the following meanings:

Alternative payment mechanism means, with respect to any qualifying capital securities, provisions in the related transaction documents permitting Wachovia, in its sole discretion, or in response to a directive or order from the Federal Reserve, to defer or skip in whole or in part payment of distributions on such qualifying capital securities for one or more consecutive distribution periods up to 10 years and requiring Wachovia to issue (or use commercially reasonable efforts to issue) one or more types of APM qualifying securities raising eligible proceeds at least equal to the deferred distributions on such qualifying capital securities and apply the proceeds to pay unpaid distributions on such qualifying capital securities, commencing on the earlier of (x) the first distribution date after commencement of a deferral period on which Wachovia pays current distributions on such qualifying capital securities and (y) the fifth anniversary of the commencement of such deferral period, and that:

- define eligible proceeds to mean, for purposes of such alternative payment mechanism, the net proceeds (after underwriters or placement agents fees, commissions or discounts and other expenses relating to the issuance or sale of the relevant securities, where applicable, and including the fair market value of property received by Wachovia or any of its subsidiaries as consideration for such securities) that Wachovia has received during the 180-day period prior to the related distribution date from the issuance of APM qualifying securities, up to the preferred cap (as defined below) in the case of APM qualifying securities that are qualifying preferred stock or mandatorily convertible preferred stock;

- permit Wachovia to pay current distributions on any distribution date out of any source of funds but (x) require it to use eligible proceeds to pay deferred distributions and (y) prohibit it from paying deferred distributions out of any source of funds other than eligible proceeds;

- if deferral of distributions continues for more than one year, require Wachovia not to redeem or repurchase any of its securities ranking *pari passu* with or junior to any qualifying APM securities the proceeds of which were used to settle deferred interest during the relevant deferral period until at least one year after all deferred distributions have been paid (a *repurchase restriction*);

- notwithstanding the second bullet point above, if the Federal Reserve disapproves Wachovia s sale of APM qualifying securities or the use of the proceeds thereof to pay deferred distributions, may (if Wachovia elects to so provide in the terms of such qualifying capital securities) permit it to pay deferred distributions from any source or, if the Federal Reserve does not disapprove its issuance and sale of APM qualifying securities but disapproves the use of the proceeds thereof to pay deferred distributions, may (if Wachovia elects to so provide in the terms of such qualifying capital securities) permit it to use such proceeds for other purposes and to continue to defer distributions, without a breach of its obligations under the transaction documents;

- limit Wachovia s obligation to issue (or use commercially reasonable efforts to issue) APM qualifying securities that are common stock and qualifying warrants to settle deferred distributions pursuant to the alternative payment mechanism either (A) during the first five years of any deferral period or (B) before an anniversary of the commencement of any deferral period that is not earlier than the fifth such anniversary and not later than the ninth such anniversary (as designated in the terms of such qualifying capital securities) with respect to deferred distributions attributable to the first five years of such deferral period, either:

  - to an aggregate amount of such securities, the net proceeds from the issuance of which is equal to 2% of the product of the average of the current market value of the common stock on the ten consecutive trading days ending on the fourth trading day immediately preceding the date of issuance multiplied by the total number of issued and outstanding shares of common stock as of the date of Wachovia s most recent publicly available consolidated financial statements; or

to a number of shares of common stock and shares purchasable upon the exercise of qualifying warrants, in the aggregate, not in excess of 2% of the outstanding number of shares of common stock (the *common cap*);

limit Wachovia s right to issue APM qualifying securities that are qualifying preferred stock and mandatorily convertible preferred stock to settle deferred distributions pursuant to the alternative payment mechanism to an aggregate amount of qualifying preferred stock and still-outstanding mandatorily convertible preferred stock, the net proceeds from the issuance of which with respect to all deferral periods is equal to 25% of the liquidation or principal amount of such qualifying capital securities (the *preferred cap*);

in the case of qualifying capital securities other than non-cumulative perpetual preferred stock, include a bankruptcy claim limitation provision; and

permit Wachovia, at its option, to provide that if it is involved in a merger, consolidation, amalgamation, binding share exchange or conveyance, transfer or lease of assets substantially as an entirety to any other person or a similar transaction (a *business combination*) where immediately after the consummation of the business combination more than 50% of the surviving or resulting entity s voting stock is owned by the shareholders of the other party to the business combination, then the first three bullet points will not apply to any deferral period that is terminated on the next interest payment date following the date of consummation of the business combination (or if later, at any time within 90 days following the date of consummation of the business combination);

provided (and it being understood) that:

Wachovia shall not be obligated to issue (or use commercially reasonable efforts to issue) APM qualifying securities for so long as a market disruption event has occurred and is continuing;

if, due to a market disruption event or otherwise, it is able to raise and apply some, but not all, of the eligible proceeds necessary to pay all deferred distributions on any distribution date, it will apply any available eligible proceeds to pay accrued and unpaid distributions on the applicable distribution date in chronological order subject to the common cap and the preferred cap, as applicable; and

if Wachovia has outstanding more than one class or series of securities under which it is obligated to sell a type of APM qualifying securities and apply some part of the proceeds to the payment of deferred distributions, then on any date and for any period the amount of net proceeds it receives from those sales and available for payment of deferred distributions on such securities shall be applied to such securities on a *pro rata* basis up to the common cap and the preferred cap, as applicable, in proportion to the total amounts that are due on such securities, or on such other basis as the Federal Reserve may approve.

APM qualifying securities means, with respect to an alternative payment mechanism, any debt exchangeable for preferred equity or any mandatory trigger provision, one or more of the following (as designated in the transaction documents for the qualifying capital securities that include an alternative payment mechanism or a mandatory trigger provision or for any debt exchangeable for preferred equity, as applicable): common stock, qualifying warrants, mandatorily convertible preferred stock or qualifying preferred stock, provided that (i) if the APM qualifying securities for any alternative payment mechanism or mandatory trigger provision or for any debt exchangeable for preferred equity include both common stock and qualifying warrants, such alternative payment mechanism, debt exchangeable for preferred equity or mandatory trigger provision may permit, but need not require, Wachovia to issue qualifying warrants and (ii) such alternative payment mechanism, mandatory trigger provision or debt exchangeable for preferred equity may permit, but need not require, Wachovia to issue mandatorily convertible preferred stock.

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Bankruptcy claim limitation provision means, with respect to any qualifying capital securities that have an alternative payment mechanism or a mandatory trigger provision, provisions that, upon any liquidation, dissolution, winding-up or reorganization or in connection with any insolvency, receivership or proceeding under any bankruptcy law with respect to the issuer, limit the claim of the holders of such securities to distributions that accumulate during (A) any deferral period, in the case of securities that have an alternative payment mechanism or (B) any period in which Wachovia fails to satisfy one or more financial tests set forth in the terms of such securities or related transaction agreements, in the case of securities having a mandatory trigger provision, to:

- in the case of qualifying capital securities having an alternative payment mechanism or mandatory trigger provision with respect to which the APM qualifying securities do not include qualifying preferred stock or mandatorily convertible preferred stock, 25% of the stated or principal amount of such securities then outstanding; and

- in the case of any other securities, an amount not in excess of the sum of (x) two years of accumulated and unpaid distributions and (y) an amount equal to the excess, if any, of the preferred cap over the aggregate amount of net proceeds from the sale of qualifying preferred stock and mandatorily convertible preferred stock that is still outstanding that the issuer has applied to pay such distributions pursuant to the alternative payment mechanism or the mandatory trigger provision; provided that the holders of such securities are deemed to agree that, to the extent the claim for deferred interest exceeds the amount set forth in clause (x), the amount they receive in respect of such excess shall not exceed the amount they would have received had the claim for such excess ranked *pari passu* with the interests of the holders, if any, of qualifying preferred stock.

Intent-based replacement disclosure means, as to any qualifying preferred stock or qualifying capital securities, that the issuer has publicly stated its intention, either in the prospectus or other offering document under which such securities were initially offered for sale or in filings with the SEC made by the issuer under the Exchange Act prior to or contemporaneously with the issuance of such securities, that the issuer will redeem or purchase such securities only with the proceeds of replacement capital securities that have terms and provisions at the time of redemption or purchase that are as or more equity-like than the securities then being redeemed or purchased, raised within 180 days prior to the applicable redemption or purchase date. Notwithstanding the use of the term intent-based replacement disclosure in the definition of qualifying capital securities and qualifying preferred stock, the requirement in each such definition that a particular security or the related transaction documents include intent-based replacement disclosure shall be disregarded and given no force or effect for so long as Wachovia is a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended.

Mandatory trigger provision means, as to any qualifying capital securities, provisions in the terms thereof or of the related transaction agreements that:

- require the issuer of such securities to make payment of distributions on such securities only pursuant to the issuance and sale of APM qualifying securities within two years of failure of the issuer to satisfy one or more financial tests set forth in the terms of such securities or related transaction agreements, in an amount such that the net proceeds of such sale are at least equal to the amount of unpaid distributions on such securities (including, without limitation, all deferred and accumulated amounts), and require the application of the net proceeds of such sale to pay such unpaid distributions, provided that (i) if the mandatory trigger provision does not require such issuance and sale within one year of such failure, the amount of common stock and/or qualifying warrants, the net proceeds of which the issuer must apply to pay such distributions pursuant to such provision may not exceed the common cap and (ii) the amount of qualifying preferred stock and still outstanding mandatorily convertible preferred stock the net proceeds of which the issuer may apply to pay such distributions pursuant to such provision may not exceed the preferred cap;

if the provisions described in the first bullet of this definition do not require such issuance and sale within one year of such failure, include a repurchase restriction; and

include a bankruptcy claim limitation provision;

provided (and it being understood) that:

Wachovia shall not be obligated to issue (or use commercially reasonable efforts to issue) APM qualifying securities for so long as a market disruption event has occurred and is continuing;

if, due to a market disruption event or otherwise, it is able to raise and apply some, but not all, of the eligible proceeds necessary to pay all deferred distributions on any distribution date, it will apply any available eligible proceeds to pay accrued and unpaid distributions on the applicable distribution date in chronological order subject to the common cap and preferred cap, as applicable; and

if Wachovia has outstanding more than one class or series of securities under which it is obligated to sell a type of APM qualifying securities and apply some part of the proceeds to the payment of deferred distributions, then on any date and for any period the amount of net proceeds it receives from those sales and available for payment of deferred distributions on such securities shall be applied to such securities on a *pro rata* basis up to the common cap and the preferred cap, as applicable, in proportion to the total amounts that are due on such securities.

No remedy other than permitted remedies will arise by the terms of such qualifying capital securities or related transaction agreements in favor of the holders of such qualifying capital securities as a result of the issuer s failure to pay distributions because of the mandatory trigger provision until distributions have been deferred for one or more distribution periods that total together at least 10 years.

Market value means, on any date, the closing sale price per share of common stock (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions by the New York Stock Exchange or, if the common stock is not then listed on the New York Stock Exchange, as reported by the principal U.S. securities exchange on which the common stock is traded or quoted; if the common stock is not either listed or quoted on any U.S. securities exchange on the relevant date, the market value will be the average of the mid-point of the bid and ask prices for the common stock on the relevant date submitted by at least three nationally recognized independent investment banking firms selected for this purpose by Wachovia s Board of Directors or a committee thereof.

No payment provision means a provision or provisions in the transaction documents for securities (referred to in this definition as *such securities*) that include the following:

an alternative payment mechanism; and

an optional deferral provision modified and supplemented from the general definition of that term to provide that the issuer of such securities may, in its sole discretion, or (if the issuer elects to so provide in the terms of such securities) shall in response to a directive or order from the Federal Reserve, defer in whole or in part payment of distributions on such securities for one or more consecutive distribution periods of up to five years or, if a market disruption event has occurred and is continuing, ten years,

without any remedy other than permitted remedies and the obligations (and limitations on obligations) described in the definition of alternative payment mechanism applying.

Non-cumulative means, with respect to any qualifying capital securities, that the issuer may elect not to make any number of periodic distributions without any remedy arising under the terms of the securities or related agreements in favor of the holders, other than one or more permitted remedies.

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Optional deferral provision means, as to any qualifying capital securities, a provision in the terms thereof or of the related transaction agreements to the effect of either (a) or (b) below:

(a) (i) the issuer of such qualifying capital securities may, in its sole discretion, or shall in response to a directive or order from the Federal Reserve, defer or skip in whole or in part payment of distributions on such securities for one or more consecutive distribution periods of up to 5 years or, if a market disruption event is continuing, 10 years, without any remedy other than permitted remedies and (ii) such securities are subject to an alternative payment mechanism (provided that such alternative payment mechanism need not apply during the first 5 years of any deferral period and need not include a common cap, preferred cap, bankruptcy claim limitation provision, or repurchase restriction); or

(b) the issuer of such qualifying capital securities may, in its sole discretion, or shall in response to a directive or order from the Federal Reserve, defer or skip in whole or in part payment of distributions on such securities for one or more consecutive distribution periods up to at least 10 years, without any remedy other than permitted remedies.

Permitted remedies means, with respect to any securities, one or more of the following remedies: (a) rights in favor of the holders of such securities permitting such holders to elect one or more directors of the issuer (including any such rights required by the listing requirements of any stock or securities exchange on which such securities may be listed or traded), and (b) complete or partial prohibitions on the issuer paying distributions on or repurchasing common stock or other securities that rank *pari passu* with or junior as to distributions to such securities for so long as distributions on such securities, including unpaid distributions, remain unpaid.

Qualifying preferred stock means non-cumulative perpetual preferred stock of Wachovia that (a) ranks *pari passu* with or junior to all other preferred stock of Wachovia, and (b) either (x) is subject to a qualifying replacement capital covenant or (y) is subject to intent-based replacement disclosure and has a provision that prohibits Wachovia from paying any dividends thereon upon its failure to satisfy one or more financial tests set forth therein, and (c) as to which the transaction documents provide for no remedies as a consequence of non-payment of dividends other than permitted remedies.

Qualifying replacement capital covenant means a replacement capital covenant, as identified by Wachovia s board of directors acting in good faith and in its reasonable discretion and reasonably construing the definitions and other terms of the replacement capital covenant, (i) entered into by a company that at the time it enters into such replacement capital covenant is a reporting company under the Exchange Act and (ii) that restricts the related issuer from redeeming, repaying or purchasing identified securities except to the extent of the applicable percentage of the net proceeds from the issuance of specified replacement capital securities that have terms and provisions at the time of redemption, repayment or purchase that are as or more equity-like than the securities then being redeemed, repaid or purchased within the 180-day period prior to the applicable redemption, repayment or purchase date.

Wachovia s ability to raise proceeds replacement capital securities during the applicable measurement period with respect to any repayment, redemption or purchase of LoTS[SM] or Trust Preferred Securities will depend on, among other things, legal and regulatory requirements and market conditions at that time as well as the acceptability to prospective investors of the terms of those securities.

The initial series of indebtedness benefiting from the replacement capital covenant is Wachovia s Floating Rate Junior Subordinated Deferrable Interest Debentures due January 15, 2027, owned of record by Wachovia Capital Trust II, the trust preferred securities of which have CUSIP No. 929768AA7. The replacement capital covenant includes provisions requiring Wachovia to redesignate a new series of indebtedness if the covered series of indebtedness approaches maturity or is to be redeemed or purchased such that the outstanding principal amount is less than $100,000,000, subject to additional procedures.

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Wachovia expects that, at all times on or after the earlier of the scheduled maturity date and the date that is 30 years prior to the final repayment date and prior to the date that is 20 years prior to the final repayment date, it will be subject to the replacement capital covenant and, accordingly, restricted in its ability to repay, redeem or purchase the LoTS[SM] or the Trust Preferred Securities. However, if an event of default resulting in the acceleration of the LoTS[SM] occurs, Wachovia will not have to comply with the replacement capital covenant.

The replacement capital covenant is made for the benefit of persons that buy, hold or sell the specified series of long-term indebtedness. It may not be enforced by the holders of the Trust Preferred Securities or the LoTS[SM]. Wachovia may amend or supplement the replacement capital covenant from time to time with the consent of a majority in principal amount of the holders of the specified series of indebtedness benefiting from the replacement capital covenant, provided that no such consent shall be required if (i) such amendment or supplement eliminates common stock and/or rights to acquire common stock as replacement capital securities if, after the date of the replacement capital covenant, an accounting standard or interpretive guidance of an existing standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards in the United States becomes effective such that there is more than an insubstantial risk that the failure to eliminate common stock and/or rights to purchase common stock as replacement capital securities would result in a reduction in its earnings per share as calculated in accordance with generally accepted accounting principles in the United States, (ii) such amendment or supplement is not adverse to the covered debtholders, and an officer of Wachovia has delivered to the holders of the then-effective series of covered debt a written certificate stating that, in his or her determination, such amendment or supplement is not adverse to the covered debtholders, or (iii) the effect of such amendment or supplement is solely to impose additional restrictions on, or eliminate certain of, the types of securities qualifying as replacement capital securities (other than the securities covered by clause (i) above), and an officer of Wachovia has delivered to the holders of the then-effective series of covered debt a written certificate to that effect.

Wachovia may generally amend or supplement the replacement capital covenant without the consent of the holders of the LoTS[SM]. With respect to qualifying capital securities, on the other hand, Wachovia has agreed in the indenture for the LoTS[SM] that it will not amend the replacement capital covenant to impose additional restrictions on the type or amount of qualifying capital securities that it may include for purposes of determining when repayment, redemption or purchase of the LoTS[SM] or Trust Preferred Securities is permitted, except with the consent of holders of a majority by liquidation amount of the Trust Preferred Securities or, if the LoTS[SM] have been distributed by the Trust, a majority by principal amount of the LoTS[SM].

BOOK-ENTRY SYSTEM

The Depository Trust Company, which we refer to along with its successors in this capacity as *DTC*, will act as securities depositary for the Trust Preferred Securities. The Trust Preferred Securities will be issued only as fully registered securities registered in the name of Cede & Co. (DTC s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully registered global security certificates, representing the total aggregate number of Trust Preferred Securities, will be issued and will be deposited with DTC and will bear a legend regarding the restrictions on exchanges and registration of transfer referred to below. At any time when the LoTS^{SM} may be held by persons other than the property trustee, one or more fully registered global security certificates, representing the total aggregate principal amount of LoTS^{SM}, will be issued and will be deposited with DTC and will bear a legend regarding the restrictions on exchanges and registration of transfer referred to below.

The laws of some jurisdictions may require that some purchasers of securities take physical delivery of securities in definitive form. These laws may impair the ability to transfer beneficial interests in Trust Preferred Securities or LoTS^{SM}, so long as the corresponding securities are represented by global security certificates.

DTC has advised us that it is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its direct participants deposit with DTC. DTC also facilitates the post-trade settlement among participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between participants accounts. This eliminates the need for physical movement of securities certificates. Direct participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation, which, in turn, is owned by a number of direct participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, referred to as *indirect participants*, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a direct or indirect custodial relationship with a direct participant. The rules applicable to DTC and its participants are on file with the SEC.

Purchases of securities under the DTC system must be made by or through direct participants, which will receive a credit for the securities on DTC s records. The ownership interest of each beneficial owner of securities will be recorded on the direct or indirect participants records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which the beneficial owner entered into the transaction. Under a book-entry format, holders may experience some delay in their receipt of payments, as such payments will be forwarded by the depositary to Cede & Co., as nominee for DTC. DTC will forward the payments to its participants, who will then forward them to indirect participants or holders. Beneficial owners of securities other than DTC or its nominees will not be recognized by the relevant registrar, transfer agent, paying agent or trustee as registered holders of the securities entitled to the benefits of the Trust Agreement and the guarantee or the indenture. Beneficial owners that are not participants will be permitted to exercise their rights only indirectly through and according to the procedures of participants and, if applicable, indirect participants.

To facilitate subsequent transfers, all securities deposited by direct participants with DTC are registered in the name of DTC s partnership nominee, Cede & Co., or such other name as may be requested by an

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authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the securities; DTC s records reflect only the identity of the direct participants to whose accounts the securities are credited, which may or may not be the beneficial owners. The direct and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of redemption notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. If less than all of the securities of any class are being redeemed, DTC will determine the amount of the interest of each direct participant to be redeemed in accordance with its then current procedures.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to any securities unless authorized by a direct participant in accordance with DTC s procedures. Under its usual procedures, DTC mails an omnibus proxy to the issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co. s consenting or voting rights to those direct participants to whose accounts securities are credited on the record date (identified in a listing attached to the omnibus proxy).

DTC may discontinue providing its services as securities depositary with respect to the Trust Preferred Securities at any time by giving reasonable notice to the issuer or its agent. Under these circumstances, in the event that a successor securities depositary is not obtained, certificates for the Trust Preferred Securities are required to be printed and delivered. Wachovia may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor securities depositary). In that event, certificates for the Trust Preferred Securities will be printed and delivered to DTC.

As long as DTC or its nominee is the registered owner of the global security certificates, DTC or its nominee, as the case may be, will be considered the sole owner and holder of the global security certificates and all securities represented by these certificates for all purposes under the instruments governing the rights and obligations of holders of such securities. Except in the limited circumstances referred to above, owners of beneficial interests in global security certificates:

- will not be entitled to have such global security certificates or the securities represented by these certificates registered in their names;
- will not receive or be entitled to receive physical delivery of securities certificates in exchange for beneficial interests in global security certificates; and
- will not be considered to be owners or holders of the global security certificates or any securities represented by these certificates for any purpose under the instruments governing the rights and obligations of holders of such securities.

All redemption proceeds, distributions and dividend payments on the securities represented by the global security certificates and all transfers and deliveries of such securities will be made to DTC or its nominee, as the case may be, as the registered holder of the securities. DTC s practice is to credit direct participants accounts upon DTC s receipt of funds and corresponding detail information from the issuer or its agent, on the payable date in accordance with their respective holdings shown on DTC s records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of that participant and not of DTC, the depositary, the issuer or any of their agents, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of

the issuer or its agent, disbursement

of such payments to direct participants will be the responsibility of DTC, and disbursement of such payments to the beneficial owners will be the responsibility of direct and indirect participants.

Ownership of beneficial interests in the global security certificates will be limited to participants or persons that may hold beneficial interests through institutions that have accounts with DTC or its nominee. Ownership of beneficial interests in global security certificates will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by DTC or its nominee, with respect to participants interests, or any participant, with respect to interests of persons held by the participant on their behalf. Payments, transfers, deliveries, exchanges, redemptions and other matters relating to beneficial interests in global security certificates may be subject to various policies and procedures adopted by DTC from time to time. None of Wachovia, the Trust, the trustees of the Trust or any agent for Wachovia or any of them, will have any responsibility or liability for any aspect of DTC s or any direct or indirect participant s records relating to, or for payments made on account of, beneficial interests in global security certificates, or for maintaining, supervising or reviewing any of DTC s records or any direct or indirect participant s records relating to these beneficial ownership interests.

Although DTC has agreed to the foregoing procedures in order to facilitate transfer of interests in the global security certificates among participants, DTC is under no obligation to perform or continue to perform these procedures, and these procedures may be discontinued at any time. Neither Wachovia nor the Trust will have any responsibility for the performance by DTC or its direct participants or indirect participants under the rules and procedures governing DTC.

Because DTC can act only on behalf of direct participants, who in turn act only on behalf of direct or indirect participants, and certain banks, trust companies and other persons approved by it, the ability of a beneficial owner of securities to pledge them to persons or entities that do not participate in the DTC system may be limited due to the unavailability of physical certificates for the securities.

DTC has advised us that it will take any action permitted to be taken by a registered holder of any securities under the Trust Agreement, the guarantee or the indenture, only at the direction of one or more participants to whose accounts with DTC the relevant securities are credited.

The information in this section concerning DTC and its book-entry system has been obtained from sources that Wachovia and the trustees of the Trust believe to be accurate, but we assume no responsibility for the accuracy thereof.

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CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following summary describes certain United States federal income tax consequences of the purchase, ownership and disposition of the Trust Preferred Securities as of the date hereof. Unless otherwise stated, this summary deals only with Trust Preferred Securities held as capital assets by a holder who purchases the Trust Preferred Securities upon original issuance at their initial offering price and does not constitute a detailed description of the U.S. federal income and estate tax considerations applicable to you if you are subject to special treatment under the U.S. federal income or estate tax laws, including if you are:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- a tax-exempt organization;
- an insurance company;
- a person holding the Trust Preferred Securities as part of a hedging, integrated, conversion or constructive sale transaction or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who is an investor in a pass-through entity; or
- a United States person whose functional currency is not the U.S. dollar.

As used herein, the term *United States holder* means a holder of the Trust Preferred Securities that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;

a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to United States federal income taxation regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

The term *non-United States holder* means a beneficial owner of a Trust Preferred Security (other than a partnership) that is not a United States holder.

The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the *Code*), and regulations, rulings and judicial decisions thereunder as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those discussed below.

In addition, the authorities on which this summary is based are subject to various interpretations. The Trust Preferred Securities are novel financial instruments, and there is no statutory, judicial or administrative authority that directly addresses the United States federal income tax treatment of securities similar to the

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Trust Preferred Securities. Wachovia has not sought any rulings concerning the treatment of the Trust Preferred Securities, and the opinions of Simpson Thacher & Bartlett LLP expressed herein are not binding on the Internal Revenue Service (*IRS*) or the courts, either of which could disagree with the explanations or conclusions contained in this summary. Accordingly, there can be no assurance that the IRS will not challenge the opinions expressed in this summary or that a court would not sustain such a challenge. Nevertheless, Simpson Thacher & Bartlett LLP has advised Wachovia that they believe that, if challenged, the opinions expressed in this summary would be sustained by a court with jurisdiction in a properly presented case.

If a partnership holds the Trust Preferred Securities, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the Trust Preferred Securities, you should consult your tax advisors.

This summary does not contain a detailed description of all the United States federal income tax consequences to you in light of your particular circumstances and does not address the effects of any state, local or non-United States tax laws. **If you are considering the purchase, ownership or disposition of the Trust Preferred Securities, you should consult your own tax advisors concerning the United States federal income tax consequences to you in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.**

Classification of the Trust

In connection with the issuance of the Trust Preferred Securities, Simpson Thacher & Bartlett LLP is of the opinion that, under current law and assuming full compliance with the terms of the Trust Agreement, and based on certain facts and assumptions contained in its opinion, the Trust will be classified as a grantor trust and not as an association taxable as a corporation for United States federal income tax purposes. As a result, for United States federal income tax purposes, you generally will be treated as owning an undivided beneficial interest in the LoTS^{SM} and required to include in your gross income your *pro rata* share of the interest income or original issue discount that is paid or accrued on the LoTS. See United States Holders Interest Income and Original Issue Discount.

Classification of the LoTS

By purchasing the Trust Preferred Securities, each holder of the Trust Preferred Securities agrees, and Wachovia and the Trust agree, to treat the LoTS^{SM} as indebtedness for all United States federal income tax purposes. In connection with the issuance of the LoTS, Simpson Thacher & Bartlett LLP, Wachovia s special tax counsel, has advised it that, under current law and assuming full compliance with the terms of the indenture and other relevant documents, and based on the representations, facts and assumptions set forth in its opinion, although the matter is not free from doubt, the LoTS^{SM} will be characterized as indebtedness for United States federal income tax purposes. The remainder of this discussion assumes that the LoTS^{SM} will not be recharacterized as other than indebtedness of Wachovia.

United States Holders

The following discussion is a summary of certain U.S. federal income tax consequences that will apply to you if you are a United States holder of Trust Preferred Securities.

Interest Income and Original Issue Discount

Under applicable U.S. Treasury regulations, a remote contingency that stated interest will not be timely paid will be ignored in determining whether a debt instrument is issued with original issue discount (*OID*). Wachovia believes that, as of the date of this prospectus supplement, the likelihood that it will exercise its option to defer payments of interest under the terms of the LoTS^SM is remote within the meaning

of the United States Treasury regulations. Accordingly, upon issuance, Wachovia believes the LoTS[SM] will not be treated as issued with OID. In such case, subject to the discussion below, the LoTS[SM] will not be subject to the special OID rules, at least upon initial issuance, so that you will generally be taxed on the stated interest on the LoTS[SM] as ordinary income at the time it is paid or accrued in accordance with your regular method of tax accounting.

If, however, Wachovia exercises its right to defer payments of interest on the LoTS[SM], the LoTS[SM] will become OID instruments at that time. In that case, you will be subject to special OID rules described below. Once the LoTS[SM] become OID instruments, they will be taxed as OID instruments for as long as they remain outstanding. Under the OID economic accrual rules, the following occurs:

- regardless of your method of accounting, you would accrue an amount of interest income each year that approximates the stated interest payments called for under the terms of the LoTS[SM] using the constant-yield-to-maturity method of accrual described in section 1272 of the Code;

- the actual cash payments of interest you receive on the LoTS[SM] would not be reported separately as taxable income;

- any amount of OID included in your gross income, whether or not during a deferral period, with respect to the Trust Preferred Securities will increase your tax basis in those Trust Preferred Securities; and

- the amount of distributions that you receive in respect of that accrued OID will reduce your tax basis in those Trust Preferred Securities.

The IRS has not yet addressed in any rulings or other interpretations the U.S. Treasury regulations dealing with OID and the deferral of interest payments where the issuer of a debt instrument has a right to defer interest payments. It is possible that the IRS could assert that the LoTS[SM] were issued initially with OID merely because of Wachovia s right to defer interest payments. If the IRS were successful in this regard, you would be subject to the special OID rules described above, regardless of whether Wachovia exercises its option to defer payments of interest on the LoTS[SM].

Distribution of LoTS[SM] or Cash to Holders of Trust Preferred Securities

As described under the caption Description of the Trust Preferred Securities Optional Liquidation of Trust and Distribution of LoTS[SM] to Holders, the LoTS[SM] held by the Trust may be distributed to you in exchange for your Trust Preferred Securities if the Trust is liquidated before the maturity of the LoTS[SM], as long as Wachovia first receives the approval of the Federal Reserve to do so, if that approval is then required under the Federal Reserve s capital rules. Under current law, this type of distribution from a grantor trust would not be taxable. Upon such distribution, you will receive your proportional share of the LoTS[SM] previously held indirectly through the Trust. Your holding period and aggregate tax basis in the LoTS[SM] will equal the holding period and aggregate tax basis that you had in your Trust Preferred Securities before the distribution. If, however, the Trust is treated as an association taxable as a corporation, a tax event will occur. If Wachovia elects to distribute the LoTS[SM] to you at this time or redeem the Trust Preferred Securities and distribute the resulting cash, the distribution or the distribution and redemption would be taxable to the Trust and to you.

As described under Description of the LoTS Redemption, Wachovia may in certain circumstances redeem the LoTS[SM] and distribute cash in liquidation of the Trust. This redemption for cash would be taxable as described in Sales of Trust Preferred Securities or LoTS[SM].

If you receive the LoTS[SM] in exchange for your Trust Preferred Securities, you would accrue interest in respect of the LoTS[SM] received from the Trust in the manner described under Interest Income and Original Issue Discount.

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Sales of Trust Preferred Securities or LoTS℠

If you sell your Trust Preferred Securities or LoTS℠ or receive cash upon redemption of the Trust Preferred Securities or the LoTS℠, you will recognize gain or loss equal to the difference between:

- your amount realized on the sale or redemption of the Trust Preferred Securities or the LoTS℠ (less an amount equal to any accrued but unpaid qualified stated interest that you did not previously include in income, which will be taxable as such); and
- your adjusted tax basis in the Trust Preferred Securities or the LoTS℠ sold or redeemed.

Your gain or loss generally will be a capital gain or loss and generally will be a long-term capital gain or loss if you have held your Trust Preferred Securities or the LoTS℠ for more than one year. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation for taxable years beginning on or before December 31, 2011. The deductibility of capital losses is subject to limitations.

Non-United States Holders

The following discussion is a summary of certain U.S. federal income tax consequences that will apply to you if you are a non-United States holder of the Trust Preferred Securities. Special rules may apply to certain non-United States holders, such as controlled foreign corporations, passive foreign investment companies, corporations that accumulate earnings to avoid United States federal income tax and certain expatriates, among others, that are subject to special treatment under the Code. Such entities should consult their own tax advisors to determine the United States federal, state, local and other tax consequences that may be relevant to them.

United States Federal Withholding Tax

As discussed above, the Trust Preferred Securities will be treated as evidence of an undivided beneficial ownership interest in the LoTS℠. See Classification of the Trust. This discussion assumes that the LoTS℠ will be respected as indebtedness of Wachovia under current law. In such case, under present United States federal income tax law, and subject to the discussion below concerning backup withholding, United States federal withholding tax will not apply to any payment by Wachovia or any paying agent of principal or interest (which for purposes of this discussion includes any OID) to you on the Trust Preferred Securities (or the LoTS℠), under the portfolio interest exception, provided that:

- interest paid on the Trust Preferred Securities (or the LoTS℠) is not effectively connected with your conduct of a trade or business in the United States;
- you do not actually or constructively own 10% or more of the total combined voting power of all classes of Wachovia s voting stock within the meaning of the Code and applicable United States Treasury regulations;

you are not a controlled foreign corporation that is related to Wachovia through stock ownership;

you are not a bank whose receipt of interest on the Trust Preferred Securities or the LoTS[SM] is described in section 881(c)(3)(A) of the Code; and

either (a) you provide your name and address on an IRS Form W-8BEN (or other applicable form), and certify, under penalties of perjury, that you are not a United States person or (b) you hold the Trust Preferred Securities or the LoTS[SM] through certain financial intermediaries and satisfy the certification requirements of applicable United States Treasury regulations.

Special certification rules apply to non-United States holders that are pass-through entities rather than corporations or individuals. If you cannot satisfy the requirements of the portfolio interest exception

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described above, payments of premium, if any, and interest (including OID) made to you will be subject to a 30% United States federal withholding tax, unless you provide Wachovia or its paying agent, as the case may be, with a properly executed

- IRS Form W-8BEN (or other applicable form) claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty; or

- IRS Form W-8ECI (or other applicable form) stating that interest paid on the Trust Preferred Securities (or the LoTS[SM]) is not subject to withholding tax because it is effectively connected with your conduct of a trade or business in the United States (as discussed under United States Federal Income Tax).

Except as discussed below, the 30% United States federal withholding tax generally will not apply to any gain that you realize on the sale or other disposition of the Trust Preferred Securities (or the LoTS[SM]).

If, contrary to the opinions of Wachovia s tax counsel, the LoTS[SM] were recharacterized as equity of Wachovia, payments on the Trust Preferred Securities or the LoTS[SM] would generally be subject to the United States federal withholding tax at a rate of 30% (or such lower applicable tax treaty rate).

United States Federal Income Tax

If you are engaged in a trade or business in the United States and interest (including OID) on the Trust Preferred Securities (or the LoTS[SM]) is effectively connected with the conduct of that trade or business (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment), you will be subject to United States federal income tax on such interest (including OID) on a net income basis (although you will be exempt from the 30% United States federal withholding tax, provided the certification requirements discussed under United States Federal Withholding Tax are satisfied) in the same manner as if you were a United States person as defined under the Code. In addition, if you are a foreign corporation, you may be subject to a branch profits tax equal to 30% (or lesser rate under an applicable income tax treaty) of such interest (including OID), subject to adjustments.

You will generally not be subject to United States federal income tax on any gain you realize upon a sale or other disposition of the Trust Preferred Securities (or the LoTS[SM]) unless:

- the gain is effectively connected with your conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment), or

- you are an individual who is present in the United States for 183 days or more in the taxable year of such disposition, and certain other conditions are met.

United States Federal Estate Tax

Your estate will not be subject to United States federal estate tax on the Trust Preferred Securities (or the LoTS^{SM}) beneficially owned by you at the time of your death, provided that any payment to you on the Trust Preferred Securities (or the LoTS^{SM}) would be eligible for exemption from the 30% United States federal withholding tax under the portfolio interest exception described under United States Federal Withholding Tax, without regard to the statement requirement described in the fifth bullet point of that section.

Information Reporting and Backup Withholding

United States Holders

In general, information reporting requirements will apply to certain payments made on the Trust Preferred Securities (or the LoTS^{SM}) and to the proceeds of sale of the Trust Preferred Securities (or the LoTS^{SM}) made to you (unless you are an exempt recipient such as a corporation). A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number, a certification of exempt status, or fail to report in full interest income.

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Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the IRS.

Non-United States Holders

Generally, Wachovia must report to the IRS and to you the amount of interest paid to you and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which you reside under the provisions of an applicable income tax treaty.

In general, you will not be subject to backup withholding with respect to payments that Wachovia makes to you provided that it does not have actual knowledge or reason to know that you are a United States person, as defined under the Code, and you have provided the statement described in the fifth bullet point under Non-United States Holders United States Federal Withholding Tax.

You will be subject to information reporting and, depending on the circumstances, backup withholding with respect to the proceeds of the sale of the Trust Preferred Securities (or the LoTS[SM]) made within the United States or conducted through certain United States related financial intermediaries, unless the payor receives the statement described above and does not have actual knowledge or reason to know that you are a United States person, as defined under the Code, or you otherwise establish an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the IRS.

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ERISA CONSIDERATIONS

Each fiduciary of a pension, profit-sharing or other employee benefit plan to which Title I of the Employee Retirement Income Security Act of 1974 (*ERISA*), applies or other arrangement that is subject to Title I of ERISA (a *plan*), should consider the fiduciary standards of ERISA in the context of the plan s particular circumstances before authorizing an investment in the Trust Preferred Securities. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan.

Section 406 of ERISA and Section 4975 of the Code prohibit plans, as well as individual retirement accounts and other arrangements to which Section 4975 of the Code applies (also *plans*), from engaging in specified transactions involving plan assets with persons who are parties in interest under ERISA or disqualified persons under the Code (*parties in interest*) with respect to such plan. Wachovia and the underwriters may be considered a party in interest or disqualified person with respect to a plan to the extent Wachovia, the underwriters or any of their respective affiliates are engaged in providing services to such plans. A violation of those prohibited transaction rules may result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless exemptive relief is available under an applicable statutory or administrative exemption. In addition, the fiduciary of a plan that engaged in a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code.

Employee benefit plans that are governmental plans, as defined in Section 3(32) of ERISA, certain church plans, as defined in Section 3(33) of ERISA, and foreign plans, as described in Section 4(b)(4) of ERISA, are not subject to the requirements of ERISA, or Section 4975 of the Code, but these plans may be subject to other laws that contain fiduciary and prohibited transaction provisions similar to those under Title I of ERISA and Section 4975 of the Code (*Similar Laws*).

Under a regulation (the *plan assets regulation*) issued by the U.S. Department of Labor and modified by Section 3(42) of ERISA, the assets of the Trust would be deemed to be plan assets of a Plan for purposes of ERISA and Section 4975 of the Code if a plan makes an equity investment in the Trust and no exception were applicable under the plan assets regulation. An equity interest is defined under the plan assets regulation as any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features and specifically includes a beneficial interest in the Trust.

Under an exception contained in the plan assets regulation, the assets of the Trust would not be deemed to be plan assets of investing plans if the Trust Preferred Securities issued by the Trust are publicly offered securities that is, they are:

- widely held, *i.e.*, owned by more than 100 investors independent of the Trust and of each other;
- freely transferable; and
- sold to a plan as part of an offering pursuant to an effective registration statement under the Securities Act and then timely registered under Section 12(b) or 12(g) of the Exchange Act.

Wachovia expects that the Trust Preferred Securities will meet the criteria of publicly offered securities, although no assurance can be given in this regard. The underwriters of the Trust Preferred Securities expect that the Trust Preferred Securities will be held by at least 100 independent investors at the conclusion of the offering and that the Trust Preferred Securities will be freely transferable. The Trust Preferred Securities will

be sold as part of an offering under an effective registration statement under the Securities Act, and then will be timely registered under the Exchange Act.

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If the assets of the Trust were deemed to be plan assets, then an investing plan s assets could be considered to include an undivided interest in the LoTS[SM] held by the Trust. Persons providing services to the Trust could become parties in interest with respect to an investing plan and could be governed by the fiduciary responsibility provisions of Title I of ERISA and the prohibited transaction provisions of ERISA and Section 4975 of the Code with respect to transactions involving the Trust assets. In this regard, if the person or persons with discretionary responsibilities over the LoTS[SM] or the guarantee were affiliated with Wachovia, any such discretionary actions taken regarding those assets could be deemed to constitute a prohibited transaction under ERISA or the Code (*e.g.*, the use of such fiduciary authority or responsibility in circumstances under which those persons have interests that may conflict with the interests of the investing plans and affect the exercise of their best judgment as fiduciaries). In order to reduce the likelihood of any such prohibited transaction, any plan that acquires Trust Preferred Securities will be deemed to have (i) directed the Trust to invest in the LoTS[SM], and (ii) appointed the trustees.

All of the common securities will be purchased and held by Wachovia. Even if the assets of the Trust are not deemed to be plan assets of plans investing in the Trust, specified transactions involving the Trust could be deemed to constitute direct or indirect prohibited transactions under ERISA and Section 4975 of the Code regarding an investing plan. For example, if Wachovia were a party in interest with respect to an investing plan, either directly or by reason of the activities of one or more of its affiliates, sale of the Trust Preferred Securities by the Trust to the plan could be prohibited by Section 406(a)(1) of ERISA and Section 4975(c)(1) of the Code, unless exemptive relief were available.

The U.S. Department of Labor has issued five prohibited transaction class exemptions (*PTCEs*) that may provide exemptive relief for any direct or indirect prohibited transactions resulting from the purchase or holding of the Trust Preferred Securities. Those class exemptions are:

PTCE 96-23, for specified transactions determined by in-house asset managers;

PTCE 95-60, for specified transactions involving insurance company general accounts;

PTCE 91-38, for specified transactions involving bank collective investment funds;

PTCE 90-1, for specified transactions involving insurance company separate accounts; and

PTCE 84-14, for specified transactions determined by independent qualified professional asset managers.

In addition, Section 408(b)(17) of ERISA provides an exemption for transactions between a plan and a person who is a party in interest (other than a fiduciary who has or exercises any discretionary authority or control with respect to investment of the plan assets involved in the transaction or renders investment advice with respect thereto) solely by reason of providing services to the plan (or by reason of a relationship to such a service provider), if in connection with the transaction the plan receives no less, nor pays no more, than adequate consideration (within the meaning of Section 408(b)(17) of ERISA).

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the Trust Preferred Securities on behalf of or with plan assets of any plan or governmental, church or foreign plan consult with their counsel regarding the potential consequences of the investment and the availability of exemptive relief.

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Each purchaser and holder of the Trust Preferred Securities or any interest in the Trust Preferred Securities will be deemed to have represented by its purchase or holding that either (i) it is not a plan or a governmental, church or foreign plan subject to Similar Laws, or a plan asset entity and it is not purchasing or holding such securities on behalf of or with plan assets or any such plan or governmental, church or foreign plan or (ii) its purchase and holding of Trust Preferred Securities will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Laws.

Purchasers of Trust Preferred Securities have the exclusive responsibility for ensuring that their purchase and holding of the Trust Preferred Securities complies with the fiduciary responsibility rules of ERISA and does not violate the prohibited transaction rules of ERISA or the Code (or in the case of a governmental, church or foreign plan, any Similar Law).

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UNDERWRITING

Wachovia, the Trust and the underwriters named below have entered into an underwriting agreement, dated , 2007, with respect to the Trust Preferred Securities. Subject to certain conditions, each underwriter has agreed to purchase the number of Trust Preferred Securities indicated in the following table. Wachovia Capital Markets, LLC is the representative of the underwriters.

Underwriters	Number of Trust Preferred Securities
Wachovia Capital Markets, LLC	
Total	

The underwriters are committed to take and pay for all of the Trust Preferred Securities being offered, if any are taken, other than the Trust Preferred Securities covered by the option described below, unless and until this option is exercised.

If the underwriters sell more Trust Preferred Securities than the total number set forth in the table above, the underwriters have an option to buy up to an additional Trust Preferred Securities from the Trust to cover such sales. They may exercise that option for 30 days. If any Trust Preferred Securities are purchased pursuant to this option, the underwriters will severally purchase Trust Preferred Securities in approximately the same proportion as set forth in the table above.

In view of the fact that the proceeds from the sale of the Trust Preferred Securities and the Trust s common securities will be used to purchase the LoTS^{SM} issued by Wachovia, the underwriting agreement provides that Wachovia will pay as compensation for the underwriters arranging the investment therein of such proceeds the following amounts for the account of the underwriters, assuming both no exercise and full exercise of the underwriters option to purchase additional Trust Preferred Securities:

	Paid by Wachovia	
	No Exercise	Full Exercise
Per Trust Preferred Security	$	$
Total	$	$

Trust Preferred Securities sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus supplement. Any Trust Preferred Securities sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price of up to $ per Trust Preferred Security from the initial public offering price. Any such securities dealers may resell any Trust Preferred Securities purchased from the underwriters to certain other brokers or dealers at a discount from the initial public

offering price of up to $ per Trust Preferred Security from the initial public offering price. If all the Trust Preferred Securities are not sold at the initial public offering price, the underwriters may change the offering price and the other selling terms.

The underwriters intend to offer the Trust Preferred Securities for sale primarily in the United States either directly or through affiliates or other dealers acting as selling agents. The underwriters may also offer the Trust Preferred Securities for sale outside the United States either directly or through affiliates or other dealers acting as selling agents.

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Wachovia has agreed for a period from the date of this prospectus supplement continuing to and including the later of , 2007 and the completion of the distribution but in any event not later than , 2007, not to offer, sell, contract to sell or otherwise dispose of, directly or indirectly, any Trust Preferred Securities (except for (x) the Trust Preferred Securities offered hereby and (y) any securities to be offered in an exchange offer or similar transaction in respect of securities outstanding on the date hereof, in each case including any guarantee of such securities), any other beneficial interests in the assets of the Trust (other than the Trust s common securities) or any LoTS^{SM}, any securities (including any security issued by another trust or other limited purpose vehicle) that are substantially similar to the Trust Preferred Securities, the LoTS^{SM} or the guarantee, or any securities that are convertible into or exchangeable for or that represent the right to receive any such substantially similar securities of either the Trust, a similar trust or Wachovia, except with the prior written consent of Wachovia Capital Markets, LLC.

Prior to this offering, there has been no public market for the Trust Preferred Securities being offered. Wachovia intends to apply to list the Trust Preferred Securities on the New York Stock Exchange. If approved, Wachovia expects trading of the Trust Preferred Securities on the New York Stock Exchange to begin within the 30-day period after the original issue date. In order to meet one of the requirements for listing the Trust Preferred Securities on the New York Stock Exchange, the underwriters have undertaken to sell lots of 100 or more Trust Preferred Securities to a minimum of 100 beneficial owners.

In connection with this offering, the underwriters may purchase and sell the Trust Preferred Securities in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of Trust Preferred Securities than they are required to purchase in this offering. Covered short sales are sales made in an amount not greater than the underwriters option to purchase additional Trust Preferred Securities from the Trust in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional Trust Preferred Securities or purchasing Trust Preferred Securities in the open market. In determining the source of Trust Preferred Securities to close out the covered short position, the underwriters will consider, among other things, the price of Trust Preferred Securities available for purchase in the open market as compared to the price at which they may purchase additional Trust Preferred Securities pursuant to the option granted to them. Naked short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing Trust Preferred Securities in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the Trust Preferred Securities in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of certain bids for or purchases of Trust Preferred Securities made by the underwriters in the open market prior to the completion of this offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representative has repurchased Trust Preferred Securities sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or retarding a decline in the market price of the Trust Preferred Securities, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the Trust Preferred Securities. As a result, the price of the Trust Preferred Securities may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

It is expected that delivery of the Trust Preferred Securities will be made against payment therefor on or about the date specified on the cover page of this prospectus supplement, which is the fifth business day following the date hereof. Under Rule 15c6-1 of the SEC under the Exchange Act, trades in the secondary

market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Trust Preferred Securities on any date prior to the third business day before delivery will be required, by virtue of the fact that the Trust Preferred Securities initially will settle on the fifth business day following the day of pricing (T+5), to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement and should consult their own advisor.

Each of the underwriters has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (as amended) (*FSMA*), received by it in connection with the issue or sale of the LoTS[SM] in circumstances in which Section 21(1) of the FSMA does not apply to the Trust or Wachovia; and

(b) it has complied, and will comply, with all applicable provisions of the FSMA with respect to anything done by it in relation to the Trust Preferred Securities in, from or otherwise involving the United Kingdom.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a *Relevant Member State*), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the *Relevant Implementation Date*) it has not made and will not make an offer of Trust Preferred Securities to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Trust Preferred Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Trust Preferred Securities to the public in that Relevant Member State at any time:

to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts; or

in any other circumstances which do not require the publication by Wachovia of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of Trust Preferred Securities to the public in relation to any Trust Preferred Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Trust Preferred Securities to be offered so as to enable an investor to decide to purchase or subscribe the Trust Preferred Securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression *Prospectus Directive* means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The Trust Preferred Securities may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating

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to the Trust Preferred Securities may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Trust Preferred Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

This prospectus supplement has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Trust Preferred Securities may not be circulated or distributed, nor may the Trust Preferred Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the *SFA*), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Trust Preferred Securities are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Trust Preferred Securities under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

The Trust Preferred Securities have not been and will not be registered under the Securities and Exchange Law of Japan (the *Securities and Exchange Law*) and each underwriter has agreed that it will not offer or sell any Trust Preferred Securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Wachovia estimates that its total out-of-pocket expenses, excluding underwriting commissions, will be approximately $.

Wachovia and the Trust have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act.

Wachovia Capital Markets, LLC is an indirect, wholly owned subsidiary of Wachovia. Wachovia conducts its retail brokerage, investment banking, institutional and capital markets businesses through its various bank, broker-dealer and nonbank subsidiaries, including Wachovia Capital Markets, LLC, under the trade name Wachovia Securities. Any reference in this prospectus supplement to Wachovia Securities means Wachovia Capital Markets, LLC and not Wachovia Securities, LLC, unless otherwise mentioned or unless the context requires otherwise.

This prospectus supplement may be used by Wachovia Securities or any other Wachovia affiliate in connection with offers and sales related to market-making or other transactions in the Trust Preferred

Securities. Wachovia Securities or any other Wachovia affiliate may act as principal or agent in such transactions. Such sales will be made at prices related to prevailing market prices at the time of sale or otherwise.

No NASD member participating in offers and sales will execute a transaction in the Trust Preferred Securities in a discretionary amount without the prior specific written approval of such member s customer. Any offerings of Trust Preferred Securities will be conducted in accordance with the provisions of Rule 2810 of the NASD Rules of Fair Conduct or any successor provision.

In compliance with guidelines of the NASD, the maximum commission or discount to be received by any NASD member or independent broker-dealer may not exceed 8% of the aggregate principal amount of the securities offered pursuant to this prospectus supplement. It is anticipated that the maximum commission or discount to be received in any particular offering of securities will be significantly less than this amount.

From time to time, the underwriters engage in transactions with Wachovia in the ordinary course of business. The underwriters have performed investment banking services for it in the last two years and have received fees for these services.

VALIDITY OF SECURITIES

The validity of the Trust Preferred Securities will be passed upon by Richards, Layton & Finger, P.A., special Delaware counsel for the Trust. The validity of the LoTS[SM] and the guarantee will be passed upon for Wachovia by Simpson Thacher & Bartlett LLP, New York, New York, and for the underwriters by Sullivan & Cromwell LLP, New York, New York. Simpson Thacher & Bartlett LLP and Sullivan & Cromwell LLP will rely as to all matters of North Carolina law upon the opinion of Ross E. Jeffries, Jr., Esq., Senior Vice President and Deputy General Counsel of Wachovia. Mr. Jeffries owns shares of our common stock and holds options to purchase additional shares of our common stock. Sullivan & Cromwell LLP and Simpson Thacher & Bartlett LLP regularly perform legal services for Wachovia. Certain members of Sullivan & Cromwell LLP performing these legal services own shares of Wachovia s common stock.

EXPERTS

The consolidated balance sheets of Wachovia Corporation as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in stockholders equity and cash flows for each of the years in the three-year period ended December 31, 2006, and management s assessment of the effectiveness of internal control over financial reporting as of December 31, 2006, included in Wachovia s 2006 Annual Report which is incorporated by reference in Wachovia s Annual Report on Form 10-K for the year ended December 31, 2006, and incorporated by reference herein, have been incorporated by reference herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The audit report covering the December 31, 2006 consolidated financial statements of Wachovia Corporation refers to the fact that Wachovia Corporation changed its method of accounting for mortgage servicing rights, stock-based compensation and pension and other postretirement plans in 2006.

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Trust Preferred Securities

The securities listed above may be offered and sold by Wachovia and/or may be offered and sold, from time to time, by one or more selling securityholders to be identified in the future. Wachovia will provide the specific terms of these securities in supplements to this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before you invest in the securities described in the applicable prospectus supplement.

This prospectus may not be used to sell securities unless accompanied by the applicable prospectus supplement.

These securities will be Wachovia s equity securities or unsecured obligations, will not be savings accounts, deposits or other obligations of any bank or savings association, and will not be insured by the Federal Deposit Insurance Corporation, the bank insurance fund or any other governmental agency or instrumentality.

Neither the Securities and Exchange Commission, any state securities commission, nor the Commissioner of Insurance of the State of North Carolina has approved or disapproved of these securities or determined that this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is February 7, 2007

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Unless the context requires otherwise, references to (1) we, us, our or similar terms are to Wachovia Corporation and its subsidiaries and (2) the Trusts are to Wachovia Capital Trust IV, Wachovia Capital Trust IX, Wachovia Capital Trust X, Wachovia Capital Trust XI, Wachovia Capital Trust XII, Wachovia Capital Trust XIII, Wachovia Capital Trust XIV, and Wachovia Capital Trust XV, statutory Delaware trusts and the issuers of the Trust Preferred Securities.

ABOUT THIS PROSPECTUS

This prospectus is a part of a registration statement that Wachovia and the Trusts filed with the Securities and Exchange Commission (SEC) using a shelf registration process. Under this shelf registration statement, Wachovia may sell junior subordinated debt securities. The Trusts may sell trust preferred securities representing undivided beneficial interests in the Trusts, which may be guaranteed by Wachovia, to the public.

Each time Wachovia sells securities, it will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read this prospectus and the applicable prospectus supplement together with the additional information described under the heading Where You Can Find More Information.

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

WHERE YOU CAN FIND MORE INFORMATION

Wachovia files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or *SEC*. You may read and copy any document Wachovia files at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. In addition, Wachovia s SEC filings are available to the public at the SEC s website at http://www.sec.gov. You can also inspect reports, proxy statements and other information about Wachovia at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York.

The SEC allows Wachovia to incorporate by reference into this prospectus supplement the information in documents it files with it. This means that Wachovia can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement and should be read with the same care. When Wachovia updates the information contained in documents that have been incorporated by reference by making future filings with the SEC, the information incorporated by reference in this prospectus is considered to be automatically

updated and superseded. In other words, in the case of a conflict or inconsistency between information contained in this prospectus and information incorporated by reference into this prospectus, you should rely on the information contained in the document that was filed later. Wachovia incorporates by reference the documents listed below and any documents it files with the SEC in the future (except, in either case, for such information that is deemed furnished to the SEC) under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, or *Exchange Act*, until the offering of securities by means of this prospectus supplement is completed:

Annual Report on Form 10-K for the year ended December 31, 2005;

Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006; and

Current Reports on Form 8-K filed on January 3, 2006, January 19, 2006, January 30, 2006, January 31, 2006, February 1, 2006, February 24, 2006, April 14, 2006, April 17, 2006, May 8, 2006, May 19, 2006, July 20, 2006, August 2, 2006, August 22, 2006, October 2, 2006, October 16, 2006, October 19, 2006, November 27, 2006, November 29, 2006, December 1, 2006 and January 23, 2007.

You may obtain any of the documents incorporated by reference in this prospectus supplement through Wachovia s website, www.wachovia.com/investor. In addition, you may request a copy of these filings and copies of the documents referenced herein, at no cost, by writing or telephoning us at the following address:

Wachovia Corporation Investor Relations 301 South College Street Charlotte, North Carolina 28288-0206 (704) 374-6782

Other than any documents expressly incorporated by reference, the information on Wachovia s website and any other website that is referred to in this prospectus is not part of this prospectus supplement.

USE OF PROCEEDS

Wachovia intends to use the net proceeds from the sales of the securities in the manner and for the purposes set forth in the applicable prospectus supplement.

VALIDITY OF SECURITIES

Except as provided in the applicable prospectus supplement, the validity of any securities will be passed upon for Wachovia by Ross E. Jeffries, Jr., Esq., Senior Vice President and Deputy General Counsel of Wachovia, and for any underwriters or agents by Sullivan & Cromwell LLP, 125 Broad Street, New York, New York. Sullivan & Cromwell LLP will rely upon the opinion of Mr. Jeffries as to matters of North Carolina law, and Mr. Jeffries will rely upon the opinion of Sullivan & Cromwell LLP as to matters of New York law. Mr. Jeffries owns shares of Wachovia s common stock and holds options to purchase additional shares of Wachovia s common stock. Sullivan & Cromwell LLP regularly performs legal services for Wachovia. Certain members of Sullivan & Cromwell LLP performing these legal services own shares of Wachovia s common stock.

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EXPERTS

The consolidated balance sheets of Wachovia Corporation as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders equity and cash flows for each of the years in the three-year period ended December 31, 2005, and management s assessment of the effectiveness of internal control over financial reporting as of December 31, 2005, included in Wachovia s 2005 Annual Report which is incorporated by reference in Wachovia s Annual Report on Form 10-K for the year ended December 31, 2005, and incorporated by reference herein, have been incorporated by reference herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Golden West Financial Corporation and subsidiaries and management s report on the effectiveness of internal control over financial reporting for the year ended December 31, 2005 which are included in Wachovia s Current Report on Form 8-K dated May 19, 2006 incorporated herein by reference have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are also incorporated herein by reference, and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

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Wachovia Capital Trust IX

% Trust Preferred Securities

(liquidation amount $25 per security)

fully and unconditionally guaranteed, as described herein, by

Wachovia Corporation

Wachovia Securities

Prospectus Supplement dated , 2007 to

Prospectus dated February 7, 2007

no less than the applicable quarterly subordination threshold. If there is not sufficient cash to fund such a distribution on all of the common units, the distribution to be made with respect to the subordinated units will be reduced or eliminated for such quarter in order to make a distribution, to the extent possible, of up to the subordination threshold amount on all the common units, including the common units held by SandRidge. For more information, see "Target Distributions and Subordination and Incentive Thresholds."

The subordinated units will automatically convert into common units on a one-for-one basis at the end of the fourth full calendar quarter following SandRidge's satisfaction of its drilling obligation with respect to the Development Wells.

Distributions; Income Computations

Cash distributions to trust unitholders will be made by the trust from its available funds for each calendar quarter. Royalty interest payments due to the trust with respect to any calendar quarter will be based on actual production volumes attributable to the trust properties for the first two months of the quarter just ended as well as the last month of the immediately preceding quarter (as measured at SandRidge metering systems) and actual revenues received for such volumes. During the term of the derivatives agreement, SandRidge will determine the amounts due to (or from) the trust under the derivatives agreement. SandRidge will make a payment to the trust equal to the sum of the royalty interest payments and amounts due the trust under the derivatives agreement within 45 days of the end of each calendar quarter. In addition, any payment due from or required to be made to the counterparties under the trust's direct hedge contracts or SandRidge under the derivatives agreement will be paid by the 45th day following the end of such calendar quarter. After the receipt and disbursement of all such amounts, the trustee will determine for such calendar quarter the amount of funds available for distribution to the trust unitholders. Available funds are the excess cash, if any, received by the trust over the trust's expenses for that quarter. Available funds will be reduced by any cash the trustee decides to hold as a reserve against future liabilities.

The amount of available funds for distribution each quarter will be payable to the trust unitholders of record on or about the 45th day following the end of such calendar quarter or such later date as the trustee determines is required to comply with legal or stock exchange requirements. The trustee will distribute cash on or about the 60th day (or the next succeeding business day following such day if such day is not a business day) following such calendar quarter to each person who was a trust unitholder of record on the quarterly record date, together with interest expected to be earned on the amount of such quarterly distribution from the date of receipt thereof by the trustee to the payment date.

Unless otherwise advised by counsel or the IRS, the trustee will treat the income and expenses of the trust for each quarter as belonging to the trust unitholders of record on the quarterly record date that occurs in such quarter. Trust unitholders will recognize income and expenses for tax purposes in the quarter the trust receives or pays those amounts, rather than in the quarter the trust distributes them. Minor variances may occur. For example, the trustee could establish a reserve in one quarter that would not result in a tax deduction until a later quarter. The trustee could also make a payment in one month that would be amortized for tax purposes over several quarters. See "U.S. Federal Income Tax Considerations."

Transfer of Trust Units

Trust unitholders may transfer their trust units in accordance with the trust agreement. The trustee will not require either the transferor or transferee to pay a service charge for any transfer of a trust unit. The trustee may require payment of any tax or other governmental charge imposed for a transfer. The trustee may treat the owner of any trust unit as shown by its records as the owner of the trust unit. The trustee will not be considered to know about any claim or demand on a trust unit by any party except the record owner. A person who acquires a trust unit after any quarterly record date will not be entitled to the distribution relating to that quarterly record date. Delaware law will govern all matters affecting the title, ownership or transfer of trust units.

Tax Schedules and Periodic Reports

The trustee will file all required trust federal and state income tax and information returns. The trustee will prepare and mail to trust unitholders a Schedule K-1 that trust unitholders need to correctly report their share of the income and deductions of the trust. The trustee will also cause to be prepared and filed reports required to be filed under the Securities Exchange Act of 1934, as amended, and by the rules of any securities exchange or quotation system on which the trust units are listed or admitted to trading.

Each trust unitholder and his representatives may examine, for any proper purpose, during reasonable business hours the records of the trust and the trustee.

Liability of Trust Unitholders

Under the Delaware Statutory Trust Act, trust unitholders will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit under the General Corporation Law of the State of Delaware. No assurance can be given, however, that the courts in jurisdictions outside of Delaware will give effect to such limitation.

Voting Rights of Trust Unitholders

The trustee or trust unitholders owning at least 10% of the total trust units outstanding may call meetings of trust unitholders. The trust will be responsible for all costs associated with calling a meeting of trust unitholders unless such meeting is called by the trust unitholders, in which case the trust unitholders will be responsible for all costs associated with calling such meeting of trust unitholders. Meetings must be held in such location as is designated by the trustee in the notice of such meeting. The trustee must send notice of the time and place of the meeting and the matters to be acted upon to all of the trust unitholders at least 20 days and not more than 60 days before the meeting. Trust unitholders representing a majority of trust units outstanding must be present or represented to have a quorum. Each trust unitholder is entitled to one vote for each trust unit owned. Abstentions and broker non-votes shall not be deemed to be a vote cast.

Unless otherwise required by the trust agreement, a matter may be approved or disapproved by the vote of a majority of the trust units held by the trust unitholders voting in person or by proxy at a meeting

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where there is a quorum. This is true, even if a majority of the total trust units outstanding did not approve it.

Until such time as SandRidge and its affiliates own less than 10% of the total trust units outstanding, the vote of the holders of a majority of common units (excluding common units owned by SandRidge and its Affiliates) and a majority of trust units voting in person or by proxy at a meeting of such holders at which a quorum is present is required to:

- dissolve the trust (except in accordance with its terms);
- amend the trust agreement, the royalty conveyances, the administrative services agreement, the development agreement, the Drilling Support Lien or the derivatives agreement (except with respect to certain matters that do not adversely affect the right of trust unitholders in any material respect);
- merge or consolidate or convert the trust with or into another entity; or
- approve the sale of all or any material part of the assets of the trust.

In addition, until such time as SandRidge and its affiliates own less than 10% of the total trust units outstanding, the vote of the holders of a majority of common units (excluding common units owned by SandRidge and its affiliates) voting in person or by proxy at a meeting of such holders at which a quorum is present is required to remove the trustee and to appoint a successor trustee.

At any time when SandRidge and its affiliates own less than 10% of the total trust units outstanding, the vote of the holders of a majority of trust units, including units owned by SandRidge voting in person or by proxy at a meeting of such holders at which a quorum is present will be required to take the actions described above.

Certain amendments to the trust agreement may be made by the trustee without approval of the trust unitholders. The trustee must consent before all or any part of the trust assets can be sold except in connection with the dissolution of the trust or limited sales directed by SandRidge in conjunction with its sale of Underlying Properties.

Comparison of Trust Units and Common Stock

Trust unitholders have more limited voting rights than those of stockholders of most public corporations. For example, there is no requirement for annual meetings of trust unitholders or for annual or other periodic re-election of the trustee.

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Unitholders should also be aware of the following ways in which an investment in trust units is different from an investment in common stock of a corporation.

	Trust units	Common stock
Voting	The trust agreement provides voting rights to trust unitholders to remove and replace (but not elect) the trustee and to approve or disapprove major trust transactions.	Unless otherwise provided in the certificate of incorporation, corporate statutes provide voting rights to stockholders of the corporation to elect directors and to approve or disapprove amendments to the certificate of incorporation and certain major corporate transactions.
Income Tax	The trust is not subject to U.S. federal income tax. Trust unitholders are subject to income tax on their allocable share of trust income, gain, loss and deduction.	Corporations are subject to U.S. federal income tax. Their stockholders are taxed on dividends.
Distributions	All trust revenue is distributed to trust unitholders after payment of trust expenses and additions, if any, to trust reserves.	Unless otherwise provided in the certificate of incorporation, stockholders are entitled to receive dividends solely at the discretion of the board of directors.
Business and Assets	The business of the trust is limited to specific assets with a finite economic life.	Unless otherwise provided in the certificate of incorporation, a corporation conducts an active business for an unlimited term and can reinvest its earnings and raise additional capital to expand.
Fiduciary Duties	To the extent provided in the trust agreement, the trustee has limited its fiduciary duties in the trust agreement as permitted by the Delaware Statutory Trust Act so that it will be liable to unitholders only for willful misconduct, bad faith or gross negligence.	Officers and directors have a fiduciary duty of loyalty to the corporation and the stockholders and a duty to exercise due care in the management and administration of a corporation's affairs.

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TRUST UNITS ELIGIBLE FOR FUTURE SALE

General

Prior to this offering, there has been no public market for the common units. Sales of substantial amounts of the common units in the open market, or the perception that those sales could occur, could adversely affect prevailing market prices.

Upon completion of this offering, there will be 49,725,000 trust units outstanding. All of the 26,000,000 common units sold in this offering, or the 29,900,000 common units if the underwriters exercise their over-allotment option in full, will be freely tradable without restriction under the Securities Act. All of the 23,725,000 trust units to be held by SandRidge (19,825,000 trust units if the underwriters exercise their over-allotment in full) following completion of the offering will be "restricted securities" within the meaning of Rule 144 under the Securities Act and may not be sold other than through registration under the Securities Act or pursuant to an exemption from registration, subject to the restrictions on transfer contained in the lock-up agreements described below and in "Underwriters." SandRidge expects to pledge all of the units it owns after completion of the offering as collateral under its credit facility.

SandRidge Lock-up Agreement

In connection with this offering, SandRidge has agreed, for a period of 180 days after the date of this prospectus, not to offer, sell, contract to sell or otherwise dispose of or transfer any trust units or any securities convertible into or exchangeable for trust units, without the prior written consent of Morgan Stanley & Co. LLC, Raymond James & Associates, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, acting as representatives of the several underwriters. See "Underwriters" for a description of this lock-up agreement. Upon the expiration of this lock-up agreement, all of the units held by SandRidge will be eligible for sale in the public market under Rule 144 of the Securities Act, subject to volume limitations and other restrictions contained in Rule 144, or through registration under the Securities Act.

Rule 144

The common units sold in the offering will generally be freely transferable without restriction or further registration under the Securities Act, except that any common units owned by an "affiliate" of SandRidge or the trust may not be resold publicly except in compliance with the registration requirements of the Securities Act or under an exemption under Rule 144 or otherwise. Rule 144 permits securities acquired by an affiliate to be sold into the market in an amount that does not exceed, during any three-month period, the greater of:

- 1.0% of the total number of the securities outstanding, or

- the average weekly reported trading volume of the common units for the four calendar weeks prior to the sale.

Sales under Rule 144 are also subject to specific manner of sale provisions, holding period requirements, notice requirements and the availability of current public information about the trust. A person who is not deemed to have been an affiliate of SandRidge or the trust at any time during the three months preceding a sale, and who has beneficially owned common units for at least six months (provided the trust is in compliance with the current public information requirement) or one year (regardless of whether the trust is in compliance with the current public information requirement), would be entitled to sell common units under Rule 144 without regard to the rule's public information requirements, volume limitations, manner of sale provisions and notice requirements.

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Registration Rights Agreement

The trust intends to enter into a registration rights agreement for the benefit of SandRidge and certain of its affiliates and transferees (each, a "holder"). In the registration rights agreement, the trust will agree, for the benefit of each holder, to register the trust units held by such holder. Specifically, the trust will agree:

- subject to the restrictions described above under " SandRidge Lock-up Agreement" and under "Underwriters Lock-up Agreement," to use its reasonable best efforts to file a registration statement, including, if so requested, a shelf registration statement, with the SEC as promptly as practicable following receipt of a notice requesting the filing of a registration statement from holders representing a majority of the then outstanding registrable trust units;
- to use its reasonable best efforts to cause the registration statement or shelf registration statement to be declared effective under the Securities Act as promptly as practicable after the filing thereof; and
- to continuously maintain the effectiveness of the registration statement under the Securities Act for 90 days (or continuously if a shelf registration statement is requested) after the effectiveness thereof or until the trust units covered by the registration statement have been sold pursuant to such registration statement or until all registrable trust units:
  - have been sold pursuant to Rule 144 under the Securities Act if the transferee thereof does not receive "restricted securities;"
  - have been sold in a private transaction in which the transferor's rights under the registration rights agreement are not assigned to the transferee of the trust units; or
  - become eligible for resale pursuant to Rule 144 (or any similar rule then in effect under the Securities Act).

The holders will have the right to require the trust to file no more than five registration statements in aggregate.

In connection with the preparation and filing of any registration statement, SandRidge will bear all costs and expenses incidental to any registration statement, excluding certain internal expenses of the trust, which will be borne by the trustee, and any underwriting discounts and commissions, which will be borne by the seller of the trust units.

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U.S. FEDERAL INCOME TAX CONSIDERATIONS

This section is a discussion of the material tax considerations that may be relevant to prospective trust unitholders who are individual citizens or residents of the United States and, unless otherwise noted in the following discussion, is the opinion of Covington & Burling LLP, counsel to SandRidge and the trust, insofar as it relates to legal conclusions with respect to matters of U.S. federal income tax law. This section is based upon current provisions of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), existing and proposed Treasury regulations promulgated under the Internal Revenue Code (the "Treasury Regulations") and current administrative rulings and court decisions, all of which are subject to change. Future changes in these authorities may cause the tax consequences to vary substantially from the consequences described below.

The following discussion does not address all U.S. federal income tax matters affecting the trust or the trust unitholders. Moreover, the discussion focuses on trust unitholders who are individual citizens or residents of the United States and has only limited application to corporations, estates, trusts, nonresident aliens or other unitholders subject to specialized tax treatment, such as tax-exempt institutions, non-U.S. persons, taxpayers subject to the alternative minimum tax, individual retirement accounts (IRAs), employee benefit plans, real estate investment trusts (REITs) or mutual funds. Accordingly, the trust encourages each prospective trust unitholder to consult, and depend on, his own tax advisor in analyzing the federal, state, local and foreign tax consequences particular to him of the ownership or disposition of trust units.

No ruling has been or will be requested from the Internal Revenue Service (the "IRS") regarding any matter affecting the trust or prospective trust unitholders. Instead, the trust will rely on opinions of counsel. Unlike a ruling, an opinion of counsel represents only that counsel's best legal judgment and does not bind the IRS or the courts. Accordingly, the opinions and statements made herein may not be sustained by a court if contested by the IRS. Any contest of this sort with the IRS may materially and adversely impact the market for the trust units and the prices at which trust units trade. In addition, the costs of any contest with the IRS, principally legal, accounting and related fees, will result in a reduction in cash available for distribution to the trust unitholders, and thus will be borne indirectly by the trust unitholders. Furthermore, the tax treatment of the trust, or of an investment in the trust, may be significantly modified by future legislative or administrative changes or court decisions. Any modifications may or may not be retroactively applied.

All statements as to matters of law and legal conclusions, but not as to factual matters, contained in this section, unless otherwise noted, are the opinion of Covington & Burling LLP and are based on the accuracy of the representations made by SandRidge and the trust.

For the reasons described below, Covington & Burling LLP has not rendered an opinion with respect to the following specific U.S. federal income tax issues: (1) the treatment of a trust unitholder whose trust units are loaned to a short seller to cover a short sale of trust units (please read " Tax Consequences of Trust Unit Ownership Treatment of Short Sales"); (2) whether the trust's convention for allocating taxable income and losses is permitted by existing Treasury Regulations (please read " Disposition of Trust Units Allocations Between Transferors and Transferees"); and (3) whether percentage depletion will be available to a trust unitholder or the extent of the percentage depletion deduction available to any trust unitholder (please read " Tax Consequences of Trust Unit Ownership Tax Treatment of the Perpetual Royalties").

As used herein, the term "trust unitholder" means a beneficial owner of trust units that for U.S. federal income tax purposes is:

- an individual who is a citizen of the United States or who is resident in the United States for U.S. federal income tax purposes,

a corporation, or an entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, a state thereof or the District of Columbia,

an estate the income of which is subject to U.S. federal income taxation regardless of its source, or

a trust if it is subject to the primary supervision of a U.S. court and the control of one or more United States persons (as defined for U.S. federal income tax purposes) or that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

The term "non-U.S. trust unitholder" means any beneficial owner of a trust unit (other than an entity that is classified for U.S. federal income tax purposes as a partnership or as a "disregarded entity") that is not a trust unitholder.

If an entity that is classified for U.S. federal income tax purposes as a partnership is a beneficial owner of trust units, the tax treatment of a member of the entity will depend upon the status of the member and the activities of the entity. The trust encourages any entity that is classified for U.S. federal income tax purposes as a partnership and that is a beneficial owner of trust units, and the members of such an entity, to consult their own tax advisors about the U.S. federal income tax considerations of purchasing, owning, and disposing of trust units.

Classification of the Trust as a Partnership

Although the trust is formed as a statutory trust under Delaware law, the trust's classification for U.S. federal income tax purposes is based on its characteristics rather than its form. Based on such characteristics, it is expected that, as described below, the trust will be treated for federal and applicable state income tax purposes as a partnership and trust unitholders will be treated as partners in that partnership.

A partnership is not a taxable entity and incurs no U.S. federal income tax liability. Instead, each partner of a partnership is required to take into account his share of items of income, gain, loss, deduction and credit of the partnership in computing his federal income tax liability, regardless of whether cash distributions are made to him by the partnership. Distributions by a partnership to a partner are generally not taxable to the partner unless the amount of cash distributed to him is in excess of the partner's adjusted basis in his partnership interest as of the end of the taxable year in which the distribution is made.

Section 7704 of the Internal Revenue Code provides that publicly traded partnerships will, as a general rule, be taxed as corporations. However, an exception, referred to in this discussion as the "Qualifying Income Exception," exists with respect to publicly traded partnerships of which 90% or more of the gross income for every taxable year consists of "qualifying income." Qualifying income includes income and gains derived from the exploration, development, production and marketing of oil and natural gas and interest income (other than from a financial business). Other types of qualifying income include gains from the sale of real property and income from certain hedging transactions. The trust anticipates that substantially all of its gross income will be qualifying income. Based upon the factual representations made by the trust and SandRidge and a review of the applicable legal authorities, Covington & Burling LLP is of the opinion that at least 90% of the trust's gross income will constitute qualifying income.

No ruling has been or will be sought from the IRS and the IRS has made no determination as to the trust's status for federal income tax purposes or whether the trust's operations generate "qualifying income" under Section 7704 of the Internal Revenue Code. Instead, the trust will rely on the opinion of Covington & Burling LLP on such matters. It is the opinion of Covington & Burling LLP that, based upon the Internal Revenue Code, Treasury Regulations, published revenue rulings and court decisions and the representations described below, the trust will be classified as a partnership for federal income tax purposes.

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In rendering its opinion, Covington & Burling LLP has relied on factual representations made by the trust and SandRidge. The representations made by the trust and SandRidge upon which Covington & Burling LLP has relied are:

(a) The trust has not, and will not, elect to be treated as a corporation;

(b) The trust is, and will be organized and operated in accordance with (1) all applicable trust statutes, including the Delaware Statutory Trust Act, (2) the trust agreement, and (3) the description thereof in this prospectus;

(c) For each taxable year, more than 90% of the trust's gross income will be income that Covington & Burling LLP has opined or will opine is qualifying income within the meaning of Section 7704(d) of the Internal Revenue Code; and

(d) Each hedging transaction that the trust treats as resulting in qualifying income will be appropriately identified as a hedging transaction pursuant to applicable Treasury Regulations, and will be associated with oil, gas or products thereof that are held or will be held by the trust in activities that Covington & Burling LLP has opined or will opine result in qualifying income.

The trust believes that these representations are true and expects that these representations will continue to be true in the future.

If the trust fails to meet the Qualifying Income Exception, other than a failure that is determined by the IRS to be inadvertent and that is cured within a reasonable time after discovery (in which case the IRS may also require the trust to make adjustments with respect to the trust's unitholders allocable share of trust income, gain, loss or deduction or pay other amounts), the trust will be treated as if it had transferred all of its assets, subject to liabilities, to a newly formed corporation, on the first day of the year in which the trust fails to meet the Qualifying Income Exception, in return for stock in that corporation, and then distributed that stock to the unitholders in liquidation of their interests in the trust. This deemed contribution and liquidation should be tax-free to the trust unitholders and the trust. Thereafter, the trust would be treated as an association taxable as a corporation for federal income tax purposes.

If the trust were treated as an association taxable as a corporation in any taxable year, either as a result of a failure to meet the Qualifying Income Exception or otherwise, the trust's items of income, gain, loss and deduction would be reflected only on the trust's tax return rather than being passed through to the trust unitholders, and the trust's net income would be taxed to the trust at corporate rates. In addition, any distribution made to a trust unitholder would be treated as either taxable dividend income, to the extent of the trust's current or accumulated earnings and profits, or, in the absence of earnings and profits, a nontaxable return of capital, to the extent of the trust unitholder's tax basis in his trust units, or taxable capital gain, after the trust unitholder's tax basis in his trust units is reduced to zero. Accordingly, taxation as a corporation would result in a material reduction in a trust unitholder's cash flow and after-tax return and thus would likely result in a substantial reduction of the value of the trust units.

The discussion below is based on Covington & Burling LLP's opinion that the trust will be classified as a partnership for U.S. federal income tax purposes.

Partner Status

Trust unitholders will be treated as partners of the trust for U.S. federal income tax purposes. Also, trust unitholders whose trust units are held in street name or by a nominee and who have the right to direct the nominee in the exercise of all substantive rights attendant to the ownership of their trust units will be treated as partners of the trust for U.S. federal income tax purposes.

A beneficial owner of trust units whose trust units have been transferred to a short seller to complete a short sale would appear, as a result, to lose his status as a partner with respect to those trust units for U.S. federal income tax purposes. Please read "   Tax Consequences of Trust Unit Ownership   Treatment

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of Short Sales." Income, gain, deductions or losses would not appear to be reportable by a trust unitholder who is not a partner for federal income tax purposes, and any cash distributions received by a trust unitholder who is not a partner for federal income tax purposes would therefore appear to be fully taxable as ordinary income. These unitholders are urged to consult their own tax advisors with respect to their tax considerations related to holding trust units. The references to "unitholders" in the discussion that follows are to persons who are treated as partners in the trust for federal income tax purposes.

Tax Classification of the PDP Royalty Interest and the Development Royalty Interest

For U.S. federal income tax purposes, the Perpetual PDP Royalty and the Perpetual Development Royalty will have the tax characteristics of mineral royalty interests to the extent they are, at the time of their creation, reasonably expected to have an economic life that corresponds substantially to the economic life of the mineral property or properties burdened thereby. Payments out of production that are received in respect of a mineral interest that constitutes a royalty interest for U.S. federal income tax purposes are taxable under current law as ordinary income subject to an allowance for cost or percentage depletion in respect of such income.

In contrast, the Term PDP Royalty and the Term Development Royalty will have the tax characteristics of production payments governed by Section 636 of the Internal Revenue Code to the extent they may not, at the time of their creation, be reasonably expected to extend in substantial amounts over the entire productive lives of the mineral property or properties they burden. Payments out of production that are received in respect of a mineral interest that constitutes a production payment for U.S. federal income tax purposes are treated under current law as consisting of a receipt of principal and interest on a nonrecourse debt obligation, with the interest component being taxable as ordinary income.

In the event that a portion of a single royalty interest terminates by its terms prior to the point in time that the economically productive life of the burdened mineral property is substantially exhausted and the remaining portion continues to burden the property until its economically productive life is substantially exhausted, the federal income tax characteristics of the royalty interest are determined as if it comprised two separate interests, with the terminating portion being treated as a production payment and the continuing portion being treated as a royalty interest.

Based on the reserve report and representations made by SandRidge regarding the expected economic life of the Underlying Properties and the expected duration of the Term Royalties and the Perpetual Royalties, the Term PDP Royalty will and the Term Development Royalty should be treated as "production payments" under Section 636 of the Internal Revenue Code, and thus as nonrecourse debt instruments of SandRidge for U.S. federal income tax purposes. The Perpetual PDP Royalty will, and the Perpetual Development Royalty should, be treated as continuing, nonoperating economic interests in the nature of royalties payable out of production from the mineral interests they burden.

The difference in certainty between the treatment of the Term PDP Royalty and the Perpetual PDP Royalty, on the one hand, and the Term Development Royalty and the Perpetual Development Royalty, on the other hand, stems from the fact that while the Term PDP Royalty and Perpetual PDP Royalty are interests in the Producing Wells (developed wells that have been drilled), the Term Development Royalty and Perpetual Development Royalty are interests in the Development Wells (undeveloped wells that will be drilled in the future). The applicable laws are well developed, and directly applicable precedents exist, with regard to the tax treatment of royalty interests in specified developed wells that have been drilled. Although such laws and precedents are applicable in analyzing the tax treatment of royalty interests in proven reserves and undeveloped wells related thereto that will be drilled in the future, the law is less well developed in this area. As a result, the tax treatment of the Term Development Royalty and the Perpetual Development Royalty are not entirely free from doubt. Therefore, the difference in certainty between the treatment of the PDP Royalties and the Development Royalties set forth in the preceding paragraph and elsewhere in this prospectus reflects the difference in certainty between developed and undeveloped wells.

Consistent with the foregoing, SandRidge and the trust intend to treat the Perpetual Royalties as mineral royalty interests for U.S. federal income tax purposes. In addition, SandRidge and the trust intend to treat the Term Royalties as debt instruments for U.S. federal income tax purposes subject to the Treasury Regulations applicable to contingent payment debt instruments (the "CPDI regulations"), and the trust will agree to be bound by SandRidge's application of the CPDI regulations, including SandRidge's determination of the rate at which interest will be deemed to accrue on such interests. The remainder of this discussion assumes that the Term Royalties will be treated in accordance with that agreement and SandRidge's determinations and that the Perpetual Royalties will be treated as mineral royalty interests. No assurance can be given that the IRS will not assert that such interests should be treated differently. Such different treatment could affect the amount, timing and character of income, gain or loss in respect of an investment in trust units and could require a trust unitholder to accrue interest income at a rate different than the "comparable yield" described below. Please read " Tax Consequences of Trust Unit Ownership Tax Treatment of the Term Royalties," and " Tax Consequences of Trust Unit Ownership Tax Treatment of the Perpetual Royalties."

Tax Consequences of Trust Unit Ownership

Flow-Through of Taxable Income. As a partnership for U.S. federal income tax purposes, the trust will not be a taxable entity required to pay any federal income tax. Instead, each trust unitholder will be required to report on his income tax return his allocable share of the trust's income, gains, losses, deductions and credits without regard to whether the trust makes cash distributions to him. Consequently, the trust may allocate taxable income to a trust unitholder even if he has not received a cash distribution.

Accounting Method and Taxable Year. The trust will use the year ending December 31 as its taxable year and the accrual method of accounting for U.S. federal income tax purposes. Each trust unitholder will be required to include in income his share of the trust's income, gain, loss, deduction and credit for the trust's taxable year ending within or with his taxable year. In addition, a trust unitholder who has a taxable year ending on a date other than December 31 and who disposes of all of his trust units following the close of the trust's taxable year but before the close of his taxable year must include his share of the trust's income, gain, loss, deduction and credit in his taxable income for his taxable year, with the result that he will be required to include in income for his taxable year his share of more than 12 months of the trust's income, gain, loss, deduction and credit. Please read " Disposition of Trust Units Allocations Between Transferors and Transferees."

A trust unitholder's initial tax basis for his trust units will be the amount he paid for the trust units. That basis will be increased by his share of the trust's income and gain and decreased, but not below zero, by distributions from the trust, by the trust unitholder's share of the trust's losses, if any, by depletion deductions taken by him to the extent such deductions do not exceed his proportionate allocated share of the adjusted tax basis of the Perpetual Royalties, and by his share of the trust's expenditures that are not deductible in computing taxable income and are not required to be capitalized. Please read " Disposition of Trust Units Recognition of Gain or Loss."

Allocation of Income, Gain, Loss, Deduction and Credit. In general, if the trust has a net profit, the trust's items of income, gain, loss, deduction and credit will be allocated among the trust unitholders in accordance with their percentage interests in the trust. At any time that distributions are made to the common units in excess of distributions to the subordinated trust units, or SandRidge receives incentive distributions, gross income will be allocated to the recipients to the extent of these distributions. If the trust has a net loss, that loss will be allocated first to the subordinated trust units to the extent of their positive capital accounts and thereafter to the trust unitholders in accordance with their percentage interests in the trust.

Specified items of the trust's income, gain, loss, deduction and credit will be allocated under Section 704(c) of the Internal Revenue Code to account for any difference between the tax basis and fair

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market value of any property treated as having been contributed to the trust by SandRidge or certain of its affiliates that exists at the time of such contribution, together, referred to in this discussion as the "Contributed Property." These "Section 704(c) Allocations" are required to eliminate the difference between a partner's "book" capital account, credited with the fair market value of Contributed Property, and the "tax" capital account, credited with the tax basis of Contributed Property, referred to in this discussion as the "Book-Tax Disparity." The effect of these Section 704(c) Allocations to a unitholder purchasing trust units from the trust in this offering will be essentially the same as if the tax bases of the trust's assets were equal to their fair market value at the time of this offering. Finally, although the trust does not expect that its operations will result in the creation of negative capital accounts, if negative capital accounts nevertheless result, items of the trust's income and gain will be allocated in an amount and manner sufficient to eliminate the negative balance as quickly as possible.

An allocation of items of the trust's income, gain, loss, deduction or credit, other than an allocation required by Section 704(c) of the Internal Revenue Code to eliminate the Book-Tax Disparity, will generally be given effect for U.S. federal income tax purposes in determining a unitholder's share of an item of income, gain, loss, deduction or credit only if the allocation has substantial economic effect. In any other case, a unitholder's share of an item will be determined on the basis of his interest in the trust, which will be determined by taking into account all the facts and circumstances, including:

- his relative contributions to the trust;
- the interests of all the unitholders in profits and losses;
- the interest of all the unitholders in cash flow; and
- the rights of all the unitholders to distributions of capital upon liquidation.

Covington & Burling LLP is of the opinion that, with the exception of the issues described in "Disposition of Trust Units Allocations Between Transferors and Transferees," allocations under the trust agreement will be given effect for U.S. federal income tax purposes in determining a unitholder's share of an item of income, gain, loss, deduction or credit.

Treatment of Trust Distributions. Distributions by the trust to a trust unitholder generally will not be taxable to the trust unitholder for U.S. federal income tax purposes, except to the extent the amount of any such cash distribution exceeds his tax basis in his trust units immediately before the distribution. The trust's cash distributions in excess of a unitholder's tax basis (if any) generally will be considered to be gain from the sale or exchange of the trust units, taxable in accordance with the rules described under " Disposition of Trust Units" below.

Ratio of Taxable Income to Distributions. The trust estimates that a purchaser of trust units in this offering who owns those trust units from the date of closing of this offering through the record date for distributions for the period ending December 31, 2014, will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be approximately 60% of the cash distributed with respect to that period. These estimates and assumptions are subject to, among other things, numerous business, economic, regulatory, legislative, competitive and political uncertainties beyond the trust's control. Further, the estimates are based on current tax law and tax reporting positions that the trust will adopt and with which the IRS could disagree. Accordingly, the trust cannot assure unitholders that these estimates will prove to be correct. The actual percentage of distributions that will correspond to taxable income could be higher or lower than expected, and any differences could be material and could materially affect the value of the trust units.

Tax Treatment of the Term Royalties. Under the CPDI regulations, the trust generally will be required to accrue income on the Term Royalties which are treated as production payments, and therefore as nonrecourse debt obligations of SandRidge for U.S. federal income tax purposes, in the amounts described below.

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The CPDI regulations provide that the trust must accrue an amount of ordinary interest income for U.S. federal income tax purposes, for each accrual period prior to and including the maturity date of the debt instrument that equals:

- the product of (1) the adjusted issue price (as defined below) of the debt instrument as of the beginning of the accrual period; and (2) the comparable yield to maturity (as defined below) of such debt instrument, adjusted for the length of the accrual period;

- divided by the number of days in the accrual period; and

- multiplied by the number of days during the accrual period that the trust held the debt instrument.

The "issue price" of the debt instrument represented by each production payment held by the trust is the portion of the first price at which a substantial amount of the trust units is sold to the public, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers, that is allocable to the production payment based on the relative fair market value of the production payment to the other assets of the trust. The "adjusted issue price" of such a debt instrument is its issue price increased by any interest income previously accrued, determined without regard to any adjustments to interest accruals described below, and decreased by the projected amount of any payments scheduled to be made with respect to the debt instrument at an earlier time (without regard to the actual amount paid). The term "comparable yield" means the annual yield SandRidge would be expected to pay, as of the initial issue date, on a fixed rate debt security with no contingent payments but with terms and conditions otherwise comparable to those of the debt instrument represented by the production payment.

SandRidge will determine the comparable yield and provide this information to the trust. In addition, the CPDI regulations require that SandRidge provide to the trust, solely for determining the amount of interest accruals for U.S. federal income tax purposes, a schedule of the projected amounts of payments, which are referred to as projected payments, on the Term Royalties treated as debt instruments held by the trust. These payments set forth on the schedule must produce a total return on such debt instruments equal to their comparable yield. Amounts treated as interest under the CPDI regulations are treated as original issue discount for all purposes of the Internal Revenue Code.

As required by the CPDI regulations, for U.S. federal income tax purposes, the trust must use the comparable yield and the schedule of projected payments as described above in determining the trust's interest accruals, and the adjustments thereto described below, in respect of the debt instruments held by the trust.

SandRidge's determinations of the comparable yield and the projected payment schedule are not binding on the IRS and it could challenge such determinations. If it did so, and if any such challenge were successful, then the amount and timing of interest income accruals of the trust would be different from those reported by the trust or included on previously filed tax returns by the trust unitholders.

The comparable yield and the schedule of projected payments are not determined for any purpose other than for the determination for U.S. federal income tax purposes of the trust's interest accruals and adjustments thereof in respect of the debt instruments held by the trust and do not constitute a projection or representation regarding the actual amounts payable to the trust.

For U.S. federal income tax purposes, the trust is required under the CPDI regulations to use the comparable yield and the projected payment schedule established by SandRidge in determining interest accruals and adjustments in respect of the production payments, unless the trust timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS. Pursuant to the terms of the conveyance, SandRidge and the trust have agreed (in the absence of an administrative determination or judicial ruling to the contrary) to be bound by SandRidge's determination of the comparable yield and projected payment schedule.

If, during any taxable year, the trust receives actual payments with respect to a debt instrument held by the trust that in the aggregate exceed the total amount of projected payments for that taxable year, the trust will incur a "net positive adjustment" under the CPDI regulations equal to the amount of such excess. The trust will treat a "net positive adjustment" as additional interest income for such taxable year.

If the trust receives in a taxable year actual payments with respect to a debt instrument held by the trust that in the aggregate are less than the amount of projected payments for that taxable year, the trust will incur a "net negative adjustment" under the CPDI regulations equal to the amount of such deficit. This adjustment will (a) reduce the trust's interest income on the debt instrument held by the trust for that taxable year, and (b) to the extent of any excess after the application of (a) give rise to an ordinary loss to the extent of the trust's interest income on such debt instrument during prior taxable years, reduced to the extent such interest was offset by prior net negative adjustments. Any negative adjustment in excess of the amount described in (a) and (b) will be carried forward, as a negative adjustment to offset future interest income in respect of that debt instrument held by the trust. If either of the Term Royalties is not treated as a production payment (and not otherwise as a debt instrument) for U.S. federal income tax purposes, the trust intends to take the position that its basis in the Term Royalty is recouped in proportion to the production from the Term Royalty.

Neither the trust nor the trust unitholders are entitled to claim depletion deductions with respect to the Term Royalties.

Tax Treatment of the Perpetual Royalties. The payments received by the trust in respect of the Perpetual Royalties treated as mineral royalty interests for U.S. federal income tax purposes should be treated as ordinary income. Trust unitholders should be entitled to deductions for the greater of either cost depletion or (if otherwise allowable) percentage depletion with respect to such income. Although the Internal Revenue Code requires each trust unitholder to compute his own depletion allowance and maintain records of his share of the adjusted tax basis of the underlying royalty interest for depletion and other purposes, the trust intends to furnish each of the trust unitholders with information relating to this computation for U.S. federal income tax purposes. Each trust unitholder, however, remains responsible for calculating his own depletion allowance and maintaining records of his share of the adjusted tax basis of the Perpetual Royalties for depletion and other purposes.

Percentage depletion is generally available with respect to trust unitholders who qualify under the independent producer exemption contained in Section 613A(c) of the Internal Revenue Code. For this purpose, an independent producer is a person not directly or indirectly involved in the retail sale of oil, oil and natural gas, or derivative products or the operation of a major refinery. Percentage depletion is calculated as an amount generally equal to 15% (and, in the case of marginal production, potentially a higher percentage) of the trust unitholder's gross income from the depletable property for the taxable year. The percentage depletion deduction with respect to any property is limited to 100% of the taxable income of the trust unitholder from the property for each taxable year, computed without the depletion allowance. A trust unitholder that qualifies as an independent producer may deduct percentage depletion only to the extent the trust unitholder's average daily production of domestic oil, or the natural gas equivalent, does not exceed 1,000 barrels. This depletable amount may be allocated between oil and natural gas production, with 6,000 cubic feet of domestic oil and natural gas production regarded as equivalent to one barrel of crude oil. The 1,000-barrel limitation must be allocated among the independent producer and controlled or related persons and family members in proportion to the respective production by such persons during the period in question.

In addition to the foregoing limitations, the percentage depletion deduction otherwise available is limited to 65% of a trust unitholder's total taxable income from all sources for the year, computed without the depletion allowance, the deduction for domestic production activities, net operating loss carrybacks, or capital loss carrybacks. Any percentage depletion deduction disallowed because of the 65% limitation may be deducted in the following taxable year if the percentage depletion deduction for such year plus the

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deduction carryover does not exceed 65% of the trust unitholder's total taxable income for that year. The carryover period resulting from the 65% net income limitation is unlimited.

In addition to the limitations on percentage depletion discussed above, President Obama's budget proposal for the fiscal year 2012 proposes to eliminate certain tax preferences applicable to taxpayers engaged in the exploration or production of natural resources. Specifically, the budget proposes to repeal the deduction for percentage depletion with respect to wells, in which case only cost depletion would be available. It is uncertain whether this or any other legislative proposals will ever be enacted and, if so, when any such proposal would become effective.

Trust unitholders that do not qualify under the independent producer exemption are generally restricted to depletion deductions based on cost depletion. Cost depletion deductions are calculated by (a) dividing the trust unitholder's allocated share of the adjusted tax basis in the underlying mineral property by the number of mineral units (barrels of oil and thousand cubic feet of natural gas) remaining as of the beginning of the taxable year and (b) multiplying the result by the number of mineral units sold within the taxable year. The total amount of deductions based on cost depletion cannot exceed the trust unitholder's share of the total adjusted tax basis in the property.

The foregoing discussion of depletion deductions does not purport to be a complete analysis of the complex legislation and Treasury Regulations relating to the availability and calculation of depletion deductions by the trust unitholders. Further, because depletion is required to be computed separately by each trust unitholder and not by the trust, no assurance can be given, and counsel is unable to express any opinion, with respect to the availability or extent of percentage depletion deductions to the trust unitholders for any taxable year. The trust encourages each prospective trust unitholder to consult his tax advisor to determine whether percentage depletion would be available to him.

Tax Treatment Upon Sale of the Perpetual Royalties at Termination Date. The sale of the Perpetual Royalties by the trust at or shortly after the Termination Date will generally give rise to long-term capital gain or loss to the trust unitholders for U.S. federal income tax purposes, except that any gain will be taxed at ordinary income rates to the extent of depletion deductions that reduced the trust unitholder's adjusted basis in the Perpetual Royalties. Each trust unitholder will be responsible for calculating his gain or loss based on the difference between his pro-rata share of the amount realized on the sale by the trust and his adjusted basis in the Perpetual Royalties, and if a gain is realized, the portion thereof taxable as ordinary income by reason of depletion deductions previously claimed by such trust unitholder. However, the trust intends to furnish each of the trust unitholders with information relating to this calculation for U.S. federal income tax purposes in connection with the final partnership tax return for the trust.

Tax Treatment of Hedging Income. Income or loss realized with respect to hedging arrangements entered into by the trust will give rise to ordinary income or loss to the trust unitholders for U.S. federal income tax purposes. Trust unitholders will not be entitled to depletion deductions with respect to any hedging income.

Limitations on Deductibility of Losses. It is not anticipated that the trust will generate losses. Nevertheless, should losses result, trust unitholders must consult their own tax advisors as to the applicability to them of loss limitation rules that could operate to limit the deductibility to a trust unitholder of his share of the trust's losses such as the basis limitation, the "at risk" rules and the passive loss rules. Special passive loss limitation rules apply with respect to publicly-traded partnerships.

Limitations on Interest Deductions. The deductibility of a non-corporate taxpayer's "investment interest expense" is generally limited to the amount of that taxpayer's "net investment income." Investment interest expense includes:

- interest on indebtedness properly allocable to property held for investment;
- the trust's interest expense attributed to portfolio income; and

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- the portion of interest expense incurred to purchase or carry an interest in a passive activity to the extent attributable to portfolio income.

The computation of a trust unitholder's investment interest expense will take into account interest on any margin account borrowing or other loan incurred to purchase or carry a trust unit. Net investment income includes gross income from property held for investment and amounts treated as portfolio income under the passive loss rules, less deductible expenses, other than interest, directly connected with the production of investment income, but generally does not include gains attributable to the disposition of property held for investment or qualified dividend income. The IRS has indicated that the net passive income earned by a publicly traded partnership will be treated as investment income to its unitholders for purposes of the investment interest deduction limitation. In addition, the trust unitholder's share of the trust's portfolio income will be treated as investment income.

Entity-Level Withholdings. If the trust is required or elects under applicable law to pay any federal, state, local or foreign income tax on behalf of any trust unitholder or any former trust unitholder, the trust is authorized to pay those taxes from its funds. That payment, if made, will be treated as a distribution of cash to the trust unitholder on whose behalf the payment was made. If the payment is made on behalf of a person whose identity cannot be determined, the trust is authorized to treat the payment as a distribution to all current trust unitholders. The trust is authorized to amend its trust agreement in the manner necessary to maintain uniformity of intrinsic tax characteristics of trust units. Payments by the trust as described above could give rise to an overpayment of tax on behalf of an individual trust unitholder in which event the trust unitholder would be required to file a claim in order to obtain a credit or refund.

Treatment of Short Sales. A trust unitholder whose trust units are loaned to a "short seller" to cover a short sale of trust units may be considered as having disposed of those units. If so, he would no longer be treated for tax purposes as a partner with respect to those trust units during the period of the loan and may recognize gain or loss from the disposition. As a result, during this period:

- any of the trust's income, gain, loss, deduction or credit with respect to those trust units would not be reportable by the trust unitholder;

- any cash distributions received by the trust unitholder as to those trust units would be fully taxable; and

- all of these distributions would appear to be ordinary income.

Covington & Burling LLP has not rendered an opinion regarding the tax treatment of a trust unitholder whose trust units are loaned to a short seller to cover a short sale of trust units; therefore, trust unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to modify any applicable brokerage account agreements to prohibit their brokers from borrowing and loaning their trust units. The IRS has previously announced that it is studying issues relating to the tax treatment of short sales of partnership interests. Please also read " Disposition of Trust Units Recognition of Gain or Loss."

Alternative Minimum Tax. Each trust unitholder will be required to take into account his distributive share of any items of the trust's income, gain, loss, deduction or credit for purposes of the alternative minimum tax. The current minimum tax rate for non-corporate taxpayers is 26% on the first $175,000 of alternative minimum taxable income in excess of the exemption amount and 28% on any additional alternative minimum taxable income. Prospective trust unitholders are urged to consult with their tax advisors as to the impact of an investment in trust units on their liability for the alternative minimum tax.

Tax Rates. Under current law, the highest marginal U.S. federal income tax rate applicable to ordinary income of individuals is 35% and the highest marginal U.S. federal income tax rate applicable to long-term capital gains (generally, capital gains on certain assets held for more than 12 months) of individuals is 15%. However, absent new legislation extending the current rates, beginning January 1, 2013,

the highest marginal U.S. federal income tax rate applicable to ordinary income and long-term capital gains of individuals will increase to 39.6% and 20%, respectively. Moreover, these rates are subject to change by new legislation at any time.

The recently enacted Health Care and Education Reconciliation Act of 2010 will impose a 3.8% Medicare tax on certain investment income earned by individuals, estates and trusts for taxable years beginning after December 31, 2012. For these purposes, investment income generally includes a trust unitholder's allocable share of the trust's income and gain realized by a trust unitholder from a sale of trust units. In the case of an individual, the tax will be imposed on the lesser of (1) the trust unitholder's net income from all investments, and (2) the amount by which the trust unitholder's adjusted gross income exceeds $250,000 (if the trust unitholder is married and filing jointly or a surviving spouse), $125,000 (if the trust unitholder is married and filing separately) or $200,000 (if the trust unitholder is not married). In the case of an estate or trust, the tax will be imposed on the lesser of (1) the undistributed net investment income of the estate or trust, or (2) the excess of the adjusted gross income of the estate or trust over the dollar amount at which the highest income tax bracket applicable to an estate or trust begins.

Section 754 Election. The trust will make the election permitted by Section 754 of the Internal Revenue Code. That election is irrevocable without the consent of the IRS. The election will generally permit the trust to adjust a subsequent trust unit purchaser's tax basis in the trust's assets ("inside basis") under Section 743(b) of the Internal Revenue Code to reflect his purchase price of trust units acquired from another trust unitholder. The Section 743(b) adjustment belongs to the purchaser and not to other trust unitholders. For purposes of this discussion, a trust unitholder's inside basis in the trust's assets will be considered to have two components: (1) his share of tax basis in the trust's assets ("common basis") and (2) his Section 743(b) adjustment to that basis.

A Section 754 election is advantageous if the transferee's tax basis in his units is higher than the units' share of the aggregate tax basis of the trust's assets immediately prior to the transfer. In such a case, as a result of the election, the transferee would have a higher tax basis in his share of the trust's assets for purposes of calculating, among other items, cost depletion deductions on the Perpetual Royalties, and his share of any gain on a sale of the trust's assets would be less. Conversely, a Section 754 election is disadvantageous if the transferee's tax basis in his units is lower than those trust units' share of the aggregate tax basis of the trust's assets immediately prior to the transfer. Thus, the fair market value of the trust units may be affected either favorably or unfavorably by the election. A basis adjustment is required regardless of whether a Section 754 election is made in the case of a transfer of an interest in the trust if it has a substantial built-in loss immediately after the transfer. Generally a built-in loss or a basis reduction is substantial if it exceeds $250,000.

The calculations involved in the Section 754 election are complex and will be made on the basis of assumptions as to the value of the trust's assets and other matters. For example, the allocation of the Section 743(b) adjustment among the trust's assets must be made in accordance with the Internal Revenue Code. The trust cannot assure unitholders that the determinations it makes will not be successfully challenged by the IRS and that the deductions resulting from them will not be reduced or disallowed altogether. Should the IRS require a different basis adjustment to be made, and should, in the trust's opinion, the expense of compliance exceed the benefit of the election, the trust may seek permission from the IRS to revoke its Section 754 election. If permission is granted, a subsequent purchaser of trust units may be allocated more income than he would have been allocated had the election not been revoked.

Initial Tax Basis and Amortization. The initial tax basis of the portion of the PDP Royalty Interest treated as a royalty interest in minerals (the Perpetual PDP Royalty) and the portion treated as a production payment (the Term PDP Royalty), and the initial basis of the portion of the Development Royalty Interest treated as a royalty interest in minerals (the Perpetual Development Royalty) and the portion treated as a production payment (the Term Development Royalty) will be effectively equal on a

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per-unit basis to the portion of the unit price allocated to each based on each such portion's relative fair market value.

The costs incurred in selling the trust units (called "syndication expenses") must be capitalized and cannot be deducted currently, ratably or upon the trust's termination. There are uncertainties regarding the classification of costs as organizational expenses, which may be amortized by the trust, and as syndication expenses, which may not be amortized by the trust. The underwriting discounts and commissions the trust incurs will be treated as syndication expenses.

Valuation and Tax Basis of the Trust's Properties. The U.S. federal income tax consequences of the ownership and disposition of trust units will depend in part on the trust's estimates of the relative fair market values, and the initial tax bases, of the trust's assets. Although the trust may from time to time consult with professional appraisers regarding valuation matters, the trust will make many of the relative fair market value estimates itself. These estimates and determinations of basis are subject to challenge and will not be binding on the IRS or the courts. If the estimates of fair market value or basis are later found to be incorrect, the character and amount of items of income, gain, loss or deductions previously reported by trust unitholders might change, and trust unitholders might be required to adjust their tax liability for prior years and incur interest and penalties with respect to those adjustments.

Disposition of Trust Units

Recognition of Gain or Loss. Gain or loss will be recognized on a sale of trust units equal to the difference between the amount realized and the trust unitholder's tax basis for the trust units sold. A trust unitholder's amount realized will be measured by the sum of the cash or the fair market value of other property received. The amount realized should be reduced by the unused net negative adjustments attributable to the trust units disposed of as described above under " Tax Consequences of Trust Unit Ownership Tax Treatment of the Term Royalties." A trust unitholder's adjusted tax basis in his trust units will be equal to the trust unitholder's original purchase price for the trust units, increased by income and decreased by losses or deductions previously allocated to the trust unitholder and by distributions to the trust unitholder and depletion deductions claimed by the trust unitholder.

Prior distributions from the trust in excess of cumulative net taxable income for a trust unit that decreased a unitholder's tax basis in that trust unit will, in effect, become taxable income if the trust unit is sold at a price greater than the trust unitholder's tax basis in that trust unit, even if the price received is less than his original cost.

Except as noted below, gain or loss recognized by a trust unitholder, other than a "dealer" in trust units, on the sale or exchange of a trust unit will generally be taxable as capital gain or loss. Capital gain recognized by an individual on the sale of trust units held for more than 12 months will generally be taxed at a maximum U.S. federal income tax rate of 15% through December 31, 2012 and 20% thereafter (absent new legislation extending or adjusting the current rate). However, a portion, which will likely be substantial, of this gain or loss will be separately computed and taxed as ordinary income or loss under Section 751 of the Internal Revenue Code to the extent attributable to assets giving rise to "unrealized receivables" the trust owns. The term "unrealized receivables" includes potential recapture items, including depletion recapture. Ordinary income attributable to unrealized receivables such as depletion recapture may exceed net taxable gain realized upon the sale of a trust unit and may be recognized even if there is a net taxable loss realized on the sale of a trust unit. Thus, a trust unitholder may recognize both ordinary income and a capital loss upon a sale of trust units. Net capital losses may offset capital gains and no more than $3,000 of ordinary income, in the case of individuals, and may only be used to offset capital gains in the case of corporations.

The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all those interests. Upon a sale or other disposition of less than all of those interests, a portion of that tax basis must be allocated to the interests

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sold using an "equitable apportionment" method, which generally means that the tax basis allocated to the interest sold equals an amount that bears the same relation to the partner's tax basis in his entire interest in the partnership as the value of the interest sold bears to the value of the partner's entire interest in the partnership. Treasury Regulations under Section 1223 of the Internal Revenue Code allow a selling trust unitholder who can identify trust units transferred with an ascertainable holding period to elect to use the actual holding period of the trust units transferred. Thus, according to the ruling discussed above, a trust unitholder will be unable to select high or low basis trust units to sell as would be the case with corporate stock, but, according to the Treasury Regulations, he may designate specific trust units sold for purposes of determining the holding period of trust units transferred. A trust unitholder electing to use the actual holding period of trust units transferred must consistently use that identification method for all subsequent sales or exchanges of trust units. A trust unitholder considering the purchase of additional trust units or a sale of trust units purchased in separate transactions is urged to consult his tax advisor as to the possible consequences of this ruling and application of the Treasury Regulations.

Specific provisions of the Internal Revenue Code affect the taxation of some financial products and securities, including partnership interests, by treating a taxpayer as having sold an "appreciated" partnership interest, one in which gain would be recognized if it were sold, assigned or terminated at its fair market value, if the taxpayer or related persons enter(s) into:

- a short sale;
- an offsetting notional principal contract; or
- a futures or forward contract with respect to the partnership interest or substantially identical property.

Moreover, if a taxpayer has previously entered into a short sale, an offsetting notional principal contract or a futures or forward contract with respect to the partnership interest, the taxpayer will be treated as having sold that position if the taxpayer or a related person then acquires the partnership interest or substantially identical property. The Secretary of the Treasury is also authorized to issue regulations that treat a taxpayer that enters into transactions or positions that have substantially the same effect as the preceding transactions as having constructively sold the financial position.

Allocations Between Transferors and Transferees. In general, the trust's taxable income and losses will be determined and allocated on a quarterly basis and apportioned among the trust unitholders in proportion to the number of trust units of record owned by each of them as of the opening of the applicable exchange on which the trust units are then traded on the quarterly record date occurring in such quarter, which is referred to in this prospectus as the "Allocation Date."

Although simplifying conventions are contemplated by the Internal Revenue Code, the use of this method may not be permitted under existing Treasury Regulations. Accordingly, Covington & Burling LLP is unable to opine on the validity of this method of allocating income and deductions between transferor and transferee trust unitholders. If this method is not allowed under the Treasury Regulations, or only applies to transfers of less than all of the trust unitholder's interest, the trust's taxable income or losses might be reallocated among the trust unitholders. The trust is authorized to revise its method of allocation between transferor and transferee trust unitholders, as well as trust unitholders whose interests vary during a taxable year, to conform to a method permitted under future Treasury Regulations.

Notification Requirements. A trust unitholder who sells any of his trust units is generally required to notify the trust in writing of that sale within 30 days after the sale (or, if earlier, January 15 of the year following the sale). A purchaser of trust units who purchases trust units from another trust unitholder is also generally required to notify the trust in writing of that purchase within 30 days after the purchase. Upon receiving such notifications, the trust is required to notify the IRS of that transaction and to furnish specified information to the transferor and transferee. Failure to notify the trust of a purchase may, in some cases, lead to the imposition of penalties. However, these reporting requirements do not apply to a

sale by an individual who is a citizen of the United States and who affects the sale or exchange through a broker who will satisfy such requirements.

Constructive Termination. The trust will be considered to have been terminated for tax purposes if there are sales or exchanges which, in the aggregate, constitute 50% or more of the total interests in the trust's capital and profits within a twelve-month period. For purposes of measuring whether the 50% threshold is reached, multiple sales of the same interest are counted only once. A constructive termination results in the closing of the trust's taxable year for all trust unitholders. In the case of a trust unitholder reporting on a taxable year other than a calendar year, the closing of the trust's taxable year may result in more than 12 months of the trust's taxable income or loss being includable in his taxable income for the year of termination. A constructive termination occurring on a date other than December 31 will result in the trust filing two tax returns (and trust unitholders may receive two Schedule K-1's) for one fiscal year and the cost of the preparation of these returns will be borne by all trust unitholders. The trust would be required to make new tax elections after a termination, including a new election under Section 754 of the Internal Revenue Code. A termination could also result in penalties if the trust was unable to determine that the termination had occurred. Moreover, a termination might either accelerate the application of, or subject the trust to, any tax legislation enacted before the termination.

Tax-Exempt Organizations and Certain Other Investors

Ownership of trust units by employee benefit plans, other tax-exempt organizations, non-resident aliens, non-U.S. corporations and other non-U.S. persons raises issues unique to those investors and, as described below, may have substantially adverse tax consequences to them. If a potential investor is a tax-exempt entity or a non-U.S. person, then it should consult a tax advisor before investing in the trust units.

Tax-Exempt Organizations. Employee benefit plans and most other organizations exempt from U.S. federal income tax including IRAs and other retirement plans are subject to U.S. federal income tax on unrelated business taxable income. Because all of the income of the trust is expected to be royalty income, interest income, hedging income and gain from the sale of real property, none of which is unrelated business taxable income, any such organization exempt from U.S. federal income tax is not expected to be taxable on income generated by ownership of trust units so long as neither the property held by the trust nor the trust units are debt-financed property within the meaning of Section 514(b) of the Internal Revenue Code. In general, trust property would be debt-financed if the trust incurs debt to acquire the property or otherwise incurs or maintains a debt that would not have been incurred or maintained if the property had not been acquired and a trust unit would be debt-financed if the trust unitholder incurs debt to acquire the trust unit or otherwise incurs or maintains a debt that would not have been incurred or maintained if the trust unit had not been acquired.

Non-U.S. Persons. The trust (or the appropriate intermediary if units are held in "Street Name") intends to withhold on distributions paid to non-U.S. trust unitholders. The trust currently intends to withhold on distributions at a 35% rate. Non-U.S. trust unitholders should consult their own tax advisors with respect to seeking a credit or refund for any portion of taxes withheld from distributions.

As long as the trust units are regularly traded on an established securities market, gain realized by a non-U.S. trust unitholder on a sale of trust units will not be subject to U.S. federal income tax unless:

- the gain is, or is treated as, effectively connected with business conducted by the non-U.S. trust unitholder in the United States, and in the case of an applicable tax treaty, is attributable to a U.S. permanent establishment maintained by the non-U.S. trust unitholder;

- the non-U.S. trust unitholder is an individual who is present in the United States for at least 183 days in the year of the sale and certain other conditions are met; or

the non-U.S. trust unitholder owns currently, or owned at certain earlier times, directly or by applying certain attribution rules, more than 5% of the trust units.

Administrative Matters

Trust Information Returns and Audit Procedures. The trust intends to furnish to each trust unitholder, within 90 days after the close of each calendar year, specific tax information, including a Schedule K-1, which describes his share of the trust's income, gain, loss and deduction for the trust's preceding taxable year. In preparing this information, which will not be reviewed by counsel, the trust will take various accounting and reporting positions, some of which have been mentioned earlier, to determine each trust unitholder's share of income, gain, loss and deduction. The trust cannot assure unitholders that those positions will yield a result that conforms to the requirements of the Internal Revenue Code, Treasury Regulations or administrative interpretations of the IRS. Neither the trust nor Covington & Burling LLP can assure prospective trust unitholders that the IRS will not successfully contend in court that those positions are impermissible. Any challenge by the IRS could negatively affect the value of the units.

The IRS may audit the trust's U.S. federal income tax information returns. Adjustments resulting from an IRS audit may require each trust unitholder to adjust a prior year's tax liability, and possibly may result in an audit of his return. Any audit of a trust unitholder's return could result in adjustments not related to the trust's returns as well as those related to the trust's returns.

Partnerships generally are treated as separate entities for purposes of federal tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss and deduction are determined in a partnership proceeding rather than in separate proceedings with the partners. The Internal Revenue Code requires that one partner be designated as the "Tax Matters Partner" for these purposes. The trust agreement names SandRidge as the trust's Tax Matters Partner.

The Tax Matters Partner has made and will make some elections on behalf of the trust and the trust unitholders. In addition, the Tax Matters Partner can extend the statute of limitations for assessment of tax deficiencies against trust unitholders for items in the trust's returns. The Tax Matters Partner may bind a trust unitholder with less than a 1% profits interest in the trust to a settlement with the IRS unless that trust unitholder elects, by filing a statement with the IRS, not to give that authority to the Tax Matters Partner. The Tax Matters Partner may seek judicial review, by which all the trust unitholders are bound, of a final partnership administrative adjustment and, if the Tax Matters Partner fails to seek judicial review, judicial review may be sought by any trust unitholder having at least a 1% interest in profits or by any group of trust unitholders having in the aggregate at least a 5% interest in profits. However, only one action for judicial review will go forward, and each trust unitholder with an interest in the outcome may participate.

A trust unitholder must file a statement with the IRS identifying the treatment of any item on his federal income tax return that is not consistent with the treatment of the item on the trust's return. Intentional or negligent disregard of this consistency requirement may subject a trust unitholder to substantial penalties.

Nominee Reporting. Persons who hold an interest in the trust as a nominee for another person are required to furnish to the trust:

(a) the name, address and taxpayer identification number of the beneficial owner and the nominee;

(b) whether the beneficial owner is:

 (1) a person that is not a United States person;

(2) a non-U.S. government, an international organization or any wholly owned agency or instrumentality of either of the foregoing; or

(3) a tax-exempt entity;

(c) the amount and description of units held, acquired or transferred for the beneficial owner; and

(d) specific information including the dates of acquisitions and transfers, means of acquisitions and transfers and acquisition cost for purchases, as well as the amount of net proceeds from sales.

Brokers and financial institutions are required to furnish additional information, including whether they are United States persons and specific information on units they acquire, hold or transfer for their own account. A penalty of $100 per failure, up to a maximum of $1,500,000 per calendar year, is imposed by the Internal Revenue Code for failure to report that information to the trust. The nominee is required to supply the beneficial owner of the trust units with the information furnished to the trust.

Accuracy-Related Penalties. An additional tax equal to 20% of the amount of any portion of an underpayment of tax that is attributable to one or more specified causes, including negligence or disregard of rules or regulations, substantial understatements of income tax and substantial valuation misstatements, is imposed by the Internal Revenue Code. No penalty will be imposed, however, for any portion of an underpayment if it is shown that there was a reasonable cause for that portion and that the taxpayer acted in good faith regarding that portion.

For individuals, a substantial understatement of income tax in any taxable year exists if the amount of the understatement exceeds the greater of 10% of the tax required to be shown on the return for the taxable year or $5,000. The amount of any understatement subject to penalty generally is reduced if any portion is attributable to a position adopted on the return:

(1) for which there is, or was, "substantial authority"; or

(2) as to which there is a reasonable basis and the pertinent facts of that position are disclosed on the return.

If any item of income, gain, loss or deduction included in the distributive shares of trust unitholders might result in that kind of an "understatement" of income for which no "substantial authority" exists, the trust must disclose the pertinent facts on its return. In addition, the trust will make a reasonable effort to furnish sufficient information for trust unitholders to make adequate disclosure on their returns and to take other actions as may be appropriate to permit trust unitholders to avoid liability for this penalty. More stringent rules apply to "tax shelters," which the trust does not believe includes it, or any of the trust's investments, plans or arrangements.

A substantial valuation misstatement exists if (a) the value of any property, or the tax basis of any property, claimed on a tax return is 150% or more of the amount determined to be the correct amount of the valuation or tax basis, (b) the price for any property or services (or for the use of property) claimed on any such return with respect to any transaction between persons described in Internal Revenue Code Section 482 is 200% or more (or 50% or less) of the amount determined under Section 482 to be the correct amount of such price, or (c) the net Internal Revenue Code Section 482 transfer price adjustment for the taxable year exceeds the lesser of $5 million or 10% of the taxpayer's gross receipts.

No penalty is imposed unless the portion of the underpayment attributable to a substantial valuation misstatement exceeds $5,000 ($10,000 for most corporations). The penalty is increased to 40% in the event of a gross valuation misstatement. The trust does not anticipate making any valuation misstatements.

Reportable Transactions. If the trust were to engage in a "reportable transaction," the trust (and possibly the unitholders) would be required to make a detailed disclosure of the transaction to the IRS. A transaction may be a reportable transaction based upon any of several factors, including the fact that it is a

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type of tax avoidance transaction publicly identified by the IRS as a "listed transaction" or that it produces certain kinds of losses for partnerships, individuals, S corporations, and trusts in excess of $2 million in any single year, or $4 million in any combination of 6 successive tax years. The trust's participation in a reportable transaction could increase the likelihood that the trust's U.S. federal income tax information return (and possibly the unitholders' tax return) would be audited by the IRS. Please read " Trust Information Returns and Audit Procedures."

Moreover, if the trust were to participate in a reportable transaction with a significant purpose to avoid or evade tax, or in any listed transaction, unitholders may be subject to the following provisions of the American Jobs Creation Act of 2004:

- accuracy-related penalties with a broader scope, significantly narrower exceptions, and potentially greater amounts than described above at " Accuracy-Related Penalties";
- for those persons otherwise entitled to deduct interest on federal tax deficiencies, non-deductibility of interest on any resulting tax liability; and
- in the case of a listed transaction, an extended statute of limitations.

The trust does not expect to engage in any "reportable transactions."

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STATE TAX CONSIDERATIONS

The following is intended as a brief summary of certain information regarding state income taxes. No opinion of counsel has been requested or received with respect to the state tax consequences of an investment in trust units. Trust unitholders are urged to consult their own legal and tax advisors with respect to these matters.

Prospective investors should consider state and local income tax consequences of an investment in the common units. The trust will own royalty interests burdening specified oil and natural gas properties located in Noble, Kay, Alfalfa, Grant and Woods counties in northern Oklahoma and Harper, Comanche, Sumner and Barber counties in southern Kansas.

Oklahoma Income Taxes. If the trust is treated as a partnership for U.S. federal income tax purposes, it will also be treated as a partnership for Oklahoma income tax purposes. Trust unitholders will be subject to Oklahoma income tax on all trust royalty income generated by wells located in Oklahoma and allocable to the unitholders; accordingly, trust unitholders will be required to file Oklahoma state income tax returns and pay taxes in Oklahoma, and may be subject to penalties for failure to comply with such requirements. The highest marginal rates for the payment of Oklahoma state income taxes are 5.25% for individuals, trusts and estates, and 6% for corporations. Generally, Oklahoma taxpayers are entitled to a depletion allowance on oil and natural gas income for state income tax purposes equal to the greater of cost depletion or percentage depletion, with the percentage depletion allowance for most taxpayers being 22%, but not in excess of 50% of the gross income from the property; however, each trust unitholder should consult their own legal and tax advisors to determine the Oklahoma depletion allowance specifically applicable to such unitholder. Although payments to out-of-state interest owners, including beneficial owners such as trust unitholders, in respect of Oklahoma oil and natural gas income generally are subject to withholding for Oklahoma income tax purposes at the rate of 5%, an exception exists for publicly traded partnerships that furnish detailed information concerning beneficial owners to the Oklahoma Tax Commission. The trust plans to furnish such information and comply with those Oklahoma Tax Commission requirements as necessary to avoid withholding for Oklahoma state income tax purposes. Although Oklahoma municipalities are statutorily authorized to assess income taxes, no municipality has enacted such a tax. If any Oklahoma municipality were to enact an income tax, the tax could not be levied on nonresidents of the municipality.

Kansas Income Taxes. If the trust is treated as a partnership for U.S. federal income tax purposes, it will also be treated as a partnership for Kansas income tax purposes. Trust unitholders who are residents of Kansas will be subject to Kansas income tax on all trust royalty income allocable to the unitholders; provided, however, that a resident of Kansas may be eligible for a credit against the Kansas income tax for income taxes paid to another state. Trust unitholders who are not residents of Kansas will be subject to Kansas income tax on all trust royalty income allocable to the unitholders that is from Kansas sources. Accordingly, trust unitholders will be required to file Kansas state income tax returns and pay taxes in Kansas, and may be subject to penalties for failure to comply with such requirements. The highest marginal rates for the payment of Kansas state income taxes are 6.45% for individuals, trusts and estates, and 4% for corporations; however, a surtax of 3% is levied on taxable income of corporations in excess of $50,000. Although payments to out-of-state interest owners, including beneficial owners such as trust unitholders, in respect of Kansas oil and natural gas income generally are subject to withholding for Kansas income tax purposes at the rate of 6.45%, an exclusion exists for publicly traded partnerships. Consequently, the trust will not withhold for Kansas state income tax purposes.

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ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (referred to as "ERISA"), regulates pension plans, profit-sharing plans, stock bonus plans, simplified employee pension plans, Keogh plans, tax deferred annuities and IRAs established or maintained by an employer or employee organization, and other employee benefit plans to which it applies. ERISA also contains standards for persons who are fiduciaries of those plans. In addition, the Internal Revenue Code provides similar requirements and standards which are applicable to pension and welfare plans, and to individual retirement accounts, whether or not subject to ERISA.

A fiduciary of an ERISA-governed plan should carefully consider fiduciary standards under ERISA before authorizing an investment in trust units. Among other things, a fiduciary should consider:

- whether the investment satisfies the exclusive purpose requirements of Section 404(a)(1)(A) of ERISA;
- whether the investment satisfies the prudence requirements of Section 404(a)(1)(B) of ERISA;
- whether the investment satisfies the diversification requirements of Section 404(a)(1)(C) of ERISA; and
- whether the investment is in accordance with the documents and instruments governing the qualified plan as required by Section 404(a)(1)(D) of ERISA.

A fiduciary should also consider whether an investment in common units might result in nonexempt prohibited transactions under Section 406 of ERISA and Internal Revenue Code Section 4975. In general, to decide whether an investment will result in a prohibited transaction, a fiduciary must determine whether the transaction (1) constitutes a sale or exchange of property, an extension of credit, or the furnishing of goods or services between a fiduciary and an entity known as a "party in interest" under ERISA, (2) involves plan assets , employer securities or real property, or (3) creates a conflict of interest. The Department of Labor has published regulations concerning whether or not a qualified plan's assets would be deemed to include an interest in the underlying assets of an entity for purposes of the reporting, disclosure and fiduciary responsibility provisions of ERISA and analogous provisions of the Internal Revenue Code. These regulations provide that the underlying assets of an entity will not be considered "plan assets" if the equity interests in the entity are a publicly offered security. SandRidge expects that at the time of the sale of the trust units in this offering, they will be publicly offered securities.

However, the prohibited transaction rules are complex, and persons involved in prohibited transactions are subject to penalties. For that reason, potential plan investors should consult with their counsel to determine the consequences under ERISA and the Internal Revenue Code of their acquisition and ownership of trust units.

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UNDERWRITERS

Subject to the terms and conditions in an underwriting agreement dated , 2012, the underwriters named below, for whom Morgan Stanley & Co. LLC, Raymond James & Associates, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as the representatives, have severally agreed to purchase from SandRidge the number of trust units set forth opposite their names:

Name	Number of Trust Units
Morgan Stanley & Co. LLC	
Raymond James & Associates, Inc.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Citigroup Global Markets Inc.	
RBC Capital Markets, LLC	
UBS Securities LLC	
Oppenheimer & Co. Inc.	
Wunderlich Securities, Inc.	
Sanders Morris Harris Inc.	
Johnson Rice & Company L.L.C.	
Total	26,000,000

The underwriters and the representatives are collectively referred to as the "underwriters" and the "representatives," respectively. The underwriters are obligated to take and pay for all of the common units offered by this prospectus, if any are taken, other than the common units covered by the option described below unless and until this option is exercised. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the common units are subject to a number of conditions, including, among others, the accuracy of the representations and warranties in the underwriting agreement, listing of the common units on the New York Stock Exchange, receipt of specified letters from counsel and the trust's and SandRidge's independent registered public accounting firm, and receipt of specified officers' certificates.

Common units sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover page of this prospectus. Any common units sold by the underwriters to securities dealers may be sold at a price that represents a concession not in excess of $ per common unit under the initial public offering price. If all of the common units are not sold at the initial public offering price, the offering price and other selling terms may from time to time be varied by the representatives. The offering of the common units by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

The trust has granted the underwriters an option to buy up to 3,900,000 additional common units from the trust at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. They may exercise that option for 30 days from the date of this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase the same percentage of the additional common units as the number listed next to the underwriter's name in the preceding table bears to the total number of common units listed next to the names of all underwriters in the preceding table.

If the underwriters do not exercise their option to purchase additional common units, the trust will issue 3,900,000 common units to SandRidge upon the option's expiration. If and to the extent the underwriters exercise their option to purchase additional common units, the number of common units purchased by the underwriters pursuant to such exercise will be issued to the public and the remainder, if

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any, will be issued to SandRidge. Accordingly, the exercise of the underwriters' option will not affect the total number of common units outstanding.

The following table shows the amount per unit and total underwriting discounts the trust will pay to the underwriters (dollars in thousands, except per unit). The amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional trust units.

		Total	
	Per Unit	No Exercise	Full Exercise
Public Offering Price	$	$	$
Underwriting discounts and commissions	$	$	$
Proceeds, before expenses	$	$	$

The trust will pay Morgan Stanley & Co. LLC and Raymond James & Associates, Inc. a structuring fee of $ (or $ if the underwriters exercise their option to purchase additional trust units to cover over-allotments) for evaluation, analysis and structuring of the trust.

SandRidge estimates that the expenses payable by SandRidge or the trust, excluding underwriting discounts and commissions, will be approximately $2.55 million. In no event will the maximum amount of compensation to be paid to members of the Financial Industry Regulatory Authority, Inc. ("FINRA") in connection with this offering exceed 10%.

The underwriters have informed the trust that they do not intend sales to discretionary accounts to exceed 5% of the total number of common units offered by them.

The common units representing beneficial interests have been approved for listing on the New York Stock Exchange under the symbol "SDR."

SandRidge has agreed with the underwriters, subject to specified exceptions, not to dispose of or hedge any of the common units or securities convertible into or exchangeable for common units during the period from the date of the preliminary prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Morgan Stanley & Co. LLC, Raymond James & Associates, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

The 180-day restricted period described in the preceding paragraph will be automatically extended if: (1) during the last 17 days of the 180-day restricted period the trust issues a release concerning distributable cash or announces material news or a material event relating to the trust occurs; or (2) prior to the expiration of the 180-day restricted period, the trust announces that it will release distributable cash during the 16-day period following the last day of the 180-day period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or material event.

The underwriters have informed SandRidge that they do not presently intend to release common units or other securities subject to the lock-up agreements. Any determination to release any common units or other securities subject to the lock-up agreements would be based on a number of factors at the time of any such determination; such factors may include the market price of the common units, the liquidity of the trading market for the common units, general market conditions, the number of common units or other securities subject to the lock-up agreements proposed to be sold, and the timing, purpose and terms of the proposed sale.

In order to facilitate the offering of the common units, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common units. Specifically, the underwriters may sell more units than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of units available for

purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing units in the open market. In determining the source of units to close out a covered short sale, the underwriters will consider, among other things, the open market price of units compared to the price available under the over-allotment option. The underwriters may also sell units in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing units in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common units in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, common units in the open market to stabilize the price of the common units. These activities may raise or maintain the market price of the common units above independent market levels or prevent or retard a decline in the market price of the common units. The underwriters are not required to engage in these activities and may end any of these activities at any time.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased units sold by or for the account of such underwriter in stabilizing or short covering transactions.

SandRidge and the trust have agreed to indemnify the several underwriters and persons who control the underwriters against certain liabilities that may arise in connection with this offering, including liabilities under the Securities Act of 1933.

Because FINRA views the common units offered under this prospectus as interests in a direct participation program, the offering is being made in compliance with Rule 2310 of the FINRA rules administered by FINRA. Investor suitability with respect to the common units should be judged similarly to the suitability with respect to other securities that are listed for quotation on a national securities exchange.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory, investment banking, commercial banking and other services for SandRidge, for which they received or will receive customary fees and expenses. In addition, affiliates of certain of the underwriters may be counterparties under the direct hedging contracts with the trust. Furthermore, certain of the underwriters and their respective affiliates may, from time to time, enter into arms-length transactions with SandRidge in the ordinary course of their business. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments, including serving as counterparties to certain derivative and hedging arrangements, and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities or instruments of the trust or SandRidge. The underwriters and their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of common units to underwriters for sale to their online brokerage account holders.

Internet distributions will be allocated by the representatives to the underwriters that may make Internet distributions on the same basis as other allocations.

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Pricing of the Offering

Prior to this offering, there has been no public market for trust units. The initial public offering price was determined by negotiations between SandRidge and the representatives. Among the factors considered in determining the initial public offering price were estimates of distributions to trust unitholders, overall quality of the oil and natural gas attributable to the Underlying Properties, industry and market conditions, prevalent in the energy industry, the information set forth in this prospectus and otherwise available to the representatives and the general conditions of the securities market at the time of this offering.

The estimated initial public offering price range set forth on the cover page of this prospectus is subject to change as a result of market conditions and other factors. The trust cannot assure you that the prices at which the common units will sell in the public market after this offering will not be lower than the initial public offering price or that an active trading market in the trust's common units will develop and continue after this offering.

Directed Unit Program

At SandRidge's request, the underwriters have reserved up to 5% of the common units being offered by this prospectus for sale to SandRidge's directors, officers, and certain other persons associated with SandRidge, at the initial public offering price. The sales will be made by Morgan Stanley & Co. LLC through a directed unit program. It is not certain if these persons will choose to purchase all or any portion of these reserved units, but any purchases they make will reduce the number of common units available to the general public. To the extent the allotted reserved units are not purchased in the directed unit program, we will offer these common units to the general public on the same basis as all other common units offered by this prospectus. The individuals eligible to participate in the directed unit program must commit to purchase no later than before the opening of business on the day following the date of this prospectus, but in any event, will not be obligated to purchase common units. Any directors or officers of SandRidge or other persons associated with SandRidge purchasing reserved units in the directed unit program, if any, will not be subject to a lock-up agreement. SandRidge has agreed to indemnify Morgan Stanley & Co. LLC against certain liabilities and expenses, including liabilities under the Securities Act of 1933, in connection with the sales of the reserved units.

Conflicts/Affiliates

The underwriters and their affiliates may provide in the future investment banking, financial advisory or other financial services for SandRidge and its affiliates, for which they may receive advisory or transaction fees, as applicable, plus out-of-pocket expense, of the nature and in amounts customary to the industry for these financial services. Affiliates of Morgan Stanley & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., RBC Capital Markets, LLC and UBS Securities LLC are lenders under the SandRidge credit facility.

Notice to Prospective Investors in the EEA

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of securities described in this prospectus may not be made to the public in that relevant member state other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;

- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as

defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of securities shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an "offer of securities to the public" in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and includes any relevant implementing measure in each relevant member state. The expression "2010 PD Amending Directive" means Directive 2010/73/EU.

We have not authorized and do not authorize the making of any offer of securities through any financial intermediary on their behalf, other than offers made by the underwriters with a view to the final placement of the securities as contemplated in this prospectus. Accordingly, no purchaser of the securities, other than the underwriters, is authorized to make any further offer of the securities on behalf of us or the underwriters.

Notice to Prospective Investors in the United Kingdom

The trust may constitute a "collective investment scheme" as defined by section 235 of the Financial Services and Markets Act 2000 (FSMA) that is not a "recognized collective investment scheme" for the purposes of FSMA (CIS) and that has not been authorized or otherwise approved. As an unregulated scheme, it cannot be marketed in the United Kingdom to the general public, except in accordance with FSMA. This prospectus is only being distributed in the United Kingdom to, and is only directed at:

(1) if the trust is a CIS and is marketed by a person who is an authorized person under FSMA, (a) investment professionals falling within Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) Order 2001, as amended (the CIS Promotion Order) or (b) high net worth companies and other persons falling within Article 22(2)(a) to (d) of the CIS Promotion Order; or

(2) otherwise, if marketed by a person who is not an authorized person under FSMA, (a) persons who fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Financial Promotion Order) or (b) Article 49(2)(a) to (d) of the Financial Promotion Order; and

(3) in both cases (1) and (2) to any other person to whom it may otherwise lawfully be made (all such persons together being referred to as "relevant persons").

The common units are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such common units will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

An invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) in connection with the issue or sale of any common units which are the subject of the offering contemplated by this prospectus will only be communicated or caused to be communicated in circumstances in which Section 21(1) of FSMA does not apply to the trust.

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LEGAL MATTERS

Richards, Layton & Finger, P.A., as special Delaware counsel to the trust, will give a legal opinion as to the validity of the trust units. Covington & Burling LLP, counsel to SandRidge, will give opinions as to certain other matters relating to the offering, including the tax opinion described in the section of this prospectus captioned "U.S. Federal Income Tax Considerations." Certain legal matters in connection with the common units offered hereby will be passed upon for the underwriters by Vinson & Elkins L.L.P.

EXPERTS

Certain information appearing in this prospectus regarding the December 31, 2011 estimated quantities of reserves of the Underlying Properties and royalty interests owned by the trust, the future net revenues from those reserves and their present value is based on estimates of the reserves and present values prepared by or derived from estimates prepared by Netherland Sewell & Associates, Inc., independent petroleum engineers.

Certain estimates of SandRidge's reserves of oil and natural gas that are incorporated by reference in this prospectus were based in part upon engineering reports prepared by independent petroleum engineers Netherland, Sewell & Associates, Inc., DeGolyer and MacNaughton and Lee Keeling and Associates, Inc. These estimates are referred to or incorporated by reference herein in reliance on the authority of such firms as experts in such matters.

The financial statements of SandRidge and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this Prospectus by reference to SandRidge's Annual Report on Form 10-K for the year ended December 31, 2011 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The Statement of Revenues and Direct Operating Expenses of the Mississippian Formation Underlying Properties of SandRidge Energy, Inc. for the year ended December 31, 2011 included in this prospectus, have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The Statement of Assets and Trust Corpus of SandRidge Mississippian Trust II as of December 31, 2011, included in this prospectus, has been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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WHERE YOU CAN FIND MORE INFORMATION

The trust and SandRidge have filed with the SEC a registration statement on Form S-1 and Form S-3 regarding the common units. This prospectus does not contain all of the information found in the registration statement. For further information regarding the trust, SandRidge and the common units offered by this prospectus, you may wish to review the full registration statement, including its exhibits and schedules, filed under the Securities Act. The registration statement of which this prospectus forms a part, including its exhibits and schedules, may be inspected and copied at the public reference room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of the materials may also be obtained from the SEC at prescribed rates by writing to the public reference room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website on the Internet at http://www.sec.gov. The trust's and SandRidge's registration statement, of which this prospectus constitutes a part, can be downloaded from the SEC's web site.

SandRidge files annual, quarterly and current reports, proxy statements and other information with the SEC) (File No. 001-33784) pursuant to the Exchange Act. SandRidge's SEC filings are available to the public through the SEC's website.

This prospectus includes through incorporation by reference certain of the reports and other information that SandRidge has filed with the SEC. This means that SandRidge is disclosing important information to you by referring to those documents. The information that SandRidge later files with the SEC is incorporated by reference herein and will automatically update and supersede this information. SandRidge hereby incorporates by reference into this prospectus the documents listed below that SandRidge has filed with the SEC:

- SandRidge's Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 27, 2012, as amended by SandRidge's Amendment on Form 10-K/A to its Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on March 20, 2012; and

- SandRidge's Current Reports on Form 8-K filed with the SEC on February 3, 2012, February 27, 2012, April 2, 2012 (under items 1.01 and 8.01 of Form 8-K) and April 4, 2012.

SandRidge also hereby incorporates by reference into this prospectus any filings that it makes with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (excluding any information furnished under Item 2.02 or Item 7.01 on any Current Report on Form 8-K) after the filing of the registration statement to which this prospectus relates and prior to the effectiveness of such registration statement, and all such future filings that it makes with the SEC prior to the later of (a) the closing date of the offering and (b) the completion of the offering of the common units.

SandRidge's recent annual, quarterly and current reports, and any amendments thereto, that it files with the SEC are made available, free of charge, over the Internet through SandRidge's website at *http: www.sandridgeenergy.com* as soon as reasonably practicable after SandRidge electronically files them with or furnishes them to the SEC. You may also request copies of any of SandRidge's filings with the SEC, which it will provide at no cost to you, by contacting SandRidge's Investor Relations department at 405-429-5515 or *investors@sdrge.com*. Please note that SandRidge's website and the information contained in and linked to it are not incorporated in this prospectus.

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GLOSSARY OF CERTAIN OIL AND NATURAL GAS TERMS AND TERMS RELATED TO THE TRUST

In this prospectus the following terms have the meanings specified below.

Bbl. One stock tank barrel, or 42 U.S. gallons liquid volume, used herein in reference to oil or other liquid hydrocarbons.

BBtu. Billion British Thermal Units.

BBtu/d. Billion British Thermal Units per day.

Bcfe. Billion cubic feet equivalent, determined using the ratio of six Mcf of natural gas to one Bbl of oil, condensate or natural gas liquids.

Boe. Barrels of oil equivalent, with six thousand cubic feet of natural gas being equivalent to one barrel of oil.

Boe/d. Barrels of oil equivalent per day.

Btu or British Thermal Unit. The quantity of heat required to raise the temperature of one pound of water by one degree Fahrenheit.

Completion. The process of treating a drilled well followed by the installation of permanent equipment for the production of oil or natural gas, or in the case of a dry well, the reporting to the appropriate authority that the well has been abandoned.

Condensate. A mixture of hydrocarbons that exists in the gaseous phase at original reservoir temperature and pressure, but that, when produced, is in the liquid phase at surface pressure and temperature.

Developed oil and gas reserves. Developed oil and gas reserves are reserves of any category that can be expected to be recovered (a) through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well and (b) through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

Development costs. Costs incurred to obtain access to proved and probable reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas. More specifically, development costs, including depreciation and applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building and relocating public roads, gas lines and power lines, to the extent necessary in developing the proved and probable reserves, (b) drill and equip Development Wells, development-type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment, and the wellhead assembly, (c) acquire, construct and install production facilities such as leases, flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems, and (d) provide improved recovery systems.

Development well. A well drilled within the area of an oil or natural gas reservoir to the depth of a stratigraphic horizon known to be productive.

Dry well. An exploratory, development or extension well that proves to be incapable of producing either oil or natural gas in sufficient quantities to justify completion as an oil or natural gas well.

Economically producible. A resource that generates revenue that exceeds, or is reasonably expected to exceed, the costs of the operation.

Field. An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field which are separated vertically by intervening impervious strata, or laterally by local geologic barriers, or both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms "structural feature" and "stratigraphic condition" are intended to identify localized geological features as opposed to the broader terms of basins, trends, provinces, plays, areas of interest, etc.

Gross acres or gross wells. The total acres or wells, as the case may be, in which a working interest is owned.

MBbls. Thousand barrels of oil or other liquid hydrocarbons.

MBbls/d. Thousand barrels of oil or other liquid hydrocarbons per day.

MBoe. Thousand barrels of oil equivalent.

Mcf. Thousand cubic feet of natural gas.

MMBbls. Million barrels of oil or other liquid hydrocarbons.

MMBoe. Million barrels of oil equivalent.

MMBtu. Million British Thermal Units.

MMcf. Million cubic feet of natural gas.

MMcf/d. MMcf per day.

Net acres or net wells. The sum of the fractional working interest owned in gross acres or gross wells, as the case may be.

Net revenue interest. A share of production after all burdens, such as royalty and overriding royalty interests, have been deducted from the working interest.

Plugging and abandonment. Refers to the sealing off of fluids in the strata penetrated by a well so that the fluids from one stratum will not escape into another or to the surface. Oklahoma and Kansas regulations require plugging of abandoned wells.

Pool. An underground accumulation of oil or gas in a single and separate natural reservoir characterized by a single pressure system so that production from one part of the pool affects the reservoir pressure throughout its extent.

Present value of future net revenues ("PV-10"). The present value of estimated future revenues to be generated from the production of proved or probable reserves, as applicable, before income taxes, calculated in accordance with SEC guidelines, net of estimated production and future development costs, using prices and costs as of the date of estimation without future escalation and without giving effect to hedging activities, non-property related expenses such as general and administrative expenses, debt service and depreciation, depletion and amortization. PV-10 is calculated using an annual discount rate of 10%.

Probable oil and gas reserves. Those quantities of oil and natural gas, which, by analysis of geoscience and engineering data, are less certain to be recovered than proved reserves but which, together with proved reserves, are at least as likely as not to be recovered from a given date forward, and under existing economic conditions, operating methods, and government regulations prior to the time which contracts

providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probalistic methods are used for the estimation.

Production costs.

(1) Costs incurred to operate and maintain wells and related equipment and facilities, including depreciation and applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities. They become part of the cost of oil and gas produced. Examples of production costs (sometimes called lifting costs) are:

(A) Costs of labor to operate the wells and related equipment and facilities.

(B) Repairs and maintenance.

(C) Materials, supplies, and fuel consumed and supplies utilized in operating the wells and related equipment and facilities.

(D) Property taxes and insurance applicable to properties and wells and related equipment and facilities.

(E) Severance taxes.

(2) Some support equipment or facilities may serve two or more oil and gas producing activities and may also serve transportation, refining and marketing activities. To the extent that the support equipment and facilities are used in oil and gas producing activities, their depreciation and applicable operating costs become exploration, development or production costs, as appropriate. Depreciation, depletion and amortization of capitalized acquisition, exploration, and development costs are not production costs but also become part of the cost of oil and gas produced along with production (lifting) costs identified above.

Productive well. A well that is found to be capable of producing oil or natural gas in sufficient quantities to justify completion as an oil or natural gas well.

Proved developed reserves. Reserves that are both proved and developed.

Proved oil and gas reserves. Those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

The area of a reservoir considered proved includes (a) the area identified by drilling and limited by fluid contacts, if any, and (b) adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data. In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons as seen in a well penetration unless geoscience, engineering or performance data and reliable technology establish a lower contact with reasonable certainty.

Where direct observation from well penetrations has defined a highest known oil elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering or performance data and reliable technology establish the higher contact with reasonable certainty.

Reserves that can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when (a) successful

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testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir, or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based and (b) the project has been approved for development by all necessary parties and entities, including governmental entities.

Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

Proved undeveloped reserves. Reserves that are both proved and undeveloped.

Pulling units. Pulling units are used in connection with completions and workover operations.

PV-10. See "Present value of future net revenues."

Reasonable certainty. A high degree of confidence.

Rental tools. A variety of rental tools and equipment, ranging from trash trailers to blow out preventors to sand separators, for use in the oil field.

Reserves. Estimated remaining quantities of oil and gas and related substances anticipated to be economically producible as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

Included Note: Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e. absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e. potentially recoverable resources from undiscovered accumulations).

Reservoir. A porous and permeable underground formation containing a natural accumulation of producible oil and/or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

Roustabout services. The provision of manpower to assist in conducting oil field operations.

Standardized measure or Standardized measure of discounted future net cash flows. The present value of estimated future cash inflows from proved oil and natural gas reserves, less future development and production costs and future income tax expenses, discounted at 10% per annum to reflect timing of future cash flows and using the same pricing assumptions as were used to calculate PV-10. Standardized Measure differs from PV-10 because Standardized Measure includes the effect of future income taxes on future net revenues.

Trucking. The provision of trucks to move drilling rigs from one well location to another and to deliver water and equipment to the field.

Undeveloped acreage. Lease acreage on which wells have not been drilled or completed to a point that would permit the production of economic quantities of oil or gas regardless of whether such acreage contains proved reserves.

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Undeveloped oil and gas reserves. Reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

(a) Reserves on undrilled acreage are limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

(b) Undrilled locations are classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances justify a longer time.

(c) Under no circumstances shall estimates for undeveloped reserves attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir or by other evidence using reliable technology establishing reasonable certainty.

Working interest. The operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and receive a share of production and requires the owner to pay a share of the costs of drilling and production operations.

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Report of Independent Registered Public Accounting Firm

To Board of Directors and Stockholders of SandRidge Energy, Inc.:

We have audited the accompanying statement of revenues and direct operating expenses of the Mississippian Formation Underlying Properties of SandRidge Energy, Inc. (the "Underlying Properties"), described in Note 1, for the year ended December 31, 2011. This financial statement is the responsibility of SandRidge Energy, Inc.'s management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues and direct operating expenses of the Underlying Properties are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues and direct operating expenses of the Underlying Properties. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement referred to above presents fairly, in all material respects, the revenues and direct operating expenses of the Underlying Properties for the year ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

The accompanying statement reflects the revenues and direct operating expenses of the Underlying Properties as described in Note 1 to the financial statement and is not intended to be a complete presentation of the financial position, results of operations or cash flows of the Underlying Properties.

/s/ PricewaterhouseCoopers LLP

Tulsa, Oklahoma
March 14, 2012

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MISSISSIPPIAN FORMATION UNDERLYING PROPERTIES

STATEMENT OF REVENUES AND DIRECT OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 2011

(In Thousands)

Oil and natural gas revenues	$ 50,652
Direct operating expenses	
Lease operating expense	9,399
Production taxes and other post-production expenses	2,355
Total direct operating expenses	11,754
Revenues in excess of operating expenses	$ 38,898

The accompanying notes are an integral part of this financial statement.

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MISSISSIPPIAN FORMATION UNDERLYING PROPERTIES

NOTES TO STATEMENT OF REVENUES AND DIRECT OPERATING EXPENSES

1. Basis of Presentation

The accompanying statement presents the revenues and direct operating expenses for the year ended December 31, 2011 of working interests in certain oil and natural gas properties located in northern Oklahoma and southern Kansas ("Underlying Properties") owned by SandRidge Energy, Inc. ("SandRidge") from which royalty interests to be conveyed to SandRidge Mississippian Trust II (the "Trust") will be derived. As of December 31, 2011 the Underlying Properties consisted of (i) 54 producing wells, the first of which began production in February 2011, (ii) 13 wells awaiting completion operations, and (iii) horizontal development wells to be drilled to the Mississippian formation within the Area of Mutual Interest ("AMI"), which consists of approximately 81,200 gross acres (53,000 net acres) in Alfalfa, Grant, Kay, Noble and Woods counties in Oklahoma and Barber, Comanche, Harper and Sumner counties in Kansas, in which SandRidge owned an average of approximately 65% of the working interest.

The accompanying statement of revenues and direct operating expenses is presented on the accrual basis of accounting and was derived from the historical accounting records of SandRidge. Revenues and direct operating expenses relate to the historical net revenue interest and net working interest, respectively, in the Underlying Properties. Oil and natural gas revenues are recognized when production is sold to a purchaser at a fixed or determinable price when delivery has occurred and title has transferred, and if collectability of the revenue is reasonably assured. Revenues are reported net of existing overriding and other royalties due to third parties. Direct operating expenses include lease and well repairs, maintenance, utilities, payroll, production taxes, gathering and transportation and other direct operating expenses. The amounts presented represent 100% of SandRidge's interests in the Underlying Properties.

During the period presented, the Underlying Properties were not accounted for as a separate division by SandRidge and therefore certain costs such as depreciation, depletion and amortization, accretion of asset retirement obligation, general and administrative expenses, interest, and corporate income taxes were not allocated to the individual properties. Historical statements reflecting financial position, results of operations and cash flows from operating, investing and financing activities prepared in accordance with generally accepted accounting principles are not presented because the information necessary to prepare such statements is neither readily available on an individual property basis nor practicable to obtain in these circumstances. Accordingly, the statement of revenues and direct operating expenses of the Underlying Properties is presented in lieu of the financial statements required under Rule 3-01 and 3-02 of the Securities and Exchange Commission Regulation S-X.

2. Subsequent Events

Events occurring after December 31, 2011 were evaluated through March 14, 2012 to ensure that any subsequent events that met the criteria for recognition and/or disclosure in this report have been included.

3. Supplemental Oil and Natural Gas Reserve and Standardized Measure Information (Unaudited)

The following oil and natural gas reserve information was prepared by SandRidge based upon information prepared by SandRidge and its independent petroleum engineers and is presented in accordance with ASC Topic 932, Extractive Activities Oil and Gas.

Oil and Gas Reserve Quantities

Proved oil and natural gas reserves are those quantities of oil and natural gas that, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be economically producible, based on prices used to estimate reserves, from a given date forward from known reservoirs,

MISSISSIPPIAN FORMATION UNDERLYING PROPERTIES

NOTES TO STATEMENT OF REVENUES AND DIRECT OPERATING EXPENSES (Continued)

3. Supplemental Oil and Natural Gas Reserve and Standardized Measure Information (Unaudited) (Continued)

and under existing economic conditions, operating methods, and government regulation before the time of which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain. Proved developed reserves are proved reserves expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared with the cost of a new well. Proved undeveloped reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively large major expenditure is required for recompletion.

The following table presents the estimated remaining net proved, proved developed and proved undeveloped oil and natural gas reserves of the Underlying Properties, all of which are located in the continental United States, estimated by SandRidge and its independent petroleum engineers, and the related summary of changes in estimated quantities of net remaining proved reserves during the year ended December 31, 2011. These reserves represent the total proved reserves for the remaining economic life of the Underlying Properties and do not represent the reserves that will be owned by the Trust. A table setting forth the reserves that will be owned by the Trust can be found beginning on page F-21.

	Oil (Bbls)	Gas (Mcf)
Proved Reserves		
As of December 31, 2010	71,888	402,574
Revisions of previous estimates[a]	423,408	2,383,674
Extensions and discoveries[b]	18,915,148	137,108,210
Production	(452,154)	(2,591,777)
As of December 31, 2011	18,958,290	137,302,681
Proved developed reserves		
As of December 31, 2010	43,024	240,934
As of December 31, 2011	6,824,861	47,763,117
Proved undeveloped reserves		
As of December 31, 2010	28,864	161,640
As of December 31, 2011	12,133,429	89,539,564

(a) The revisions to previous estimates during the year ended December 31, 2011 are primarily due to the oil and gas production from the drilled wells included in 2011 "extensions and discoveries". These are wells that were drilled and subsequently added to the proved producing category during the year.

(b) Extensions and discoveries for the year ended December 31, 2011 are a result of the discovery and production from wells drilled horizontally in the Mississippian formation in northern Oklahoma and southern Kansas on acreage owned by SandRidge. During the year ended December 31, 2011, SandRidge drilled 167 wells on its acreage in the Mississippian formation, including wells from which a portion of the royalty interests conveyed to the Trust will be derived. These wells demonstrated consistent levels of production and provided

MISSISSIPPIAN FORMATION UNDERLYING PROPERTIES

NOTES TO STATEMENT OF REVENUES AND DIRECT OPERATING EXPENSES (Continued)

3. Supplemental Oil and Natural Gas Reserve and Standardized Measure Information (Unaudited) (Continued)

reasonable certainty that wells to be drilled within the acreage qualified for Proved Undeveloped classification.

Standardized Measure of Discounted Future Net Cash Flows

Certain information concerning the assumptions used in computing the valuation of proved reserves and their inherent limitations are discussed below. SandRidge believes such information is essential for a proper understanding and assessment of the data presented. These assumptions are summarized as follows:

Pricing is applied based upon 12-month average market prices, using the first-day-of-the-month price for each month, at December 31, 2011 adjusted for fixed or determinable contracts that were in existence at period end. The calculated weighted average per unit prices for the Underlying Properties' proved reserves and future net revenues were $91.21 per barrel of oil and $4.12 per Mcf of natural gas.

Future development and production costs are determined based upon actual cost at period end.

The standardized measure of discounted future net cash flows includes projections of future abandonment costs at period end.

Future income taxes are not computed because the Underlying Properties are not tax paying entities and because taxable income for the Trust will be passed through to the Trust unitholders.

An annual discount factor of 10% is applied to the future net cash flows.

Extensive judgments are involved in estimating the timing of production and the costs that will be incurred throughout the remaining lives of the properties. Accordingly, the estimates of future net cash flows from proved reserves and the present value may be materially different from subsequent actual results. The standardized measure of discounted net cash flows does not purport to present, nor should it be interpreted to present, the fair value of the Underlying Properties' oil and natural gas reserves. An estimate of fair value would also take into account, among other things, the recovery of reserves not presently classified as proved, and anticipated future changes in prices and costs. The following table presents future net cash flows relating to the Underlying Properties as of December 31, 2011 based on the standardized measure in ASC Topic 932 (in thousands).

Future cash inflows from production	$	2,294,595
Future production costs		(402,985)
Future development costs[(a)]		(245,742)
Undiscounted future net cash flows		1,645,868
10% annual discount		(983,747)
Standardized measure of discounted future net cash flows	$	662,121

(a) Includes future abandonment costs.

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MISSISSIPPIAN FORMATION UNDERLYING PROPERTIES

NOTES TO STATEMENT OF REVENUES AND DIRECT OPERATING EXPENSES (Continued)

3. Supplemental Oil and Natural Gas Reserve and Standardized Measure Information (Unaudited) (Continued)

Changes in the standardized measure of future net cash flows related to proved oil and gas reserves are as follows for the year ended December 31, 2011.

Present value as of December 31, 2010	$ 1,775
Changes during the period	
Revenues less production and other costs	(38,898)
Net changes in prices, production and other costs	(4,241)
Development costs incurred	1,306
Net changes in future development costs	(722)
Extensions and discoveries	659,753
Revisions of previous quantity estimates	16,305
Accretion of discount	169
Timing differences and other[(a)]	26,674
Net change for the period	660,346
Present value as of December 31, 2011	$ 662,121

(a) The change in timing differences and other are related to revisions in estimated time of production and development.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of SandRidge Energy, Inc.:

We have audited the accompanying statement of assets and trust corpus of SandRidge Mississippian Trust II as of December 31, 2011. This financial statement is the responsibility of the Trust's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of assets and trust corpus is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of assets and trust corpus. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement was prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the assets and trust corpus of SandRidge Mississippian Trust II at December 31, 2011, on the basis of accounting described in Note 2.

/s/ PricewaterhouseCoopers LLP

Tulsa, Oklahoma
March 14, 2012

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SANDRIDGE MISSISSIPPIAN TRUST II

STATEMENT OF ASSETS AND TRUST CORPUS

AS OF DECEMBER 31, 2011

(In Thousands)

Assets	
Cash	$ 1
Total assets	$ 1
Trust Corpus	
Trust corpus	$ 1
Total	$ 1

The accompanying notes are an integral part of this statement.

SANDRIDGE MISSISSIPPIAN TRUST II

NOTES TO STATEMENT OF ASSETS AND TRUST CORPUS

1. Organization of the Trust

SandRidge Mississippian Trust II (the "Trust") is a statutory trust formed on December 13, 2011 under the Delaware Statutory Trust Act pursuant to a Trust Agreement (the "Trust Agreement") among and by SandRidge Energy, Inc. ("SandRidge"), as trustor, The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"), and The Corporation Trust Company, as Delaware Trustee (the "Delaware Trustee") and initially funded by SandRidge on December 29, 2011.

The Trust was created to acquire and hold royalty interests for the benefit of Trust unitholders pursuant to an agreement between SandRidge, the Trustee and the Delaware Trustee. These royalty interests are interests in properties consisting of SandRidge's interests in specified oil and gas properties located in the Mississippian formation in Alfalfa, Grant, Kay, Noble and Woods counties in northern Oklahoma and Barber, Comanche, Harper and Barber counties in southern Kansas (the "Underlying Properties"). These properties consist of 54 producing wells at December 31, 2011, the first of which began production in February 2011, 13 additional wells awaiting completion operations (together, the "Initial Wells") and 206 horizontal oil and natural gas development wells to be drilled to the Mississippian formation ("Development Wells") in an area of mutual interest ("AMI").

The royalty interests are passive in nature and neither the Trust nor the Trustee has any control over, or responsibility for, costs relating to the operation of the Underlying Properties. After conveyance of the royalty interests, SandRidge will retain interests in each of the Initial Wells and Development Wells. The Trust Agreement provides that the Trust's business activities will generally be limited to owning the royalty interests and entering into the derivative arrangements described below and activities reasonably related thereto, including activities required or permitted by the terms of the conveyances related to the royalty interests and the derivative arrangements.

The Trust will enter into a development agreement with SandRidge that will obligate SandRidge to drill, or cause to be drilled, the equivalent of 206 horizontal oil and natural gas development wells (as defined in the agreement) by December 31, 2016. Except in limited circumstances, SandRidge will agree not to drill and complete, or allow another person within its control to drill and complete, any other well in the AMI other than the Development Wells until SandRidge has fulfilled its drilling obligation. A wholly owned subsidiary of SandRidge will grant to the Trust a lien covering its interest in the AMI (except the Initial Wells or any other wells already producing and not subject to the royalty interests) in order to secure the estimated amount of the drilling costs for the Trust's interests in the Development Wells. These liens will be released over time as SandRidge fulfills its drilling obligation under the development agreement. Under the terms of the development agreement, SandRidge will be credited for having drilled one full Development Well if the well is drilled with a perforated well bore between 3,500 feet and 4,500 feet in a specified target formation and SandRidge's net revenue interest in the well is equal to 47.4%. The actual number of wells required to be drilled may increase or decrease in proportion to SandRidge's net revenue interest in and the perforated length of each Development Well.

The Trust will enter into an administrative services agreement with SandRidge pursuant to which SandRidge will provide the Trust with certain accounting, tax preparation, bookkeeping and informational services related to the royalty interests, the Trust's derivative contracts and the registration rights agreement. In return for these services, the Trust will pay SandRidge an annual fee of $0.3 million in addition to reimbursement for SandRidge's out-of-pocket fees, costs and expenses incurred in connection with the provision of any of the services under the agreement. The administrative services agreement will terminate on the earliest of: (i) December 31, 2031, (ii) termination of the royalty interests or disposal of the royalty interests held by the Trust, (iii) if properties are transferred by SandRidge to a third party, upon

SANDRIDGE MISSISSIPPIAN TRUST II

NOTES TO STATEMENT OF ASSETS AND TRUST CORPUS (Continued)

1. Organization of the Trust (Continued)

90-days written notice by either SandRidge or the Trustee, provided SandRidge has met its drilling obligation and the transferee of such properties agrees to assume responsibility to provide the services in place of SandRidge and (iv) a date mutually agreed by SandRidge and the Trustee.

SandRidge will also enter into a derivatives agreement with the Trust to provide the Trust with the effect of derivative contracts entered into between SandRidge and third parties. Under the derivatives agreement, SandRidge will pay the Trust amounts it receives from its counterparties, and the Trust will pay SandRidge any amounts that SandRidge is required to pay such counterparties. In addition to the derivatives agreement with SandRidge, the Trust will enter into oil and natural gas derivative contracts directly with unaffiliated counterparties concurrent with the conveyance of the royalty interests. As a party to these contracts, the Trust will receive payment directly from its counterparties, and be required to pay any amounts owed directly to its counterparties. Under the derivatives agreement, as development wells are drilled, SandRidge will have the right to novate to the Trust any of the SandRidge-provided derivative contracts, or to replace them with derivative contracts executed by the Trust directly with counterparties, as long as the effects of the replacement contracts are economically equivalent to the effects of the SandRidge-provided derivative contracts, the counterparties to the replacement contracts have a corporate credit rating equal to or better than A-/A3 as rated by Standard & Poor's or Moody's and the counterparties to the existing derivative contracts approve.

The Trust's counterparty under the derivatives agreement is SandRidge, whose counterparties will be institutions with corporate credit ratings equal to or better than A-/A3. The counterparties to the Trust's direct derivative contracts will also be institutions with corporate credit ratings of at least A-/A3. SandRidge will not be required to pay the Trust to the extent of payment defaults by SandRidge's derivative contract counterparties. SandRidge will also have authority, in its role as hedge manager to the Trust, to terminate, restructure or otherwise modify a portion of such contracts in the event SandRidge reasonably determines that the volumes covered by such portion of the contracts exceed, or are expected to exceed, estimated production attributable to the Trust's royalty interests over the periods covered by the contracts. Except in limited circumstances involving the restructuring of an existing derivative contract, the Trust will not have the ability to enter into additional derivative contracts on its own.

The Trust will dissolve and begin to liquidate on December 31, 2031 (the "Termination Date") and will soon thereafter wind up its affairs and terminate. Fifty percent of the royalty interests will automatically revert to SandRidge at the Termination Date, while the remaining royalty interests will be sold and the proceeds will be distributed to the Trust unitholders at the Termination Date or soon thereafter. SandRidge will have a right of first refusal to purchase the remaining fifty percent of the royalty interests at the Termination Date.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Accounting. The financial statements of the Trust differ from financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as the Trust will record revenues when cash is received rather than when earned and expenses when paid rather than when incurred and may also establish certain cash reserves for contingencies, which would not be accrued in financial statements prepared in accordance with GAAP. This comprehensive basis of accounting other than GAAP corresponds to the accounting permitted for royalty trusts by the Securities and Exchange Commission ("SEC") as specified by Staff Accounting Bulletin Topic 12:E, *Financial*

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SANDRIDGE MISSISSIPPIAN TRUST II

NOTES TO STATEMENT OF ASSETS AND TRUST CORPUS (Continued)

2. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Statements of Royalty Trusts. Amortization of investment in royalty interests, calculated on a unit-of-production basis, and any impairments will be charged directly to trust corpus.

Significant Accounting Policies. Most accounting pronouncements apply to entities whose financial statements are prepared in accordance with GAAP, directing such entities to accrue or defer revenues and expenses in a period other than when such revenues were received or expenses were paid. Because the Trust's financial statements are prepared on the modified cash basis as described above, most accounting pronouncements are not applicable to the Trust's financial statements.

Use of Estimates. The preparation of financial statements requires the Trust to make estimates and assumptions that affect the reported amounts of assets and trust corpus. Significant estimates that will impact the Trust's financial statements include estimates of proved oil and natural gas reserves, which will be used to compute the Trust's amortization of investment in royalty interests and, as necessary, to evaluate potential impairment of its investment in royalty interests. Actual results could differ from those estimates.

Cash and Cash Equivalents. Cash and cash equivalents consist of all highly-liquid instruments with original maturities of three months or less.

Investment in Royalty Interests. The conveyance of royalty interests to the Trust will be accounted for as a transfer of properties between entities under common control and recorded at SandRidge's historical cost, which is determined by adding (1) an allocated portion the historical net book value of SandRidge's proved properties based on the fair value of the royalty interests attributable to the proved Underlying Properties relative to the fair value of SandRidge's proved properties, and (2) SandRidge's historical cost of acreage attributable to the unproved Underlying Properties. The carrying value of the Trust's investment in royalty interests will not necessarily be indicative of the fair value of such royalty interests.

Significant dispositions or abandonments of the Underlying Properties will be charged to investment in royalty interests and the trust corpus. Amortization of investment in royalty interests will be calculated on a units-of-production basis, whereby the Trust's cost basis is divided by the proved reserves attributable to the royalty interests to derive an amortization rate per reserve unit. Amortization will be recorded when units are produced. Such amortization will not reduce distributable income, rather it will be charged directly to trust corpus. Revisions to estimated future units-of-production will be treated on a prospective basis beginning on the date significant revisions are known.

Investment in royalty interests will be assessed to determine whether net capitalized cost is impaired whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an assessment is necessary, an impairment would be indicated when the net capitalized costs of investment in royalty interests exceeds undiscounted future net revenues attributable to the Trust's interest in the proved oil and natural gas reserves of the Underlying Properties. The Trust will provide a write-down to the extent that the net capitalized costs exceed the fair value of the proved oil and natural gas reserves attributable to the royalty interests. Any such write-down would be charged directly to trust corpus and would not reduce distributable income. The Trust's sponsor follows the full cost method of accounting, under which it performs quarterly ceiling tests to assess whether its full cost pool has been impaired. An impairment charge by the sponsor as a result of such an assessment may be an indicator that the Trust's carrying value of the investment in royalty interests may not be recoverable.

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SANDRIDGE MISSISSIPPIAN TRUST II

NOTES TO STATEMENT OF ASSETS AND TRUST CORPUS (Continued)

2. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Derivative Financial Instruments. The Trust uses the cash method to account for derivative instruments, under which it will record benefits or obligations from derivative contracts when such benefits are received or obligations are paid.

Revenue and Expenses. Revenues received by the Trust will be reflected net of existing royalties and overriding royalties associated with SandRidge's interests and will be reduced by gathering and post-production expenses and production taxes in order to determine distributable income. The Trust's distributable income will be adjusted for amounts received or paid under the derivatives agreement and will be reduced by cash reserves withheld by the Trustee and other allowable costs such as general and administrative expenses, when paid. The royalty interests will not be burdened by field and lease operating expenses.

3. Income Taxes

The Trust is a Delaware statutory trust, which is treated as a partnership for federal and applicable state income tax purposes. Consequently, the Trust will not incur any income tax liability.

4. Distributions to Unitholders

The Trust will make quarterly cash distributions of substantially all of its cash receipts, after deducting amounts for the Trust's administrative expenses and cash reserves withheld by the Trustee, on or about 60 days after the completion of each quarter through (and including) the quarter ending December 31, 2031, the Termination Date. The first quarterly distribution, which will cover production for the months of January and February 2012, is expected to be made on or about May 30, 2012 to record unitholders as of May 15, 2012. Subsequent distributions will cover a three-month period. Distributions to unitholders will be recorded when declared.

Upon termination of the Trust, 50% of the royalty interests will be sold, and the net proceeds therefrom will be distributed pro rata to the unitholders soon after the Termination Date. Because payments to the Trust will be generated by depleting assets and the Trust has a finite life with the production from the Underlying Properties diminishing over time, a portion of each distribution will represent a return of original investment to the unitholders.

5. Loan Commitment

Pursuant to the Trust Agreement, if at any time the Trust's cash on hand (including available cash reserves) is not sufficient to pay the Trust's ordinary course administrative expenses as they become due, SandRidge will loan funds to the Trust necessary to pay such expenses. Any funds loaned by SandRidge pursuant to this commitment will be limited to the payment of current accounts payable or other obligations to trade creditors in connection with obtaining goods or services or the payment of other accrued current liabilities arising in the ordinary course of the Trust's business, and may not be used to satisfy Trust indebtedness. If SandRidge loans funds pursuant to this commitment, unless SandRidge agrees otherwise, no further distributions will be made to unitholders (except in respect of any previously determined quarterly cash distribution amount) until such loan is repaid. Any such loan will be on an unsecured basis, and the terms of such loan will be substantially the same as those which would be obtained in an arms' length transaction between SandRidge and an unaffiliated third party.

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SANDRIDGE MISSISSIPPIAN TRUST II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma statement of assets and trust corpus and unaudited pro forma statement of distributable income for SandRidge Mississippian Trust II (the "Trust") have been prepared to illustrate the conveyance of royalty interests in certain Underlying Properties to the Trust by SandRidge Energy, Inc. ("SandRidge"). The unaudited pro forma statement of assets and trust corpus presents the beginning statement of assets and trust corpus of the Trust as of December 31, 2011, giving effect to the royalty interests conveyance as if it occurred on that date. The unaudited pro forma statement of distributable income presents the statement of historical revenue and direct operating expenses of the Underlying Properties for the year ended December 31, 2011, giving effect to the royalty interests conveyance as if it occurred on January 1, 2011, reflecting only pro forma adjustments expected to have a continuing impact on the combined results.

These unaudited pro forma financial statements are for informational purposes only. They do not purport to present the results that would have actually occurred had the royalty interests conveyance been completed on the assumed dates or for the periods presented, or which may be realized in the future.

To produce the pro forma financial information, management made certain estimates. The accompanying pro forma statement of assets and trust corpus assumes a December 31, 2011 conveyance of the royalty interests by SandRidge. Because the Underlying Properties began producing in February 2011, the accompanying unaudited pro forma statement of distributable income for the year ended December 31, 2011 has been prepared assuming the conveyance of royalty interests on January 1, 2011.

These estimates are based on the most recently available information. To the extent there are significant changes in these amounts, the assumptions and estimates herein could change significantly. The unaudited pro forma statement of distributable income should be read in conjunction with "The Underlying Properties Discussion and Analysis of Historical Results from the Producing Wells" included in this prospectus and the historical financial statements of the Trust and the Underlying Properties, including the related notes, included in this prospectus, and of SandRidge, incorporated by reference from its Annual Report on Form 10-K for the year ended December 31, 2011.

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SANDRIDGE MISSISSIPPIAN TRUST II

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND TRUST CORPUS

AS OF DECEMBER 31, 2011

(In Thousands)

	Historical	Adjustments	Pro Forma
Assets			
Cash	$ 1	$	$ 1
Investment in Royalty Interest[(a)]		424,008	424,008
Total Assets	$ 1	$ 424,008	$ 424,009
Trust Corpus[(a)]	$ 1	$ 424,008	$ 424,009

The accompanying notes are an integral part of this unaudited pro forma financial information.

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SANDRIDGE MISSISSIPPIAN TRUST II

UNAUDITED PRO FORMA STATEMENT OF DISTRIBUTABLE INCOME

YEAR ENDED DECEMBER 31, 2011

(In Thousands, Except Per Unit Data)

Historical results	
Oil and natural gas revenue	$ 50,652
Direct operating expenses	
Lease operating expenses	9,399
Production taxes and other post-production expenses	2,355
Revenues in excess of operating expenses before pro forma adjustments	38,898
Pro Forma Adjustments	
Direct operating expenses	
Elimination of historical lease operating expense[b]	9,399
Total pro forma adjustments	9,399
Pro forma gross net proceeds	48,297
Royalty interest percentage	80%
Net proceeds to Trust	38,638
Less:	
Trust general and administrative expenses[c][d]	1,300
Distributable income[d][e]	$ 37,338
Distributable income per unit[d][f]	$0.75

The accompanying notes are an integral part of this unaudited pro forma financial information.

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SANDRIDGE MISSISSIPPIAN TRUST II

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. Basis of Presentation

SandRidge Mississippian Trust II (the "Trust") is a Delaware statutory trust formed in December 2011 by SandRidge Energy, Inc. to own royalty interests in 54 producing horizontal oil and gas wells producing from the Mississippian formation in northern Oklahoma and southern Kansas, together with 13 additional wells awaiting completion operations (the "Initial Wells") and royalty interests in 206 horizontal oil and natural gas development wells to be drilled (the "Development Wells") within an Area of Mutual Interest ("AMI"). The AMI consists of approximately 81,200 gross acres (53,000 net acres) in the Mississippian formation in Alfalfa, Grant, Kay, Noble and Woods counties in Oklahoma and Barber, Comanche, Harper and Sumner Counties in Kansas. SandRidge is obligated to drill, or cause to be drilled, the 206 development wells from its drilling locations in the AMI. Until SandRidge has satisfied its drilling obligation, it will not be permitted to drill and complete any well on lease acreage included within the AMI for its own account. Also, a wholly owned subsidiary of SandRidge will grant to the Trust a lien on SandRidge's interest in the AMI (except currently producing wells) in order to secure its drilling obligation to the Trust. The royalty interests will be conveyed from SandRidge's interest in the Initial Wells and the Development Wells in the AMI (the "Underlying Properties"). The Royalty Interests entitle the Trust to receive 80% of the proceeds (after deducting post-production costs and any applicable taxes) from the sale of oil and natural gas production attributable to SandRidge's net revenue interest in the Initial Wells and 70% of the proceeds (after deducting post-production costs and any applicable taxes) from the sale of oil and natural gas production attributable to SandRidge's net revenue interest in the Development Wells beginning on the effective date of the conveyance.

SandRidge will enter into a derivatives agreement with the Trust in order to provide the Trust with the effect of specified derivative contracts entered into between SandRidge and third parties. Under the derivatives agreement, SandRidge will pay the Trust amounts it receives from its counterparties, and the Trust will pay SandRidge amounts that SandRidge is required to pay such counterparties. In addition to the derivatives agreement with SandRidge, the Trust will enter into oil and natural gas derivative contracts directly with unaffiliated counterparties concurrent with the conveyance of the royalty interests. As a party to these contracts, the Trust will receive payments directly from its counterparties, and be required to pay amounts owed directly to its counterparties. Under the derivatives agreement, as Development Wells are drilled, SandRidge will have the right to novate to the Trust any of the SandRidge-provided derivative contracts, or to replace them with derivative contracts executed by the Trust directly with counterparties, as long as the effects of the replacement contracts are economically equivalent to the effects of the SandRidge-provided derivative contracts, the counterparties to the assigned or replacement contracts have a corporate credit rating equal to or better than A-/A3 as rated by Standard & Poor's or Moody's and the counterparties to the existing derivative contracts approve.

The Trust's receipt of any payment due based on the derivatives agreement depends upon the financial position of SandRidge and SandRidge's hedge contract counterparties. A default by any of the hedge counterparties could reduce the amount of cash available to the Trust unitholders. Subsequent to

SANDRIDGE MISSISSIPPIAN TRUST II

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. Basis of Presentation (Continued)

December 31, 2011, SandRidge entered into the following oil swaps, the future benefits of which it intends to convey to the Trust.

Period and Type of Contract	Notional (MBbl) Inititial Conveyance	Notional (MBbl) Conveyed with Future Development	Weighted Avg. Fixed Price
April 2012 - December 2012			
Price swap contracts	458	231	$ 107.00
January 2013 - December 2013			
Price swap contracts	446	613	$ 104.00
January 2014 - December 2014			
Price swap contracts	338	562	$ 99.00

The Trust's counterparty under the derivatives contract is SandRidge, whose counterparties will be institutions with corporate credit ratings equal to or better than A-/A3. The counterparties to the Trust's direct derivative contracts will also be institutions with corporate credit ratings of at least A-/A3. SandRidge will not be required to pay the Trust to the extent of payment defaults by SandRidge's derivative contract counterparties. SandRidge will also have authority, in its role as hedge manager to the Trust, to terminate, restructure or otherwise modify a portion of such contracts in the event SandRidge reasonably determines that the volumes covered by such portion of the contracts exceed, or are expected to exceed, estimated production attributable to the Trust's royalty interests over the periods covered by the contracts. Except in limited circumstances involving the restructuring of an existing derivative contract, the Trust will not have the ability to enter into additional derivative contracts on its own.

The unaudited pro forma statement of assets and trust corpus assumes a December 31, 2011 conveyance of the royalty interests by SandRidge. The unaudited pro forma statement of distributable income assumes conveyance of the royalty interests on January 1, 2011.

In order to provide support for cash distributions on the common units, SandRidge has agreed to subordinate a portion of the Trust units it will retain following this offering, which will constitute 25% of the outstanding Trust units. The subordinated units will be entitled to receive pro rata distributions from the Trust each quarter if and to the extent there is sufficient cash to provide a cash distribution on the common units that is not less than the applicable quarterly subordination threshold. If there is not sufficient cash to fund such a distribution on all the common units, the distribution to be made with respect to the subordinated units will be reduced or eliminated for such quarter in order to make a distribution, to the extent possible, of up to the subordination threshold amount on all the common units. Each quarterly subordination threshold is equal to 80% of the target cash distribution level for the corresponding quarter. In exchange for agreeing to subordinate these Trust units, and in order to provide additional financial incentive to SandRidge to satisfy its drilling obligation and perform operations in the Underlying Properties in an efficient and cost-effective manner, SandRidge will be entitled to receive incentive distributions equal to 50% of the amount by which the cash available for distribution on all of the Trust units in any quarter exceeds 120% of the target cash distribution for such quarter.

The subordinated units will automatically convert into common units on a one-for-one basis and SandRidge's right to receive incentive distributions will terminate, at the end of the fourth full calendar quarter following SandRidge's satisfaction of its drilling obligation to the Trust with respect to the Development Wells. SandRidge currently expects that it will complete its drilling obligation on or before

SANDRIDGE MISSISSIPPIAN TRUST II

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. Basis of Presentation (Continued)

December 31, 2015 and that accordingly, the subordinated units will convert into common units on or before December 31, 2016. SandRidge is obligated to complete its drilling obligation by December 31, 2016, in which event the subordinated units would convert into common units on or before December 31, 2017.

SandRidge believes that the assumptions used provide a reasonable basis for presenting the effects directly attributable to this transaction.

The unaudited pro forma financial information should be read in conjunction with the Statement of Assets and Trust Corpus for the Trust and the Statement of Revenues and Direct Operating Expenses for the Underlying Properties and related notes, respectively, for the periods presented.

2. Trust Accounting Policies

The Unaudited Pro Forma Statement of Distributable Income was derived from the historical accounting records of the Underlying Properties.

The financial statements of the Trust differ from financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as the Trust will record revenues when cash is received rather than when earned and expenses when paid rather than when incurred. The royalty interests will not be burdened by field and lease operating expense. Additionally, the Trust serves as a pass-through entity, with expenses for depletion, interest and income taxes being based upon the status and elections of the Trust unitholders. Thus, the statement purports to show distributable income, defined as income of the Trust available for distribution to the Trust unitholders before application of those unitholders' additional expenses, if any, for depreciation, depletion and amortization, interest and income taxes. The revenues are reflected net of existing royalties and overriding royalties and have been reduced by gathering and any other post-production expenses. Actual cash receipts may vary due to timing delays of actual cash receipts from purchasers and due to wellhead and pipeline volume balancing agreements or practices.

Investment in royalty interest will be assessed to determine whether net capitalized cost has been impaired whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an assessment is necessary, an impairment would be indicated when the net capitalized costs of investment in royalty interests exceeds undiscounted future net revenues attributable to the Trust's interest in the proved oil and natural gas reserves of the Underlying Properties. The Trust will provide a write-down to the investment in the royalty interest to the extent the net capitalized costs exceed the fair value of the proved oil and natural gas reserves attributable to the royalty interests. Any such write-down would be charged directly to trust corpus and would not reduce distributable income.

3. Income Taxes

The Trust is a Delaware statutory trust, which is treated as a partnership for federal and applicable state income tax purposes. Consequently, the Trust will not incur any income tax liability. Accordingly, no provision for federal or state income taxes has been made.

SANDRIDGE MISSISSIPPIAN TRUST II

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

4. Pro Forma Adjustments

The following adjustments were made in the preparation of the unaudited pro forma financial information:

(a) Reflects SandRidge's conveyance of the royalty interests to the Trust in exchange for all of the net proceeds of this offering as well as common and subordinated units representing an assumed 47.7% beneficial interest in the Trust. The investment in royalty trust is recorded at the historical cost of SandRidge which is equal to (1) an allocated portion of the historical net book value of SandRidge's proved properties based on the fair value of the royalty interests attributable to the proved Underlying Properties relative to the fair value of SandRidge's proved properties, plus (2) SandRidge's historical cost of acreage attributable to the unproved Underlying Properties.

(b) Historical well production and lease production expenses are not deducted in determining net revenue attributable to royalty interests and in determining distributable income. Royalty interests, as defined in the conveyance, will bear a pro rata share of the taxes on production and property, if any, and applicable gathering and other post-production expenses relating to making the production saleable.

(c) The Trust's general and administrative expenses are estimated to be $1.3 million annually. Such expenses include trustee fees, administrative service fees and costs associated with being a public entity.

(d) The trustee intends to withhold $1.0 million from the first quarterly distribution to establish a cash reserve to cover Trust administration expenses. The establishment of such reserve has not been reflected in the pro forma statement of distributable income due to its non-recurring nature.

(e) Assumes that no incentive threshold was reached during the period.

(f) Assumes issuance of 49,725,000 Trust units.

5. Pro Forma Supplemental Oil and Natural Gas Reserve and Standardized Measure Information

Information with respect to the oil and natural gas producing activities of the Trust's royalty interests in the Underlying Properties is presented in the following tables. The information was derived from reserve reports which were prepared by SandRidge and its independent petroleum engineers in accordance with ASC Topic 932, Extractive Activities Oil and Gas.

Oil and Natural Gas Reserve Quantities

Proved oil and natural gas reserves are those quantities of oil and natural gas that, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be economically producible, based on prices used to estimate reserves, from a given date forward from known reservoirs, and under existing economic conditions, operating methods, and government regulation before the time of which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain. Proved developed reserves are proved reserves expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared with the cost of a new well. Proved undeveloped reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively large major expenditure is required for recompletion.

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SANDRIDGE MISSISSIPPIAN TRUST II

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

5. Pro Forma Supplemental Oil and Natural Gas Reserve and Standardized Measure Information (Continued)

The following table presents the estimated remaining net proved, proved developed and proved undeveloped oil and natural gas reserves of the Trust's royalty interests in the Underlying Properties, all of which are located in the continental United States, estimated by SandRidge and its independent petroleum engineers, and the related summary of changes in estimated quantities of net remaining proved reserves during the year ended December 31, 2011.

	Historical Underlying Properties		Adjustments[1]		Pro Forma SandRidge Mississippian Trust II	
	Oil (Bbls)	Gas (Mcf)	Oil (Bbls)	Gas (Mcf)	Oil (Bbls)	Gas (Mcf)
Proved Reserves						
As of December 31, 2010	71,888	402,574	(20,828)	(116,639)	51,060	285,935
Revisions of previous estimates[2]	423,408	2,383,674	(82,419)	(459,757)	340,989	1,923,917
Extensions and discoveries[3]	18,915,148	137,108,210	(6,735,945)	(53,873,233)	12,179,203	83,234,977
Production	(452,154)	(2,591,777)	90,431	518,355	(361,723)	(2,073,422)
As of December 31, 2011	18,958,290	137,302,681	(6,748,761)	(53,931,274)	12,209,529	83,371,407
Proved developed reserves:						
As of December 31, 2010	43,024	240,934	(12,293)	(68,841)	30,731	172,093
As of December 31, 2011	6,824,861	47,763,117	(2,031,670)	(15,183,368)	4,793,191	32,579,749
Proved undeveloped reserves:						
As of December 31, 2010	28,864	161,640	(8,535)	(47,798)	20,329	113,842
As of December 31, 2011	12,133,429	89,539,564	(4,717,091)	(38,747,906)	7,416,338	50,791,658

(1) Reflects portion attributable to retained interest of SandRidge in the Underlying Properties.

(2) The revisions to previous estimates during the year ended December 31, 2011 are primarily due to the oil and gas production from the drilled wells included in 2011 "extensions and discoveries". These are wells that were drilled and subsequently added to the proved producing category during the year.

(3) Extensions and discoveries for the year ended December 31, 2011 are a result of the discovery and production from wells drilled horizontally in the Mississippian formation in northern Oklahoma and southern Kansas on acreage owned by SandRidge. During the year ended December 31, 2011, SandRidge drilled 167 wells on its acreage in the Mississippian formation, including wells from which

a portion of royalty interests conveyed to the Trust will be derived. These wells demonstrated consistent levels of production and provided reasonable certainty that wells to be drilled within the acreage qualified for Proved Undeveloped classification.

SANDRIDGE MISSISSIPPIAN TRUST II

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

5. Pro Forma Supplemental Oil and Natural Gas Reserve and Standardized Measure Information (Continued)

Standardized Measure of Discounted Future Net Cash Flows

Certain information concerning the assumptions used in computing the valuation of proved reserves and their inherent limitations are discussed below. SandRidge believes such information is essential for a proper understanding and assessment of the data presented. These assumptions are summarized as follows:

Pricing is applied based upon 12-month average market prices, using the first-day-of-the-month price for each month, at December 31, 2011 adjusted for fixed or determinable contracts that were in existence at period end. The calculated weighted average per unit prices for the Underlying Properties' proved reserves and future net revenues were $91.21 per barrel of oil and $4.12 per Mcf of natural gas.

Future development and production costs are determined based upon actual cost at period end.

The standardized measure of discounted future net cash flows includes projections of future abandonment costs at period end.

Future income taxes are not computed because the Underlying Properties are not tax-paying entities and because taxable income for the Trust will be passed through to the Trust unitholders.

An annual discount factor of 10% is applied to the future net cash flows.

Extensive judgments are involved in estimating the timing of production and the costs that will be incurred throughout the remaining lives of the properties. Accordingly, the estimates of future net cash flows from proved reserves and the present value may be materially different from subsequent actual results. The standardized measure of discounted net cash flows does not purport to present, nor should it be interpreted to present, the fair value of the Trust's royalty interests in the Underlying Properties' oil and natural gas reserves. An estimate of fair value would also take into account, among other things, the recovery of reserves not presently classified as proved, and anticipated future changes in prices and costs. The following table presents future net cash flows relating to the Underlying Properties based on the standardized measure in ASC Topic 932 (in thousands).

	December 31, 2011		
	Historical Underlying Properties	Adjustments	Pro Forma SandRidge Mississippian Trust II
Future cash inflows from production	$ 2,294,595	$ (837,639)[a]	$ 1,456,956
Future production costs	(402,985)	326,328[b]	(76,657)
Future development costs[1]	(245,742)	245,742[c]	
Undiscounted future net cash flows	1,645,868	(265,569)	1,380,299
10% annual discount	(983,747)	292,057	(691,690)
Standardized measure of discounted future net cash flows	$ 662,121	$ 26,488	$ 688,609

(1) Includes future abandonment costs.

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SANDRIDGE MISSISSIPPIAN TRUST II

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

5. Pro Forma Supplemental Oil and Natural Gas Reserve and Standardized Measure Information (Continued)

Changes in the standardized measure of future net cash flows related to proved oil and gas reserves are as follows for the year ended December 31, 2011.

	Historical Underlying Properties	Adjustments	Pro Forma SandRidge Mississippian Trust II
Present value as of December 31, 2010	$ 1,775	$ 666	$ 2,441
Changes during the period			
Revenue less production and other costs	(38,898)	260(b)	(38,638)
Net changes in prices, production and other costs	(4,241)	3,344(b)	(897)
Development costs incurred	1,306	(1,306)(d)	
Net changes in future development costs	(722)	722(c)	
Extensions and discoveries	659,753	27,601(e)	687,354
Revisions of previous quantity estimates	16,305	2,194(a)	18,499
Accretion of discount	169	47(a)	216
Timing differences and other	26,674	(7,040)(a)	19,634
Net change for the period	660,346	25,822	686,168
Present value as of December 31, 2011	$ 662,121	$ 26,488	$ 688,609
Adjustments:			

(a) Reflects portion attributable to retained interest of SandRidge in Underlying Properties.

(b) Production costs to which the Trust's interest is not subject and amounts attributable to retained interest of SandRidge in the Underlying Properties.

(c) Future development costs to which the Trust's interest is not subject.

(d) Development costs incurred related to the Underlying Properties during the period.

(e) Future development costs and production costs attributable to extensions and discoveries to which the Trust is not subject, partially offset by future net revenues attributable to SandRidge's retained interest in extensions and discoveries.

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ANNEX A

January 2, 2012

Mr. Rodney E. Johnson
SandRidge Energy, Inc.
123 Robert S. Kerr Avenue
Oklahoma City, Oklahoma 73102

Dear Mr. Johnson:

In accordance with your request, we have estimated the proved and probable reserves and future revenue, as of December 31, 2011, to the SandRidge Energy, Inc. (SandRidge) interest in the SandRidge Mississippian Trust II properties located in Kansas and Oklahoma. We completed our evaluation on or about the date of this letter. It is our understanding that the proved reserves estimated in this report constitute approximately 10 percent of all proved reserves owned by SandRidge. Included in the SandRidge interest is a proposed royalty interest currently owned by SandRidge that will be conveyed to the SandRidge Mississippian Trust II with an effective date of January 1, 2012. The estimates in this report have been prepared in accordance with the definitions and regulations of the U.S. Securities and Exchange Commission (SEC) and conform to the FASB Accounting Standards Codification Topic 932, Extractive Activities Oil and Gas, except that per-well overhead expenses are excluded for the operated properties and future income taxes are excluded for all properties. Definitions are presented immediately following this letter. This report has been prepared for SandRidge's use in filing with the SEC; in our opinion the assumptions, data, methods, and procedures used in the preparation of this report are appropriate for such purpose.

We estimate the net reserves and future net revenue to the SandRidge interest in these properties, as of December 31, 2011, to be:

	Net Reserves		Future Net Revenue (M$)	
Category	Oil (MBBL)	Gas (MMCF)	Total	Present Worth at 10%
Proved Developed Producing	5,334.2	36,695.7	518,923.0	259,217.6
Proved Developed Non-Producing	1,490.7	11,067.4	142,809.1	68,375.3
Proved Undeveloped	12,133.4	89,539.6	984,135.5	334,528.2
Total Proved	18,958.3	137,302.7	1,645,867.6	662,121.1
Probable Undeveloped	7,611.2	55,678.8	615,418.9	176,417.5

The oil reserves shown include crude oil and condensate. Oil volumes are expressed in thousands of barrels (MBBL); a barrel is equivalent to 42 United States gallons. Gas volumes are expressed in millions of cubic feet (MMCF) at standard temperature and pressure bases.

The estimates shown in this report are for proved and probable reserves. No study was made to determine whether possible reserves might be established for these properties. This report does not include any value that could be attributed to interests in undeveloped acreage beyond those tracts for which undeveloped reserves have been estimated. Reserves categorization conveys the relative degree of certainty; reserves subcategorization is based on development and production status. The estimates of reserves and future revenue included herein have not been adjusted for risk.

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Gross revenue shown in this report is SandRidge's share of the gross (100 percent) revenue from the properties prior to any deductions. Future net revenue is after deductions for SandRidge's share of production taxes and ad valorem taxes, capital costs, abandonment costs, and operating expenses but before consideration of any income taxes. The future net revenue has been discounted at an annual rate of 10 percent to determine its present worth, which is shown to indicate the effect of time on the value of money. Future net revenue presented in this report, whether discounted or undiscounted, should not be construed as being the fair market value of the properties.

Prices used in this report are based on the 12-month unweighted arithmetic average of the first-day-of-the-month price for each month in the period January through December 2011. For oil volumes, the average West Texas Intermediate posted price of $92.71 per barrel is adjusted for quality, transportation fees, and a regional price differential. For gas volumes, the average Henry Hub spot price of $4.118 per MMBTU is adjusted for energy content and transportation fees. The adjusted oil and gas prices of $91.21 per barrel and $4.118 per MCF are held constant throughout the lives of the properties.

Operating costs used in this report are based on operating expense records of SandRidge. For nonoperated properties, these costs include the per-well overhead expenses allowed under joint operating agreements along with estimates of costs to be incurred at and below the district and field levels. As requested, operating costs for the operated properties include only direct lease- and field-level costs. For all properties, headquarters general and administrative overhead expenses of SandRidge are not included. Operating costs are held constant throughout the lives of the properties.

Capital costs used in this report were provided by SandRidge and are based on authorizations for expenditure and actual costs from recent activity. Capital costs are included as required for workovers, new development wells, and production equipment. Based on our understanding of SandRidge's future development plans, a review of the records provided to us, and our knowledge of similar properties, we regard these estimated capital costs to be reasonable. Abandonment costs used in this report are SandRidge's estimates of the costs to abandon the wells, platforms, and production facilities, net of any salvage value. Capital costs and abandonment costs are held constant to the date of expenditure.

For the purposes of this report, we did not perform any field inspection of the properties, nor did we examine the mechanical operation or condition of the wells and facilities. We have not investigated possible environmental liability related to the properties; therefore, our estimates do not include any costs due to such possible liability.

We have made no investigation of potential gas volume and value imbalances resulting from overdelivery or underdelivery to the SandRidge interest. Therefore, our estimates of reserves and future revenue do not include adjustments for the settlement of any such imbalances; our projections are based on SandRidge receiving its net revenue interest share of estimated future gross gas production.

The reserves shown in this report are estimates only and should not be construed as exact quantities. Proved reserves are those quantities of oil and gas which, by analysis of engineering and geoscience data, can be estimated with reasonable certainty to be economically producible; probable and possible reserves are those additional reserves which are sequentially less certain to be recovered than proved reserves. Estimates of reserves may increase or decrease as a result of market conditions, future operations, changes in regulations, or actual reservoir performance. In addition to the primary economic assumptions discussed herein, our estimates are based on certain assumptions including, but not limited to, that the properties will be developed consistent with current development plans, that the properties will be operated in a prudent manner, that no governmental regulations or controls will be put in place that would impact the ability of the interest owner to recover the reserves, and that our projections of future production will prove consistent with actual performance. If the reserves are recovered, the revenues therefrom and the costs related thereto could be more or less than the estimated amounts. Because of governmental policies and uncertainties of supply and demand, the sales rates, prices received for the reserves, and costs incurred in recovering such reserves may vary from assumptions made while preparing this report.

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For the purposes of this report, we used technical and economic data including, but not limited to, well logs, geologic maps, well test data, production data, historical price and cost information, and property ownership interests. The reserves in this report have been estimated using deterministic methods; these estimates have been prepared in accordance with the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers (SPE Standards). We used standard engineering and geoscience methods, or a combination of methods, including performance analysis and analogy, that we considered to be appropriate and necessary to categorize and estimate reserves in accordance with SEC definitions and regulations. A substantial portion of these reserves are for undeveloped locations and producing wells that lack sufficient production history upon which performance-related estimates of reserves can be based; such reserves are based on estimates of reservoir volumes and recovery efficiencies along with analogy to properties with similar geologic and reservoir characteristics. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, our conclusions necessarily represent only informed professional judgment.

The data used in our estimates were obtained from SandRidge and the nonconfidential files of Netherland, Sewell & Associates, Inc. (NSAI) and were accepted as accurate. Supporting geoscience, performance, and work data are on file in our office. The titles to the properties have not been examined by NSAI, nor has the actual degree or type of interest owned been independently confirmed. The technical persons responsible for preparing the estimates presented herein meet the requirements regarding qualifications, independence, objectivity, and confidentiality set forth in the SPE Standards. We are independent petroleum engineers, geologists, geophysicists, and petrophysicists; we do not own an interest in these properties nor are we employed on a contingent basis.

Sincerely,

NETHERLAND, SEWELL & ASSOCIATES, INC.
Texas Registered Engineering Firm F-2699

By: /s/ C.H. (SCOTT) REES III

C.H. (Scott) Rees III, P.E.
Chairman and Chief Executive Officer

By: /s/ DAVID T. MILLER

David T. Miller, P.E. 96134
Vice President

Date Signed: January 2, 2012

By: /s/ ANDRO K. (ANDY) WOHLGENANT

Andro K. (Andy) Wohlgenant, P.G. 11000
Geologist

Date Signed: January 2, 2012

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DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

The following definitions are set forth in U.S. Securities and Exchange Commission (SEC) Regulation S-X Section 210.4-10(a). Also included is supplemental information from (1) the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers, (2) the FASB Accounting Standards Codification Topic 932, Extractive Activities Oil and Gas, and (3) the SEC's Compliance and Disclosure Interpretations.

(1) *Acquisition of properties.* Costs incurred to purchase, lease or otherwise acquire a property, including costs of lease bonuses and options to purchase or lease properties, the portion of costs applicable to minerals when land including mineral rights is purchased in fee, brokers' fees, recording fees, legal costs, and other costs incurred in acquiring properties.

(2) *Analogous reservoir.* Analogous reservoirs, as used in resources assessments, have similar rock and fluid properties, reservoir conditions (depth, temperature, and pressure) and drive mechanisms, but are typically at a more advanced stage of development than the reservoir of interest and thus may provide concepts to assist in the interpretation of more limited data and estimation of recovery. When used to support proved reserves, an "analogous reservoir" refers to a reservoir that shares the following characteristics with the reservoir of interest:

(i) Same geological formation (but not necessarily in pressure communication with the reservoir of interest);

(ii) Same environment of deposition;

(iii) Similar geological structure; and

(iv) Same drive mechanism.

Instruction to paragraph (a)(2): Reservoir properties must, in the aggregate, be no more favorable in the analog than in the reservoir of interest.

(3) *Bitumen.* Bitumen, sometimes referred to as natural bitumen, is petroleum in a solid or semi-solid state in natural deposits with a viscosity greater than 10,000 centipoise measured at original temperature in the deposit and atmospheric pressure, on a gas free basis. In its natural state it usually contains sulfur, metals, and other non-hydrocarbons.

(4) *Condensate.* Condensate is a mixture of hydrocarbons that exists in the gaseous phase at original reservoir temperature and pressure, but that, when produced, is in the liquid phase at surface pressure and temperature.

(5) *Deterministic estimate.* The method of estimating reserves or resources is called deterministic when a single value for each parameter (from the geoscience, engineering, or economic data) in the reserves calculation is used in the reserves estimation procedure.

(6) *Developed oil and gas reserves.* Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

(i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and

(ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

Supplemental definitions from the 2007 Petroleum Resources Management System:

Developed Producing Reserves Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate. Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing Reserves Developed Non-Producing Reserves include shut-in and behind-pipe Reserves. Shut-in Reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future recompletion prior to start of production. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

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(7) *Development costs.* Costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas. More specifically, development costs, including depreciation and applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

(i) Gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines, and power lines, to the extent necessary in developing the proved reserves.

(ii) Drill and equip development wells, development-type stratigraphic test wells, and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment, and the wellhead assembly.

(iii) Acquire, construct, and install production facilities such as lease flow lines, separators, treaters, heaters, manifolds, measuring devices, and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems.

(iv) Provide improved recovery systems.

(8) *Development project.* A development project is the means by which petroleum resources are brought to the status of economically producible. As examples, the development of a single reservoir or field, an incremental development in a producing field, or the integrated development of a group of several fields and associated facilities with a common ownership may constitute a development project.

(9) *Development well.* A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

(10) *Economically producible.* The term economically producible, as it relates to a resource, means a resource which generates revenue that exceeds, or is reasonably expected to exceed, the costs of the operation. The value of the products that generate revenue shall be determined at the terminal point of oil and gas producing activities as defined in paragraph (a)(16) of this section.

(11) *Estimated ultimate recovery (EUR).* Estimated ultimate recovery is the sum of reserves remaining as of a given date and cumulative production as of that date.

DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

(12) *Exploration costs.* Costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects of containing oil and gas reserves, including costs of drilling exploratory wells and exploratory-type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as prospecting costs) and after acquiring the property. Principal types of exploration costs, which include depreciation and applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

(i) Costs of topographical, geographical and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews, and others conducting those studies. Collectively, these are sometimes referred to as geological and geophysical or "G&G" costs.

(ii) Costs of carrying and retaining undeveloped properties, such as delay rentals, ad valorem taxes on properties, legal costs for title defense, and the maintenance of land and lease records.

(iii) Dry hole contributions and bottom hole contributions.

(iv) Costs of drilling and equipping exploratory wells.

(v) Costs of drilling exploratory-type stratigraphic test wells.

(13) *Exploratory well.* An exploratory well is a well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir. Generally, an exploratory well is any well that is not a development well, an extension well, a service well, or a stratigraphic test well as those items are defined in this section.

(14) *Extension well.* An extension well is a well drilled to extend the limits of a known reservoir.

(15) *Field.* An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field which are separated vertically by intervening impervious strata, or laterally by local geologic barriers, or by both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms "structural feature" and "stratigraphic condition" are intended to identify localized geological features as opposed to the broader terms of basins, trends, provinces, plays, areas-of-interest, etc.

(16) *Oil and gas producing activities.*

(i) Oil and gas producing activities include:

(A) The search for crude oil, including condensate and natural gas liquids, or natural gas ("oil and gas") in their natural states and original locations;

(B) The acquisition of property rights or properties for the purpose of further exploration or for the purpose of removing the oil or gas from such properties;

(C)

The construction, drilling, and production activities necessary to retrieve oil and gas from their natural reservoirs, including the acquisition, construction, installation, and maintenance of field gathering and storage systems, such as:

(1)

Lifting the oil and gas to the surface; and

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DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

(2) Gathering, treating, and field processing (as in the case of processing gas to extract liquid hydrocarbons); and

(D) Extraction of saleable hydrocarbons, in the solid, liquid, or gaseous state, from oil sands, shale, coalbeds, or other nonrenewable natural resources which are intended to be upgraded into synthetic oil or gas, and activities undertaken with a view to such extraction.

Instruction 1 to paragraph (a)(16)(i): The oil and gas production function shall be regarded as ending at a "terminal point", which is the outlet valve on the lease or field storage tank. If unusual physical or operational circumstances exist, it may be appropriate to regard the terminal point for the production function as:

a. The first point at which oil, gas, or gas liquids, natural or synthetic, are delivered to a main pipeline, a common carrier, a refinery, or a marine terminal; and

b. In the case of natural resources that are intended to be upgraded into synthetic oil or gas, if those natural resources are delivered to a purchaser prior to upgrading, the first point at which the natural resources are delivered to a main pipeline, a common carrier, a refinery, a marine terminal, or a facility which upgrades such natural resources into synthetic oil or gas.

Instruction 2 to paragraph (a)(16)(i): For purposes of this paragraph (a)(16), the term *saleable hydrocarbons* means hydrocarbons that are saleable in the state in which the hydrocarbons are delivered.

(ii) Oil and gas producing activities do not include:

(A) Transporting, refining, or marketing oil and gas;

(B) Processing of produced oil, gas, or natural resources that can be upgraded into synthetic oil or gas by a registrant that does not have the legal right to produce or a revenue interest in such production;

(C) Activities relating to the production of natural resources other than oil, gas, or natural resources from which synthetic oil and gas can be extracted; or

(D) Production of geothermal steam.

(17) *Possible reserves.* Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

(i) When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates.

(ii)

Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project.

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DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

(iii) Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.

(iv) The proved plus probable and proved plus probable plus possible reserves estimates must be based on reasonable alternative technical and commercial interpretations within the reservoir or subject project that are clearly documented, including comparisons to results in successful similar projects.

(v) Possible reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from proved areas by faults with displacement less than formation thickness or other geological discontinuities and that have not been penetrated by a wellbore, and the registrant believes that such adjacent portions are in communication with the known (proved) reservoir. Possible reserves may be assigned to areas that are structurally higher or lower than the proved area if these areas are in communication with the proved reservoir.

(vi) Pursuant to paragraph (a)(22)(iii) of this section, where direct observation has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves should be assigned in the structurally higher portions of the reservoir above the HKO only if the higher contact can be established with reasonable certainty through reliable technology. Portions of the reservoir that do not meet this reasonable certainty criterion may be assigned as probable and possible oil or gas based on reservoir fluid properties and pressure gradient interpretations.

(18) *Probable reserves.* Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

(i) When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates.

(ii) Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir.

(iii) Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.

(iv) See also guidelines in paragraphs (a)(17)(iv) and (a)(17)(vi) of this section.

(19) *Probabilistic estimate.* The method of estimation of reserves or resources is called probabilistic when the full range of values that could reasonably occur for each unknown parameter (from the geoscience and engineering data) is used to generate a full range of possible outcomes and their associated probabilities of occurrence.

DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

(20) *Production costs.*

(i) Costs incurred to operate and maintain wells and related equipment and facilities, including depreciation and applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities. They become part of the cost of oil and gas produced. Examples of production costs (sometimes called lifting costs) are:

(A) Costs of labor to operate the wells and related equipment and facilities.

(B) Repairs and maintenance.

(C) Materials, supplies, and fuel consumed and supplies utilized in operating the wells and related equipment and facilities.

(D) Property taxes and insurance applicable to proved properties and wells and related equipment and facilities.

(E) Severance taxes.

(ii) Some support equipment or facilities may serve two or more oil and gas producing activities and may also serve transportation, refining, and marketing activities. To the extent that the support equipment and facilities are used in oil and gas producing activities, their depreciation and applicable operating costs become exploration, development or production costs, as appropriate. Depreciation, depletion, and amortization of capitalized acquisition, exploration, and development costs are not production costs but also become part of the cost of oil and gas produced along with production (lifting) costs identified above.

(21) *Proved area.* The part of a property to which proved reserves have been specifically attributed.

(22) *Proved oil and gas reserves.* Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

(i) The area of the reservoir considered as proved includes:

(A) The area identified by drilling and limited by fluid contacts, if any, and

(B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

(ii)

In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

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DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

(iv)

Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:

(A)

Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and

(B)

The project has been approved for development by all necessary parties and entities, including governmental entities.

(v)

Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

(23) *Proved properties.* Properties with proved reserves.

(24) *Reasonable certainty.* If deterministic methods are used, reasonable certainty means a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. A high degree of confidence exists if the quantity is much more likely to be achieved than not, and, as changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data are made to estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more likely to increase or remain constant than to decrease.

(25) *Reliable technology.* Reliable technology is a grouping of one or more technologies (including computational methods) that has been field tested and has been demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or in an analogous formation.

(26) *Reserves.* Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

Note to paragraph (a)(26): Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).

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DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

Excerpted from the FASB Accounting Standards Codification Topic 932, Extractive Activities Oil and Gas:

932-235-50-30 A standardized measure of discounted future net cash flows relating to an entity's interests in both of the following shall be disclosed as of the end of the year:

a.
Proved oil and gas reserves (see paragraphs 932-235-50-3 through 50-11B)

b.
Oil and gas subject to purchase under long-term supply, purchase, or similar agreements and contracts in which the entity participates in the operation of the properties on which the oil or gas is located or otherwise serves as the producer of those reserves (see paragraph 932-235-50-7).

The standardized measure of discounted future net cash flows relating to those two types of interests in reserves may be combined for reporting purposes.

932-235-50-31 All of the following information shall be disclosed in the aggregate and for each geographic area for which reserve quantities are disclosed in accordance with paragraphs 932-235-50-3 through 50-11B:

a.
Future cash inflows. These shall be computed by applying prices used in estimating the entity's proved oil and gas reserves to the year-end quantities of those reserves. Future price changes shall be considered only to the extent provided by contractual arrangements in existence at year-end.

b.
Future development and production costs. These costs shall be computed by estimating the expenditures to be incurred in developing and producing the proved oil and gas reserves at the end of the year, based on year-end costs and assuming continuation of existing economic conditions. If estimated development expenditures are significant, they shall be presented separately from estimated production costs.

c.
Future income tax expenses. These expenses shall be computed by applying the appropriate year-end statutory tax rates, with consideration of future tax rates already legislated, to the future pretax net cash flows relating to the entity's proved oil and gas reserves, less the tax basis of the properties involved. The future income tax expenses shall give effect to tax deductions and tax credits and allowances relating to the entity's proved oil and gas reserves.

d.
Future net cash flows. These amounts are the result of subtracting future development and production costs and future income tax expenses from future cash inflows.

e.
Discount. This amount shall be derived from using a discount rate of 10 percent a year to reflect the timing of the future net cash flows relating to proved oil and gas reserves.

f.
Standardized measure of discounted future net cash flows. This amount is the future net cash flows less the computed discount.

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(27) *Reservoir.* A porous and permeable underground formation containing a natural accumulation of producible oil and/or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

(28) *Resources.* Resources are quantities of oil and gas estimated to exist in naturally occurring accumulations. A portion of the resources may be estimated to be recoverable, and another portion may be considered to be unrecoverable. Resources include both discovered and undiscovered accumulations.

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DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

(29) *Service well.* A well drilled or completed for the purpose of supporting production in an existing field. Specific purposes of service wells include gas injection, water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for in-situ combustion.

(30) *Stratigraphic test well.* A stratigraphic test well is a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Such wells customarily are drilled without the intent of being completed for hydrocarbon production. The classification also includes tests identified as core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic tests are classified as "exploratory type" if not drilled in a known area or "development type" if drilled in a known area.

(31) *Undeveloped oil and gas reserves.* Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

From the SEC's Compliance and Disclosure Interpretations (October 26, 2009):

Although several types of projects such as constructing offshore platforms and development in urban areas, remote locations or environmentally sensitive locations by their nature customarily take a longer time to develop and therefore often do justify longer time periods, this determination must always take into consideration all of the facts and circumstances. No particular type of project per se justifies a longer time period, and any extension beyond five years should be the exception, and not the rule.

Factors that a company should consider in determining whether or not circumstances justify recognizing reserves even though development may extend past five years include, but are not limited to, the following:

The company's level of ongoing significant development activities in the area to be developed (for example, drilling only the minimum number of wells necessary to maintain the lease generally would not constitute significant development activities);

The company's historical record at completing development of comparable long-term projects;

The amount of time in which the company has maintained the leases, or booked the reserves, without significant development activities;

The extent to which the company has followed a previously adopted development plan (for example, if a company has changed its development plan several times without taking significant steps to implement any of those plans, recognizing proved undeveloped reserves typically would not be appropriate); and

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DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

The extent to which delays in development are caused by external factors related to the physical operating environment (for example, restrictions on development on Federal lands, but not obtaining government permits), rather than by internal factors (for example, shifting resources to develop properties with higher priority).

(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

(32) *Unproved properties.* Properties with no proved reserves.

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January 3, 2012

Mr. Rodney E. Johnson
SandRidge Energy, Inc.
123 Robert S. Kerr Avenue
Oklahoma City, Oklahoma 73102

Dear Mr. Johnson:

In accordance with your request, we have estimated the proved and probable reserves and future revenue, as of December 31, 2011, to the SandRidge Mississippian Trust II (SRMTII) proposed royalty interest in the SRMTII properties located in Kansas and Oklahoma. We completed our evaluation on or about the date of this letter. It is our understanding that the proved reserves estimated in this report constitute all of the proved reserves to be owned by SRMTII. Such reserves are associated with a proposed royalty interest currently owned by SandRidge Energy, Inc. (SandRidge) that will be conveyed to the SRMTII with an effective date of January 1, 2012. The estimates in this report have been prepared in accordance with the definitions and regulations of the U.S. Securities and Exchange Commission (SEC) and, with the exception of the exclusion of future income taxes, conform to the FASB Accounting Standards Codification Topic 932, Extractive Activities Oil and Gas. Definitions are presented immediately following this letter. This report has been prepared for SRMTII's use in filing with the SEC; in our opinion the assumptions, data, methods, and procedures used in the preparation of this report are appropriate for such purpose.

We estimate the net reserves and future net revenue to the SRMTII proposed royalty interest in these properties, as of December 31, 2011, to be:

	Net Reserves		**Future Net Revenue (M$)**	
	Oil	**Gas**		**Present Worth**
Category	**(MBBL)**	**(MMCF)**	**Total**	**at 10%**
Proved Developed Producing	3,741.2	25,327.3	420,489.1	221,885.4
Proved Developed Non-Producing	1,052.0	7,252.4	119,449.7	64,092.5
Proved Undeveloped	7,416.3	50,791.7	840,360.1	402,631.2
Total Proved	12,209.5	83,371.4	1,380,298.9	688,609.1
Probable Undeveloped	4,579.2	31,075.0	516,838.3	211,260.5

The oil reserves shown include crude oil and condensate. Oil volumes are expressed in thousands of barrels (MBBL); a barrel is equivalent to 42 United States gallons. Gas volumes are expressed in millions of cubic feet (MMCF) at standard temperature and pressure bases.

The estimates shown in this report are for proved and probable reserves. No study was made to determine whether possible reserves might be established for these properties. This report does not include any value that could be attributed to interests in undeveloped acreage beyond those tracts for which undeveloped reserves have been estimated. Reserves categorization conveys the relative degree of certainty; reserves subcategorization is based on development and production status. The estimates of reserves and future revenue included herein have not been adjusted for risk.

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Gross revenue shown in this report is SRMTII's share of the gross (100 percent) revenue from the properties prior to any deductions. Future net revenue is after deductions for SRMTII's share of production taxes and ad valorem taxes but before consideration of any income taxes. The future net revenue has been discounted at an annual rate of 10 percent to determine its present worth, which is shown to indicate the effect of time on the value of money. Future net revenue presented in this report, whether discounted or undiscounted, should not be construed as being the fair market value of the properties.

Prices used in this report are based on the 12-month unweighted arithmetic average of the first-day-of-the-month price for each month in the period January through December 2011. For oil volumes, the average West Texas Intermediate posted price of $92.71 per barrel is adjusted for quality, transportation fees, and a regional price differential. For gas volumes, the average Henry Hub spot price of $4.118 per MMBTU is adjusted for energy content and transportation fees. The adjusted oil and gas prices of $91.21 per barrel and $4.118 per MCF are held constant throughout the lives of the properties.

Because SRMTII would own no working interest in these properties, no operating costs or capital costs would be incurred. However, estimated operating costs and capital costs have been used to confirm commercial viability and determine economic limits for the properties. These cost estimates are based on operating expense records of SandRidge. Operating costs are held constant throughout the lives of the properties, and capital costs are held constant to the date of expenditure. SRMTII would not incur any costs due to abandonment, nor would it realize any salvage value for the lease and well equipment.

For the purposes of this report, we did not perform any field inspection of the properties, nor did we examine the mechanical operation or condition of the wells and facilities. Since SRMTII would own a royalty interest rather than a working interest in these properties, it would not incur any costs due to possible environmental liability.

We have made no investigation of potential gas volume and value imbalances resulting from overdelivery or underdelivery to the SRMTII proposed royalty interest. Therefore, our estimates of reserves and future revenue do not include adjustments for the settlement of any such imbalances; our projections are based on SRMTII receiving its proposed royalty interest share of estimated future gross gas production.

The reserves shown in this report are estimates only and should not be construed as exact quantities. Proved reserves are those quantities of oil and gas which, by analysis of engineering and geoscience data, can be estimated with reasonable certainty to be economically producible; probable and possible reserves are those additional reserves which are sequentially less certain to be recovered than proved reserves. Estimates of reserves may increase or decrease as a result of market conditions, future operations, changes in regulations, or actual reservoir performance. In addition to the primary economic assumptions discussed herein, our estimates are based on certain assumptions including, but not limited to, that the properties will be developed consistent with current development plans, that the properties will be operated in a prudent manner, that no governmental regulations or controls will be put in place that would impact the ability of the interest owner to recover the reserves, and that our projections of future production will prove consistent with actual performance. If the reserves are recovered, the revenues therefrom could be more or less than the estimated amounts. Because of governmental policies and uncertainties of supply and demand, the sales rates, prices received for the reserves, and costs incurred by the working interest owners in recovering such reserves may vary from assumptions made while preparing this report.

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For the purposes of this report, we used technical and economic data including, but not limited to, well logs, geologic maps, well test data, production data, historical price and cost information, and property ownership interests. The reserves in this report have been estimated using deterministic methods; these estimates have been prepared in accordance with the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers (SPE Standards). We used standard engineering and geoscience methods, or a combination of methods, including performance analysis and analogy, that we considered to be appropriate and necessary to categorize and estimate reserves in accordance with SEC definitions and regulations. A substantial portion of these reserves are for undeveloped locations and producing wells that lack sufficient production history upon which performance-related estimates of reserves can be based; such reserves are based on estimates of reservoir volumes and recovery efficiencies along with analogy to properties with similar geologic and reservoir characteristics. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, our conclusions necessarily represent only informed professional judgment.

The data used in our estimates were obtained from SandRidge and the nonconfidential files of Netherland, Sewell & Associates, Inc. (NSAI) and were accepted as accurate. Supporting geoscience, performance, and work data are on file in our office. The titles to the properties have not been examined by NSAI, nor has the actual degree or type of interest owned been independently confirmed. The technical persons responsible for preparing the estimates presented herein meet the requirements regarding qualifications, independence, objectivity, and confidentiality set forth in the SPE Standards. We are independent petroleum engineers, geologists, geophysicists, and petrophysicists; we do not own an interest in these properties nor are we employed on a contingent basis.

Sincerely,

NETHERLAND, SEWELL & ASSOCIATES, INC.
Texas Registered Engineering Firm F-2699

By: /s/ C.H. (SCOTT) REES III

C.H. (Scott) Rees III, P.E.
Chairman and Chief Executive Officer

By: /s/ DAVID T. MILLER

David T. Miller, P.E. 96134
Vice President

Date Signed: January 3, 2012

DTM:CLM

By: /s/ ANDRO K. (ANDY) WOHLGENANT

Andro K. (Andy) Wohlgenant, P.G. 11000
Geologist

Date Signed: January 3, 2012

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DEFINITIONS OF OIL AND GAS RESERVES
Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

The following definitions are set forth in U.S. Securities and Exchange Commission (SEC) Regulation S-X Section 210.4-10(a). Also included is supplemental information from (1) the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers, (2) the FASB Accounting Standards Codification Topic 932, Extractive Activities Oil and Gas, and (3) the SEC's Compliance and Disclosure Interpretations.

(1) *Acquisition of properties.* Costs incurred to purchase, lease or otherwise acquire a property, including costs of lease bonuses and options to purchase or lease properties, the portion of costs applicable to minerals when land including mineral rights is purchased in fee, brokers' fees, recording fees, legal costs, and other costs incurred in acquiring properties.

(2) *Analogous reservoir.* Analogous reservoirs, as used in resources assessments, have similar rock and fluid properties, reservoir conditions (depth, temperature, and pressure) and drive mechanisms, but are typically at a more advanced stage of development than the reservoir of interest and thus may provide concepts to assist in the interpretation of more limited data and estimation of recovery. When used to support proved reserves, an "analogous reservoir" refers to a reservoir that shares the following characteristics with the reservoir of interest:

(i) Same geological formation (but not necessarily in pressure communication with the reservoir of interest);

(ii) Same environment of deposition;

(iii) Similar geological structure; and

(iv) Same drive mechanism.

Instruction to paragraph (a)(2): Reservoir properties must, in the aggregate, be no more favorable in the analog than in the reservoir of interest.

(3) *Bitumen.* Bitumen, sometimes referred to as natural bitumen, is petroleum in a solid or semi-solid state in natural deposits with a viscosity greater than 10,000 centipoise measured at original temperature in the deposit and atmospheric pressure, on a gas free basis. In its natural state it usually contains sulfur, metals, and other non-hydrocarbons.

(4) *Condensate.* Condensate is a mixture of hydrocarbons that exists in the gaseous phase at original reservoir temperature and pressure, but that, when produced, is in the liquid phase at surface pressure and temperature.

(5) *Deterministic estimate.* The method of estimating reserves or resources is called deterministic when a single value for each parameter (from the geoscience, engineering, or economic data) in the reserves calculation is used in the reserves estimation procedure.

(6) *Developed oil and gas reserves.* Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

(i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and

(ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

Supplemental definitions from the 2007 Petroleum Resources Management System:

Developed Producing Reserves Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate. Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing Reserves Developed Non-Producing Reserves include shut-in and behind-pipe Reserves. Shut-in Reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future recompletion prior to start of production. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

(7) *Development costs.* Costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas. More specifically, development costs, including depreciation and applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

(i) Gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines, and power lines, to the extent necessary in developing the proved reserves.

(ii) Drill and equip development wells, development-type stratigraphic test wells, and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment, and the wellhead assembly.

(iii) Acquire, construct, and install production facilities such as lease flow lines, separators, treaters, heaters, manifolds, measuring devices, and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems.

(iv) Provide improved recovery systems.

(8) *Development project.* A development project is the means by which petroleum resources are brought to the status of economically producible. As examples, the development of a single reservoir or field, an incremental development in a producing field, or the integrated development of a group of several fields and associated facilities with a common ownership may constitute a development project.

(9) *Development well.* A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

(10) *Economically producible.* The term economically producible, as it relates to a resource, means a resource which generates revenue that exceeds, or is reasonably expected to exceed, the costs of the operation. The value of the products that generate revenue shall be determined at the terminal point of oil and gas producing activities as defined in paragraph (a)(16) of this section.

(11) *Estimated ultimate recovery (EUR).* Estimated ultimate recovery is the sum of reserves remaining as of a given date and cumulative production as of that date.

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DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

(12) *Exploration costs.* Costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects of containing oil and gas reserves, including costs of drilling exploratory wells and exploratory-type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as prospecting costs) and after acquiring the property. Principal types of exploration costs, which include depreciation and applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

(i) Costs of topographical, geographical and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews, and others conducting those studies. Collectively, these are sometimes referred to as geological and geophysical or "G&G" costs.

(ii) Costs of carrying and retaining undeveloped properties, such as delay rentals, ad valorem taxes on properties, legal costs for title defense, and the maintenance of land and lease records.

(iii) Dry hole contributions and bottom hole contributions.

(iv) Costs of drilling and equipping exploratory wells.

(v) Costs of drilling exploratory-type stratigraphic test wells.

(13) *Exploratory well.* An exploratory well is a well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir. Generally, an exploratory well is any well that is not a development well, an extension well, a service well, or a stratigraphic test well as those items are defined in this section.

(14) *Extension well.* An extension well is a well drilled to extend the limits of a known reservoir.

(15) *Field.* An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field which are separated vertically by intervening impervious strata, or laterally by local geologic barriers, or by both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms "structural feature" and "stratigraphic condition" are intended to identify localized geological features as opposed to the broader terms of basins, trends, provinces, plays, areas-of-interest, etc.

(16) *Oil and gas producing activities.*

(i) Oil and gas producing activities include:

(A) The search for crude oil, including condensate and natural gas liquids, or natural gas ("oil and gas") in their natural states and original locations;

(B) The acquisition of property rights or properties for the purpose of further exploration or for the purpose of removing the oil or gas from such properties;

(C)

The construction, drilling, and production activities necessary to retrieve oil and gas from their natural reservoirs, including the acquisition, construction, installation, and maintenance of field gathering and storage systems, such as:

(1)
Lifting the oil and gas to the surface; and

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DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

(2) Gathering, treating, and field processing (as in the case of processing gas to extract liquid hydrocarbons); and

(D) Extraction of saleable hydrocarbons, in the solid, liquid, or gaseous state, from oil sands, shale, coalbeds, or other nonrenewable natural resources which are intended to be upgraded into synthetic oil or gas, and activities undertaken with a view to such extraction.

Instruction 1 to paragraph (a)(16)(i): The oil and gas production function shall be regarded as ending at a "terminal point", which is the outlet valve on the lease or field storage tank. If unusual physical or operational circumstances exist, it may be appropriate to regard the terminal point for the production function as:

a. The first point at which oil, gas, or gas liquids, natural or synthetic, are delivered to a main pipeline, a common carrier, a refinery, or a marine terminal; and

b. In the case of natural resources that are intended to be upgraded into synthetic oil or gas, if those natural resources are delivered to a purchaser prior to upgrading, the first point at which the natural resources are delivered to a main pipeline, a common carrier, a refinery, a marine terminal, or a facility which upgrades such natural resources into synthetic oil or gas.

Instruction 2 to paragraph (a)(16)(i): For purposes of this paragraph (a)(16), the term *saleable hydrocarbons* means hydrocarbons that are saleable in the state in which the hydrocarbons are delivered.

(ii) Oil and gas producing activities do not include:

(A) Transporting, refining, or marketing oil and gas;

(B) Processing of produced oil, gas, or natural resources that can be upgraded into synthetic oil or gas by a registrant that does not have the legal right to produce or a revenue interest in such production;

(C) Activities relating to the production of natural resources other than oil, gas, or natural resources from which synthetic oil and gas can be extracted; or

(D) Production of geothermal steam.

(17) *Possible reserves.* Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

(i) When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates.

(ii)

Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project.

(iii) Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.

DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

(iv)

The proved plus probable and proved plus probable plus possible reserves estimates must be based on reasonable alternative technical and commercial interpretations within the reservoir or subject project that are clearly documented, including comparisons to results in successful similar projects.

(v)

Possible reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from proved areas by faults with displacement less than formation thickness or other geological discontinuities and that have not been penetrated by a wellbore, and the registrant believes that such adjacent portions are in communication with the known (proved) reservoir. Possible reserves may be assigned to areas that are structurally higher or lower than the proved area if these areas are in communication with the proved reservoir.

(vi)

Pursuant to paragraph (a)(22)(iii) of this section, where direct observation has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves should be assigned in the structurally higher portions of the reservoir above the HKO only if the higher contact can be established with reasonable certainty through reliable technology. Portions of the reservoir that do not meet this reasonable certainty criterion may be assigned as probable and possible oil or gas based on reservoir fluid properties and pressure gradient interpretations.

(18) *Probable reserves.* Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

(i)

When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates.

(ii)

Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir.

(iii)

Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.

(iv)

See also guidelines in paragraphs (a)(17)(iv) and (a)(17)(vi) of this section.

(19) *Probabilistic estimate.* The method of estimation of reserves or resources is called probabilistic when the full range of values that could reasonably occur for each unknown parameter (from the geoscience and engineering data) is used to generate a full range of possible outcomes and their associated probabilities of occurrence.

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DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

(20) *Production costs.*

(i)

Costs incurred to operate and maintain wells and related equipment and facilities, including depreciation and applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities. They become part of the cost of oil and gas produced. Examples of production costs (sometimes called lifting costs) are:

(A)

Costs of labor to operate the wells and related equipment and facilities.

(B)

Repairs and maintenance.

(C)

Materials, supplies, and fuel consumed and supplies utilized in operating the wells and related equipment and facilities.

(D)

Property taxes and insurance applicable to proved properties and wells and related equipment and facilities.

(E)

Severance taxes.

(ii)

Some support equipment or facilities may serve two or more oil and gas producing activities and may also serve transportation, refining, and marketing activities. To the extent that the support equipment and facilities are used in oil and gas producing activities, their depreciation and applicable operating costs become exploration, development or production costs, as appropriate. Depreciation, depletion, and amortization of capitalized acquisition, exploration, and development costs are not production costs but also become part of the cost of oil and gas produced along with production (lifting) costs identified above.

(21) *Proved area.* The part of a property to which proved reserves have been specifically attributed.

(22) *Proved oil and gas reserves.* Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

(i)

The area of the reservoir considered as proved includes:

(A)

The area identified by drilling and limited by fluid contacts, if any, and

(B)

Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

(ii)

In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

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DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

(iii)

Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

(iv)

Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:

(A)

Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and

(B)

The project has been approved for development by all necessary parties and entities, including governmental entities.

(v)

Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

(23) *Proved properties.* Properties with proved reserves.

(24) *Reasonable certainty.* If deterministic methods are used, reasonable certainty means a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. A high degree of confidence exists if the quantity is much more likely to be achieved than not, and, as changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data are made to estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more likely to increase or remain constant than to decrease.

(25) *Reliable technology.* Reliable technology is a grouping of one or more technologies (including computational methods) that has been field tested and has been demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or in an analogous formation.

(26) *Reserves.* Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

Note to paragraph (a)(26): Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).

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DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

Excerpted from the FASB Accounting Standards Codification Topic 932, Extractive Activities Oil and Gas:

932-235-50-30 A standardized measure of discounted future net cash flows relating to an entity's interests in both of the following shall be disclosed as of the end of the year:

a.

Proved oil and gas reserves (see paragraphs 932-235-50-3 through 50-11B)

b.

Oil and gas subject to purchase under long-term supply, purchase, or similar agreements and contracts in which the entity participates in the operation of the properties on which the oil or gas is located or otherwise serves as the producer of those reserves (see paragraph 932-235-50-7).

The standardized measure of discounted future net cash flows relating to those two types of interests in reserves may be combined for reporting purposes.

932-235-50-31 All of the following information shall be disclosed in the aggregate and for each geographic area for which reserve quantities are disclosed in accordance with paragraphs 932-235-50-3 through 50-11B:

a.

Future cash inflows. These shall be computed by applying prices used in estimating the entity's proved oil and gas reserves to the year-end quantities of those reserves. Future price changes shall be considered only to the extent provided by contractual arrangements in existence at year-end.

b.

Future development and production costs. These costs shall be computed by estimating the expenditures to be incurred in developing and producing the proved oil and gas reserves at the end of the year, based on year-end costs and assuming continuation of existing economic conditions. If estimated development expenditures are significant, they shall be presented separately from estimated production costs.

c.

Future income tax expenses. These expenses shall be computed by applying the appropriate year-end statutory tax rates, with consideration of future tax rates already legislated, to the future pretax net cash flows relating to the entity's proved oil and gas reserves, less the tax basis of the properties involved. The future income tax expenses shall give effect to tax deductions and tax credits and allowances relating to the entity's proved oil and gas reserves.

d.

Future net cash flows. These amounts are the result of subtracting future development and production costs and future income tax expenses from future cash inflows.

e.

Discount. This amount shall be derived from using a discount rate of 10 percent a year to reflect the timing of the future net cash flows relating to proved oil and gas reserves.

f.

Standardized measure of discounted future net cash flows. This amount is the future net cash flows less the computed discount.

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(27) *Reservoir.* A porous and permeable underground formation containing a natural accumulation of producible oil and/or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

(28) *Resources.* Resources are quantities of oil and gas estimated to exist in naturally occurring accumulations. A portion of the resources may be estimated to be recoverable, and another portion may be considered to be unrecoverable. Resources include both discovered and undiscovered accumulations.

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DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

(29) *Service well.* A well drilled or completed for the purpose of supporting production in an existing field. Specific purposes of service wells include gas injection, water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for in-situ combustion.

(30) *Stratigraphic test well.* A stratigraphic test well is a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Such wells customarily are drilled without the intent of being completed for hydrocarbon production. The classification also includes tests identified as core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic tests are classified as "exploratory type" if not drilled in a known area or "development type" if drilled in a known area.

(31) *Undeveloped oil and gas reserves.* Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

From the SEC's Compliance and Disclosure Interpretations (October 26, 2009):

Although several types of projects such as constructing offshore platforms and development in urban areas, remote locations or environmentally sensitive locations by their nature customarily take a longer time to develop and therefore often do justify longer time periods, this determination must always take into consideration all of the facts and circumstances. No particular type of project per se justifies a longer time period, and any extension beyond five years should be the exception, and not the rule.

Factors that a company should consider in determining whether or not circumstances justify recognizing reserves even though development may extend past five years include, but are not limited to, the following:

The company's level of ongoing significant development activities in the area to be developed (for example, drilling only the minimum number of wells necessary to maintain the lease generally would not constitute significant development activities);

The company's historical record at completing development of comparable long-term projects;

The amount of time in which the company has maintained the leases, or booked the reserves, without significant development activities;

The extent to which the company has followed a previously adopted development plan (for example, if a company has changed its development plan several times without taking significant steps to implement any of those plans, recognizing proved undeveloped reserves typically would not be appropriate); and

DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

The extent to which delays in development are caused by external factors related to the physical operating environment (for example, restrictions on development on Federal lands, but not obtaining government permits), rather than by internal factors (for example, shifting resources to develop properties with higher priority).

(iii)

Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

(32) *Unproved properties.* Properties with no proved reserves.

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ANNEX B

Quarterly Target Distributions

Quarter Ending	Subordination Threshold[1]	Target Cash Distribution	Incentive Threshold[1]	Quarter Ending	Target Cash Distribution
March 31, 2012[2]	$ .21	$ .26	$.32	March 31, 2022	$.38
June 30, 2012	.37	.46	.56	June 30, 2022	.37
September 30, 2012	.45	.56	.68	September 30, 2022	.37
December 31, 2012	.48	.60	.71	December 31, 2022	.37
March 31, 2013	.52	.65	.78	March 31, 2023	.36
June 30, 2013	.55	.69	.83	June 30, 2023	.36
September 30, 2013	.54	.67	.81	September 30, 2023	.35
December 31, 2013	.56	.71	.85	December 31, 2023	.35
March 31, 2014	.58	.72	.86	March 31, 2024	.34
June 30, 2014	.60	.74	.89	June 30, 2024	.34
September 30, 2014	.60	.75	.90	September 30, 2024	.33
December 31, 2014	.58	.72	.87	December 31, 2024	.33
March 31, 2015	.63	.79	.95	March 31, 2025	.33
June 30, 2015	.64	.81	.97	June 30, 2025	.32
September 30, 2015	.64	.80	.96	September 30, 2025	.32
December 31, 2015	.64	.80	.96	December 31, 2025	.32
March 31, 2016	.67	.84	1.00	March 31, 2026	.31
June 30, 2016	.64	.80	.96	June 30, 2026	.31
September 30, 2016	.58	.73	.87	September 30, 2026	.31
December 31, 2016	.54	.68	.81	December 31, 2026	.30
March 31, 2017	.51	.64	.77	March 31, 2027	.30
June 30, 2017	.48	.60	.73	June 30, 2027	.30
September 30, 2017	.46	.58	.69	September 30, 2027	.29
December 31, 2017	.44	.55	.66	December 31, 2027	.29
March 31, 2018		.53		March 31, 2028	.29
June 30, 2018		.51		June 30, 2028	.28
September 30, 2018		.50		September 30, 2028	.28
December 31, 2018		.48		December 31, 2028	.28
March 31, 2019		.47		March 31, 2029	.27
June 30, 2019		.46		June 30, 2029	.27
September 30, 2019		.45		September 30, 2029	.27
December 31, 2019		.44		December 31, 2029	.27
March 31, 2020		.43		March 31, 2030	.26
June 30, 2020		.42		June 30, 2030	.26
September 30, 2020		.41		September 30, 2030	.26
December 31, 2020		.41		December 31, 2030	.26
March 31, 2021		.40		March 31, 2031	.25
June 30, 2021		.39		June 30, 2031	.25
September 30, 2021		.39		September 30, 2031	.25
December 31, 2021		.38		December 31, 2031	.25
				Remaining	3.93

(1) For each quarter, the Subordination Threshold equals 80% of the Target Cash Distribution, and the Incentive Threshold equals 120% of the Target Cash Distribution.

(2)

Includes proceeds attributable to the first two months of production from January 1, 2012 to February 29, 2012, based on estimated realized production for January and February 2012.

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SandRidge Mississippian Trust II