FIRST UNION CORP
Form S-4/A
June 25, 2001

As filed with the Securities and Exchange Commission on June 25, 2001

Registration Statement No. 333-59616-3

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 3 TO

FORM S-4
REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

First Union Corporation
(Exact Name of Registrant as Specified in its Charter)

North Carolina	6711	56-0898180
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

One First Union Center
Charlotte, North Carolina 28288-0013
(704) 374-6565
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Mark C. Treanor, Esq.
Executive Vice President,
Secretary and General Counsel
First Union Corporation
One First Union Center
Charlotte, North Carolina 28288-0013
(704) 374-6565
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Mitchell S. Eitel, Esq.	Ross E. Jeffries, Jr., Esq.	Kenneth W. McAllister, Esq.
Sullivan & Cromwell	Senior Vice President and	Senior Executive Vice President
125 Broad Street	Assistant General Counsel	and General Counsel
New York, New York 10004	First Union Corporation	Wachovia Corporation
(212) 558-4000	One First Union Center	100 North Main Street
	Charlotte, North Carolina 28288-0630	Winston-Salem, North Carolina 271
	(704) 374-6611	(336) 732-5141

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell securities, and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY--SUBJECT TO COMPLETION

[LOGO OF FIRST UNION] [LOGO OF WACHOVIA]

Our merger. First Union and Wachovia are proposing a merger-of-equals. We will call the combined company Wachovia and believe it will be the pre-eminent retail banking franchise in the Southeast and East Coast, and one of the nation's leading banking organizations in commercial banking, asset and wealth management, brokerage and investment banking.

Facts for Wachovia shareholders:	Facts for First Union shareholders:
. In the merger, you will receive 2 First Union common shares for each Wachovia common share you own.	. In the merger, you will keep your First Union common shares.
. In the merger, you also will have a choice to receive either: /\a one-time cash payment of $0.48 per share, or /\preferred shares intended to provide the equivalent of Wachovia's current regular quarterly dividend when added to the combined company's quarterly common stock dividend.	. Your rights to dividends will not be affected by the merger. We expect the combined company to continue First Union's dividend policy. . The current First Union quarterly dividend is $0.24 per common share.

. Your board recommends the merger.	. Your board recommends the merger.
. After the merger, Wachovia shareholders will own about 30% of the combined company.	. After the merger, First Union shareholders will own about 70% of the combined company.
. Generally, the merger will be tax free to you, other than with respect to any cash you receive.	. The merger will be tax free to you.
. Wachovia needs your vote to complete the merger. Wachovia plans to hold a shareholders' meeting to vote on the merger and other matters on August 3.	. First Union needs your vote to complete the merger. First Union plans to hold a shareholders' meeting to vote on the merger and other matters on July 31.

Merger consideration. The number of First Union shares that Wachovia shareholders will receive in the merger is fixed. The dollar value of the stock consideration Wachovia shareholders receive will change depending on changes in the market price of First Union shares and will not be known at the time either company's shareholders vote on the merger. For example,

Date	Closing First Union Share Price	Value per Wachovia Share (cash election)	Value per Wachovia Share (preferred share election)
The day before we announced our merger.....	$31.92	$64.32	$63.84 + 2 pref. shares
. , 2001......	.	.	. + 2 pref. shares

You should obtain current market quotations for both First Union and Wachovia common shares, which are listed on the NYSE under the symbols "FTU" and "WB", respectively.

SunTrust. SunTrust has made an unsolicited acquisition proposal for Wachovia, and Wachovia's board has rejected it. SunTrust is trying to solicit votes from

Wachovia's shareholders against our merger. We recommend that you do not give your proxy to SunTrust.

Voting. Even if you plan to attend your company's meeting, please vote as soon as possible by completing and submitting the enclosed proxy card. Not voting at all will have the same effect as voting against the merger.

This document and risks. Please read this document carefully, because it contains important information about the merger and the other matters you will be considering at the meeting. In particular, read carefully the risk factors relating to the merger beginning on page . .

None of the SEC, any state securities commission or the North Carolina commissioner of insurance has approved the securities to be issued in the merger or determined if this document is accurate or adequate. It is illegal to tell you otherwise.

The securities to be issued in the merger are not savings or deposit accounts and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

Joint proxy statement-prospectus dated . , 2001 and first mailed to shareholders on or about . , 2001.

References to Additional Information

This document incorporates important business and financial information about First Union and Wachovia from other documents that are not included in or delivered with this document. This information is available to you without charge upon your written or oral request. You can obtain documents related to First Union and Wachovia that are incorporated by reference in this document through the Securities and Exchange Commission website at http://www.sec.gov or by requesting them in writing or by telephone from the appropriate company:

If you are a First Union shareholder:	If you are a Wachovia shareholder:
Morrow & Co., Inc. 445 Park Ave. - 5th Floor New York, NY 10022-2606 (212) 754-8000	MacKenzie Partners, Inc. 156 Fifth Avenue New York, NY 10010 1-800-322-2885 (toll free in the U.S.) or (212) 929-5500 (collect) or Georgeson Shareholder 111 Commerce Road Carlstadt, NJ 07072 1-800-223-2064 (toll free in the U.S.)
If you would like to request documents, please do so by July 24, 2001 to receive them before First Union's annual meeting.	If you would like to request documents, please do so by July 27, 2001 to receive them before Wachovia's annual meeting.

You also may obtain additional proxy cards and other information related to the proxy solicitation by contacting the appropriate proxy solicitation firm.

You will not be charged for any of these documents that you request.

See "Where You Can Find More Information" on page . .

[LOGO OF FIRST UNION]

FIRST UNION CORPORATION
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON JULY 31, 2001

To the Shareholders of First Union Corporation:

We will hold the annual meeting of shareholders of First Union Corporation, a North Carolina corporation, on July 31, 2001, at 11:00 a.m., local time, in the Symphony Ballroom of the Adam's Mark Hotel, 555 South McDowell Street, Charlotte, NC 28204, for the purpose of considering and voting upon the following proposals:

- Approving the plan of merger contained in the Agreement and Plan of Merger, dated as of April 15, 2001, and amended and restated, between Wachovia Corporation, a North Carolina corporation, and First Union, as more fully described in the attached joint proxy statement-prospectus.

- Electing the five nominees for director named in the attached joint proxy statement-prospectus as directors, four nominees to serve as Class III directors with terms expiring at the 2004 annual meeting of shareholders and one nominee to serve as a Class I director with a term expiring at the 2002 annual meeting of shareholders, in each case until their successors are duly elected and qualified. If the merger is completed, the board of directors of First Union will be reconstituted to consist of nine directors from First Union and nine directors from Wachovia, as described in the joint proxy statement-prospectus.

- Approving First Union's Senior Management Incentive Plan.

- Approving an amendment to First Union's 1998 Stock Incentive Plan.

- Ratifying the appointment of KPMG LLP as First Union's independent auditors for the year 2001.

- Voting upon, if properly presented, a shareholder proposal, which the board and management oppose, regarding political contributions.

We have fixed the close of business on June 12, 2001 as the record date for determining those shareholders entitled to vote at the annual meeting and any adjournments or postponements of the annual meeting. Only First Union shareholders of record on that date are entitled to notice of, and to vote at, the annual meeting and any adjournments or postponements of the annual meeting. If you wish to attend the annual meeting and your shares are held in the name of a broker, trust, bank or other nominee, you must bring a proxy or letter from the broker, trustee or nominee with you to confirm your beneficial ownership of the shares.

By Order of the Board of Directors,

/s/ Mark C. Treanor
Mark C. Treanor
Executive Vice President,
General Counsel and Secretary

. , 2001

Whether or not you plan to attend the annual meeting in person, please promptly vote your proxy by telephone or through the Internet, as described on the enclosed proxy card, or complete, date, sign and return the enclosed proxy card in the enclosed envelope. The enclosed envelope requires no postage if mailed in the United States. If you attend the annual meeting, you may vote in person if you wish, even if you have previously returned your proxy card or voted by telephone or through the Internet.

First Union's board of directors unanimously recommends that you vote "FOR" approval of the plan of merger contained in the merger agreement, the election of the nominated directors, First Union's Senior Management Incentive Plan, the amendment to First Union's 1998 Stock Incentive Plan, and the ratification of KPMG LLP as First Union's independent auditors.

First Union's board of directors unanimously recommends that you vote "AGAINST" approval of the shareholder proposal regarding political contributions.

[LOGO OF WACHOVIA]

WACHOVIA CORPORATION
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON AUGUST 3, 2001

To the Shareholders
of Wachovia Corporation:

We will hold the annual meeting of shareholders of Wachovia Corporation, a North Carolina corporation, on August 3, 2001, at 10:30 a.m., local time, at the Benton Convention Center, 301 West 5th Street, Winston-Salem, NC 27101, for the purpose of considering and voting upon the following proposals:

- Approving the plan of merger contained in the Agreement and Plan of Merger, dated as of April 15, 2001, and amended and restated, between Wachovia and First Union Corporation, a North Carolina corporation, as more fully described in the attached joint proxy statement-prospectus.

- Electing the five nominees for director named in the attached joint proxy statement-prospectus for three-year terms to expire at the 2004 Annual Meeting of Shareholders, in each case until their successors are duly elected and qualified. If the merger is completed, the board of directors of First Union will be reconstituted to consist of nine directors from Wachovia and nine directors from First Union, as described in the joint proxy statement-prospectus.

- Ratifying the appointment of Ernst & Young LLP as Wachovia's independent auditors for the year 2001.

We have fixed the close of business on June 12, 2001 as the record date for determining those shareholders entitled to vote at the annual meeting and any adjournments or postponements of the annual meeting. Only Wachovia shareholders of record at the close of business on that date are entitled to notice of, and to vote at, the annual meeting and any adjournments or postponements of the annual meeting. If you wish to attend the annual meeting and your shares are held in the name of a broker, trust, bank or other nominee, you must bring a proxy or letter from the broker, trustee or nominee with you to confirm your beneficial ownership of the shares.

By Order of the Board of Directors,

/s/ William M. Watson, Jr.
William M. Watson, Jr.
Secretary

. , 2001

Whether or not you plan to attend the annual meeting in person, please promptly complete, date, sign and return the enclosed proxy card in the enclosed envelope. The enclosed envelope requires no postage if mailed in the United States. If you attend the annual meeting, you may vote in person if you wish, even if you have previously returned your proxy card.

Wachovia's board of directors recommends that you vote "FOR" approval of the plan of merger contained in the merger agreement, the election of the nominated directors, and the ratification of Ernst & Young LLP as Wachovia's independent auditors.

TABLE OF CONTENTS

Page

Page

SUMMARY

This brief summary highlights selected information from this document. It may not contain all the information that is important to you. We urge you to read carefully this entire document and the other documents to which we refer you for a more complete understanding of the matters being considered at the annual meetings. In addition, we incorporate by reference important business and financial information about First Union and Wachovia into this document. You may obtain the information incorporated by reference in this document without charge by following the instructions in the section entitled "Where You Can Find More Information" on page . . Each item in this summary includes a page reference directing you to a more complete description of that item.

ANNUAL MEETINGS

Annual Meeting of First Union (Page .)

First Union plans to hold its annual meeting on July 31, 2001, at 11:00 a.m., local time, in the Symphony Ballroom of the Adam's Mark Hotel, 555 South McDowell Street, Charlotte, NC 28204. At the meeting, among other things, you will be asked to approve the plan of merger contained in the merger agreement providing for the merger of Wachovia into First Union.

You can vote at the First Union annual meeting if you owned First Union common stock at the close of business on June 12, 2001. As of that date, there were 979,096,528 shares of First Union common stock outstanding and entitled to vote. You can cast one vote for each share of First Union common stock that you owned on that date.

Annual Meeting of Wachovia (Page .)

Wachovia plans to hold its annual meeting on August 3, 2001, at 10:30 a.m., local time, in the Benton Convention Center, 301 West 5th Street, Winston-Salem, NC 27101. At the meeting, among other things, you will be asked to approve the plan of merger contained in the merger agreement providing for the merger of Wachovia into First Union.

You can vote at the Wachovia annual meeting if you owned Wachovia common stock at the close of business on June 12, 2001. As of that date, there were 203,352,336 shares of Wachovia common stock outstanding and entitled to vote. You can cast one vote for each share of Wachovia common stock that you owned on that date.

THE MERGER

We Propose that First Union and Wachovia Merge (Page .)

We propose that Wachovia merge into First Union, with First Union as the surviving corporation. The combined company will be incorporated in North Carolina and its corporate headquarters will be in Charlotte, North Carolina. The combined company will be called "Wachovia Corporation" and its common stock will trade on the New York Stock Exchange, or the NYSE, under the symbol "WB". We expect to complete the merger in the third quarter of 2001.

What You Will Receive in the Merger (Page .)

Wachovia Shareholders. When the merger is completed, each Wachovia shareholder will receive 2 First Union shares for each Wachovia share held. We sometimes refer to this 2-for-1 ratio as the "exchange ratio."

Wachovia shareholders also will be entitled to elect to receive, for each Wachovia share converted in the merger, either:

- a one-time cash payment of $0.48 or
- two shares of dividend equalization preferred stock, each of which will be entitled to a regular quarterly dividend equal to the amount, if any, by which the regular quarterly dividend on the combined company's common stock is less than $0.30 per share. We estimate each preferred share has a present value of $0.24, or $0.48 for two shares.

We call the preferred shares Wachovia shareholders may elect to receive "DEPs" for dividend equalization preferred shares. Wachovia shareholders who choose to receive DEPs will be entitled to receive an additional dividend each quarter. The additional dividend will make up any difference between the common stock dividend declared by the combined company and $0.30. For example, if the common stock dividend is $0.24 the DEPs dividend will be $0.06 bringing the total to $0.30 per quarter. Because the exchange ratio converts each Wachovia common share into two shares of the combined company's common stock, this dividend is intended to preserve the effect of the $0.60 per share quarterly dividend that Wachovia shareholders currently receive. The dividend rights on the DEPs will end when the total dividends paid on the combined company's common stock over four consecutive quarters equals at least $1.20 (the equivalent of what would have been paid at Wachovia's current dividend rate, $2.40 per Wachovia share). See "Expiration of Dividend Rights" on page . .

Alternatively, for those Wachovia shareholders who choose to receive the $0.48 per share cash payment, that cash payment represents our estimate of the present value of the difference, for two of the combined company's common shares, between a $0.30 per share regular quarterly dividend and what we expect the regular quarterly dividend will be on the combined company's common shares until that dividend reaches $0.30. Because the exchange ratio converts each Wachovia common share into two of the combined company's common shares, this also is intended to preserve the effect of the $0.60 per share quarterly dividend that Wachovia shareholders currently receive.

Based on the same calculations we used to determine the amount of the $0.48 cash payment, we estimate that two DEPs have a present value of $0.48, or $0.24 each. This $0.48 amount for two DEPs is the same amount as the fixed per share cash payment. In deciding on the amount of the fixed cash payment and estimating the present value of the DEPs, we assumed that the combined company's regular quarterly dividend will be equal to slightly less than 33% of its cash net earnings over time. However, the combined company's dividend policy is subject to change at any time and, accordingly, the amount of dividends actually paid may differ from the amounts we assumed. In estimating the present value of the DEPs we also assumed a discount rate of 13%, although this rate may be higher or lower than you may earn on any cash you receive.

You should not assume the DEPs will trade at a price that equals what we estimate to be their present value. There is currently no market for the DEPs.

We do not know if a market for the DEPs will develop or what their trading prices will be. First Union has agreed to use reasonable efforts to cause the DEPs to be listed on an exchange or quoted on an interdealer quotation system, but we do not know if a listing or quotation will be possible.

First Union will not issue fractional common shares or fractional DEPs in the merger. Instead, it will pay cash for fractional common shares based on the NYSE closing price per First Union share on the trading day before the merger is completed and it will pay cash for fractional DEPs based on $0.24 per DEP. First Union will also pay fractional amounts of the $0.48 per share cash payment.

If you are a Wachovia shareholder, you will need to surrender your Wachovia common stock certificates to receive (1) new certificates for the First Union common stock, (2) your $0.48 per share cash payment or the new certificates for the DEPs, (3) your cash payment instead of fractional interests, and (4) any dividends paid by the combined company in the future. Please do not surrender your certificates until you receive written instructions from the combined company after we have completed the merger.

Example for Wachovia Shareholders. As an example, if you hold 10.3 Wachovia shares at the time the merger is completed, you will receive the following in the merger:

. 20 common shares of the combined company--this represents the whole number of combined company shares resulting from the 2-for-1 exchange ratio

. cash equal to 0.6 times the closing First Union share price on the trading day before the merger is completed--this represents cash instead of the 0.6 of a combined company share resulting from the 2-for-1 exchange ratio

5

. if you elect to receive the cash payment, $4.94 cash--this represents the sum of $4.80 for the whole Wachovia shares you hold and $0.14 for the 0.3 of a Wachovia share you hold

. if you elect to receive DEPs, 20 DEPs and $0.14 cash--this represents the whole number of DEPs resulting from the 2-for-1 exchange and $0.14 cash instead of the 0.6 of a DEP resulting from the exchange

First Union Shareholders. If you are a First Union shareholder, your shares of First Union common stock will be unchanged by the merger. Despite the proposed change of First Union's name to Wachovia Corporation, you do not need to surrender your shares or your stock certificates.

Combined Company. After completion of the merger, former Wachovia shareholders will own approximately 30% of the common stock of the combined company, and First Union shareholders will own approximately 70% of the common stock of the combined company.

The Exchange Ratio is Fixed and the Value of the Shares to be Issued in the Merger Will Fluctuate with Market Prices (Page .)

First Union common shares are listed on the NYSE under the symbol "FTU" and

Wachovia common shares are listed on the NYSE under the symbol "WB." The following table shows the closing prices for First Union and Wachovia common stock and the implied per share value in the merger to Wachovia shareholders for the following dates and periods:

- April 12, 2001, the last trading day before we announced the merger;
- April 16, 2001, the day we announced the merger;
- . , 2001, shortly before we mailed this document; and
- the high, low and average values for the period from . , 2001 through . , 2001.

	Closing First Union share price	Closing Wachovia share price	Implied value per Wachovia share (DEPs elected)	Implied value per Wachovia share (cash elected)
April 12, 2001	$31.92	$60.20	$63.84	$64.32
April 16, 2001	$31.20	$62.05	$62.40	$62.88
. , 2001	.	.	.	.
High (for period)	.	.	.	.
Low (for period)	.	.	.	.
Average (for period)	.	.	.	.

A Wachovia shareholder electing DEPs will also receive 2 DEPs per Wachovia common share.

The market price of First Union common stock will change before the merger, and accordingly, the market value of the consideration that Wachovia shareholders will receive in the merger will also change. You will not know the market value of what Wachovia shareholders will receive when you vote on the merger. In addition, the exchange ratio of 2 shares of First Union common stock for 1 share of Wachovia common stock is fixed and will stay the same, even if the market prices of each company's stock change. You should obtain current stock price quotations for First Union common stock and Wachovia common stock.

The Combined Company Intends to Continue First Union's Common Stock Dividend Policy; Effect of the DEPs and the Cash Payment (Page .)

We have decided to continue First Union's dividend policy for the combined company's common stock, but this policy is subject to change at any time and the future dividend policy of the combined company is subject to the determination of the board of directors of the combined company. In the first and second quarters of 2001, First Union declared a dividend of $0.24 per First Union share (equivalent to $0.48 per Wachovia share at the 2-for-1 exchange ratio in the merger), whereas Wachovia declared a dividend of $0.60 per share of Wachovia common stock.

All dividends on common and preferred shares (including DEPs) of the combined company will be payable when, as and if declared by the board of directors out of funds legally available for the payment of dividends by a North Carolina corporation. Dividends on the DEPs will be cumulative, which means that even if they are not paid in a particular quarter they will continue to be owed to the DEPs holders. However, a failure to pay dividends on the DEPs will not prevent the combined company from paying future dividends on the common stock. See "Dividend Policy" beginning on page . .

The Merger Will Be Accounted for as a Purchase and Will Generally Be Tax-Free to Shareholders (Pages . and .)

We intend to treat the merger as a purchase by First Union of Wachovia under generally accepted accounting principles.

For federal income tax purposes, the merger has been structured as a "reorganization." Therefore, generally for U.S. federal income tax purposes, Wachovia shareholders:

- will not recognize any gain or loss upon the exchange of Wachovia shares solely for First Union common shares and, if they so elect, DEPs;

- will recognize gain, but not loss, with respect to the $0.48 per share cash payment if they choose to receive it; and

- will recognize gain or loss, with respect to the payment of cash in lieu of fractional shares of First Union common stock and will recognize ordinary income with respect to the payment of cash in lieu of fractional DEPs.

The $0.48 per share cash payment will have different tax consequences than dividends paid on DEPs. The merger will not have any tax consequences for holders of First Union common stock. For a complete description of the material federal income tax consequences of the transaction, see "Material Federal Income Tax Consequences" on page . .

This tax treatment may not apply to every shareholder. You should consult your own tax advisor for a full understanding of the merger's tax consequences to you.

First Union and Wachovia have received legal opinions from Sullivan & Cromwell and Simpson Thacher & Bartlett, respectively, regarding the tax consequences of the merger summarized above. The tax opinions are exhibits to the registration statement filed with the SEC in connection with this document.

First Union and Wachovia will not be obligated to complete the merger unless we receive additional legal opinions on the closing date that the merger will be treated as a transaction of a type that is generally tax-free for U.S. federal income tax purposes.

Wachovia Shareholders Have Appraisal Rights (Page . and Appendix K)

The merger agreement provides dissenters' rights of appraisal to Wachovia's shareholders. To exercise these rights you must comply precisely with each of the procedural requirements of the North Carolina Business Corporation Act, or the BCA, the relevant sections of which are attached to this document as Appendix K.

Our Financial Advisors Have Provided Opinions as to the Fairness of the Exchange Ratio from a Financial Point of View (Pages . and .)

Wachovia's Advisors. Credit Suisse First Boston Corporation rendered an opinion to Wachovia's board dated as of April 15, 2001, the date the Wachovia board approved the First Union merger, that as of that date, the exchange ratio of 2 shares of First Union common stock for 1 share of Wachovia common stock was fair from a financial point of view to holders of Wachovia common stock. On May 22, 2001, the date Wachovia's board approved the amended and restated merger agreement and reaffirmed its approval of the First Union merger, Credit Suisse First Boston rendered an opinion that as of that date the exchange ratio was fair from a financial point of view to holders of Wachovia common stock. Credit Suisse First Boston confirmed its opinion dated May 22, 2001 by delivery of a written opinion dated the date of this joint proxy statement-prospectus. We have attached the opinion dated the date of this joint proxy statement-prospectus as Appendix E to this document. You should read this opinion completely to understand the procedures followed, assumptions made, matters considered and limitations of the review undertaken by Credit Suisse First Boston. Credit Suisse First Boston's opinion is directed to the Wachovia board of directors and does not constitute a recommendation to any shareholder as to any matters relating to the merger or as to the form of consideration the shareholder should elect to

7

receive. Wachovia has agreed to pay Credit Suisse First Boston a total fee of about $30 million, $20 million of which is contingent upon completion of a transaction.

Goldman, Sachs & Co. has also delivered a written opinion to Wachovia's board that, as of May 22, 2001, the date Wachovia's board approved the amended and restated merger agreement and reaffirmed its approval of the First Union merger, the exchange ratio was fair from a financial point of view to holders of Wachovia common stock. This opinion was confirmed as of the date of this joint proxy statement-prospectus. We have attached this opinion dated the date of this joint proxy statement-prospectus as Appendix F to this document. You should read this opinion completely to understand the procedures followed, assumptions made, matters considered and limitations of the review of Goldman Sachs. Goldman Sachs' opinion is directed to the Wachovia board of directors and does not constitute a recommendation to any shareholder as to any matters relating to the merger or as to whether to elect to receive the $0.48 cash payment or the DEPs. Wachovia has agreed to pay Goldman Sachs a total fee of $20 million, $15 million of which is contingent upon the completion of a transaction.

First Union's Advisor. Merrill Lynch, Pierce, Fenner & Smith Incorporated has delivered a written opinion to First Union's board that as of April 15, 2001, the date First Union's board approved the merger and related agreements, the exchange ratio was fair to First Union and First Union shareholders from a financial point of view. This opinion was subsequently confirmed as of May 21, 2001, the date First Union's board approved the amended and restated merger agreement, and as of the date of this joint proxy statement-prospectus. The opinion dated as of the date of this joint proxy statement-prospectus is included as Appendix D to this document. You should read this opinion completely to understand the procedures followed, assumptions made, matters considered and limitations of the review undertaken by Merrill Lynch. Merrill Lynch's opinion is directed to the First Union board of directors and does not constitute a recommendation to any shareholder as to any matters relating to the merger. First Union has agreed to pay a transaction fee to Merrill Lynch of

$20 million, $15 million of which is contingent upon completion of the merger.

Our Boards Recommend that You Vote "FOR" the Merger (Pages . and .)

First Union Shareholders. First Union's board of directors believes that the merger is fair to First Union and First Union shareholders and in the best interests of First Union, and unanimously recommends that First Union shareholders vote "FOR" approval of the plan of merger.

Wachovia Shareholders. Wachovia's board of directors believes that the merger is fair to, and in the best interests of, Wachovia and its shareholders and recommends that Wachovia shareholders vote "FOR" approval of the plan of merger.

Fixed Exchange Ratio Considerations. Because the exchange ratio is fixed and because the market price of the First Union common stock will fluctuate, the market value of the First Union common stock First Union shareholders will retain and the consideration that Wachovia shareholders will receive in the merger may increase or decrease before or after the merger. For example, between the date we announced the merger, April 16, 2001, and . , 2001 the dollar value of the common stock that Wachovia shareholders will receive in the merger, based on the closing price of First Union common stock on the NYSE, ranged from $. to $. per share (which does not include the $0.48 per share cash payment or DEPs, depending upon your choice). If you choose the DEPs, the exchange ratio of 2 DEPs per share of Wachovia common stock is also fixed and there is currently no market for the DEPs.

In arriving at our determinations that the merger is fair to and in the best interests of you and First Union and Wachovia and our decision to adopt the merger agreement and the plan of merger and recommend that you vote in favor of the plan of merger, we each considered that:

- a combination of our two companies based in part on a fixed exchange ratio is intended to capture the relative contribution of each company based on fundamental financial factors and avoids relative fluctuations between our stock prices caused by near-term volatility;

- a fixed exchange ratio is customary for mergers of this type in the financial services industry and in other industries;

- an exchange ratio that does not fluctuate with the price of our common stocks provides substantial certainty about the number of shares that will be issued in the merger; and

- the nominal dollar value of the shares of the combined company to be received by shareholders in the merger would fluctuate with the market price of First Union common stock before the merger was completed and could be materially different from the market price prevailing when we signed the merger agreement.

Our Reasons for the Merger (Pages . and .)

First Union's Board of Directors. First Union's board of directors is proposing the merger because:

- It believes that the merger is likely to provide both immediate and long-term increases in shareholder value, including immediate accretion for the shareholders of both companies on a cash operating earnings per share basis. On this basis, First Union estimates that the merger will be 3.7% accretive to First Union shareholders in 2002, growing to 7.1% in 2004, and 15.2% accretive to Wachovia shareholders in 2002, growing to 19.8% in 2004. Cash operating earnings per share is the result of adding to net income the after-tax restructuring and merger-related charges and intangible amortization and dividing the result by the average shares outstanding.

. It believes that Wachovia and First Union have a unique strategic fit because of their similar geographic scope and product mix and the combined company will have a stronger strategic position to compete successfully and have a greater potential for growth than either company possesses alone.

. It believes that the combined company will have increased economies of scale in high-growth businesses, significant annual expense savings and complementary customer bases and products. These expense savings are described in more detail on page . under the heading "Cost Savings".

. It believes that Wachovia's and First Union's management share a common business vision and commitment to their respective shareholders, employees and other constituencies.

In considering the merger, First Union's board of directors also considered the following potential adverse consequences of the merger:

. The possibility that the merger and the related integration process could result in the loss of key employees, in the disruption of First Union's on-going business or in the loss of customers.

. The possibility that the anticipated benefits of merger may not be realized, including the expected cost savings.

. The fact that neither party could enter into another merger agreement until January 2002 if the merger was not completed before then, which may limit future business combinations in the immediate future.

. The impact of divestitures likely to be required.

. The potential merger-related restructuring charges.

The First Union board concluded, however, that the potential benefits of the merger substantially outweighed the risks.

Wachovia's Board of Directors. Wachovia's board of directors is proposing the merger because:

. It believes that the merger provides a unique opportunity for substantial earnings accretion in the near term and potential price-earnings multiple expansion in the future. Wachovia estimates that the accretion to cash earnings per share resulting from the merger will be 15.2% in 2002, growing to 19.8% in 2004.

. It believes that the combined company will have greater strength and earning power than Wachovia would on its own and the added scale necessary to assume and solidify leadership in high growth business lines.

- It believes that the deliberate pace of planned merger integration over a three-year period will minimize integration risk.

- It believes that First Union and Wachovia, and their respective management teams, possess similar philosophies and complementary strengths.

- The Wachovia board has a favorable assessment of the capabilities of First Union's management team.

In considering the merger, Wachovia's board of directors also considered the following potential adverse consequences of the merger:

- The challenges of integrating Wachovia and First Union given First Union's recent strategic restructuring.

- The risks of not achieving the expected cost savings and other benefits.

- The risks of diverting management's attention from other strategic opportunities.

- The risks associated with required regulatory approvals, including the impact of required divestitures.

- The fact that neither party could enter into another merger agreement until January 2002 if the merger was not completed before then, which may limit future business combinations in the immediate future.

The Wachovia board concluded, however, that the potential benefits of the merger substantially outweighed the risks.

Cost Savings and Accounting Charges. Although we can make no assurances, both Wachovia and First Union believe that the combined company can achieve cost savings of approximately 8% of combined non-interest expense (or approximately $890 million in annual expense reductions) by the end of 2004.

These cost savings are expected to be achieved partially in each year until 2004. Of the total $890 million in annual expected cost savings:

- 36% is expected from eliminating duplicative technology and operations functions

- 24% is expected from business unit function reductions

- 16% is expected from eliminating duplicative staff unit functions

- 10% is expected from consolidating facilities

- 13% is expected from stronger purchasing power

As part of these cost savings, we expect to reduce the combined company's job positions by about 7,000 over the three-year transition period. We believe up to one-half of these reductions could occur through normal attrition. As part of the cost savings we have outlined, we expect to consolidate about 325 branch banking offices during the three-year integration period. You can find more detail about our expected cost savings under the heading "Cost Savings" on page . .

We also expect to recognize an estimated $1.4 billion of restructuring charges, merger-related charges and purchase accounting adjustments. A portion of these charges and adjustments will be recorded upon merger closing, with the remainder expected to be recorded in each year from merger closing through

2004. You can find more detail about our expected accounting charges under "First Union and Wachovia Unaudited Pro Forma Condensed Combined Financial Information" on page . .

SunTrust. On May 14, 2001, SunTrust Banks, Inc. announced an unsolicited proposal to acquire Wachovia in a merger in which each Wachovia common share would be converted into 1.081 shares of SunTrust common stock. SunTrust also stated that it would increase its annual common stock dividend (when, as and if declared by its board of directors out of funds legally available) by 39% to $2.22 per share in order to match the current Wachovia dividend (which is $0.60 per quarter or $2.40 annually per Wachovia share). The Wachovia board, after consulting with its senior management and its financial and legal advisors, has determined that a merger with SunTrust would not be an effective means of enhancing long-term shareholder value or achieving the board's strategic goals for the company. Accordingly, the Wachovia board rejected the SunTrust unsolicited proposal as not being in the best interests of Wachovia or its shareholders.

The SunTrust proposal is conditional and is dependent upon, among other things, the Wachovia board taking various actions that the Wachovia board either does not have the power to take or has decided are not in the best interests of Wachovia and its shareholders to take. Accordingly, Wachovia shareholders are not being asked to consider and vote upon the SunTrust proposal at the annual meeting. For a discussion of the factors considered by the Wachovia board in connection with its rejection of the SunTrust proposal, see "The Unsolicited Proposal from SunTrust" beginning on page . .

Changes to the Merger. Following SunTrust's unsolicited proposal, we changed some aspects of the merger. First, we amended the merger agreement to allow for Wachovia shareholders to choose DEPs. While we designed the $0.48 per share cash payment to compensate Wachovia shareholders for the reduced dividend expected as a result of the merger, we did not believe that the approach was understood. The DEPs were introduced to provide Wachovia shareholders with a more direct way to preserve the benefit of Wachovia's current dividend rate. We also agreed, at the request of Mr. L. M. Baker, Jr., Wachovia's Chairman, President and Chief Executive Officer, to eliminate any changes in the terms of his retirement arrangement with the combined company compared to the retirement arrangement currently in effect for him. Mr. Baker stated that he did not want any Wachovia shareholder to believe he supported the First Union/Wachovia merger because of his pension arrangements.

Following SunTrust's unsolicited proposal, we also changed some aspects of the stock options we issued each other in connection with the merger. First, we changed the provision that said that an option's exercise price could be paid in property and limited the consideration to cash and investment grade securities. SunTrust had claimed that First Union could use the original provision to harm Wachovia's business in the future. While we believe the provision contained reasonable valuation procedures that would have protected each other against any such harm, we agreed to modify the provision because neither one of us has any intention of harming the other's business. Second, we clarified that the maximum total profit on each option is $780 million. This was our original intention, but to provide complete clarity on this issue and to eliminate any possible confusion or ambiguity caused by SunTrust's allegations as to the firm and comprehensive nature of the total profit as alleged by SunTrust, we clarified this limit. Finally, if an issuer of an option is acquired by another company, the option is changed into a new option to buy the acquiring company's stock. As we reviewed the options to make the two revisions we described, we concluded that the exercise price adjustment formula in the new option, although subject to the same profit cap as the regular option, did not accurately reflect the parties' intent as to the potential value of the new option and resulted in an exercise price that was too low. We therefore amended the options accordingly.

See "The Merger--Background of the Merger" beginning on page . .

We Have Agreed When and How We Can Consider Third Party Acquisition Proposals (Page .)

We have agreed that we will not initiate or solicit proposals from third parties regarding acquiring our companies or our businesses. In addition, we have agreed that we cannot engage in negotiations or provide confidential information to a third party regarding acquiring our companies or our businesses. However, if one of us receives an acquisition proposal from a third party, that party can participate in negotiations with the third party if, among other steps, its board of directors concludes that the proposal is, or may result in, a proposal that is superior to our merger.

Wachovia's board of directors has concluded that SunTrust's unsolicited merger proposal does not represent a strategically desirable alternative and is not in the best interests of Wachovia or its shareholders and, therefore, has not authorized any negotiations with SunTrust.

Merger Approval Requires a Majority Vote by First Union Shareholders and by Wachovia Shareholders (Pages . and .)

First Union Shareholders. In order to approve the plan of merger, the holders of a majority of First Union's common shares outstanding as of June 12, 2001 must vote in favor of the plan of

merger contained in the merger agreement. First Union directors and executive officers beneficially owned about 9,143,109, or less than 1%, of the shares entitled to vote at the First Union annual

meeting. Wachovia and its subsidiaries, directors and executive officers beneficially owned less than 1% of the shares entitled to vote at the First Union meeting (other than shares held by Wachovia or its subsidiaries in a fiduciary, or custodial or agency capacity).

Wachovia Shareholders. In order to approve the plan of merger, the holders of a majority of Wachovia's common shares outstanding as of June 12, 2001 must vote in favor of the plan of merger contained in the merger agreement. Wachovia directors and executive officers beneficially owned about 2,269,640 shares of common stock, representing 1.12%, of the shares entitled to vote at the Wachovia annual meeting. First Union and its subsidiaries, directors and executive officers beneficially owned less than 1% of the shares entitled to vote at the Wachovia meeting (other than shares held by First Union or its subsidiaries in a fiduciary, or custodial or agency capacity).

Directors and Officers of Each of Our Companies Will Participate in the Management of the Combined Company (Page .)

The board of directors of the combined company will have 18 members. First Union will choose 9 members from its board and Wachovia will choose 9 members from its board to sit on the board of directors of the combined company. These directors will be split as evenly as possible among the three classes of directors, and will serve as directors until their respective successors are duly elected and qualified. The combined company's articles of incorporation and by-laws will be amended to provide nominating and other procedures to ensure that the 50/50 split between former First Union and former Wachovia directors is maintained through the annual shareholders meeting in 2004.

Mr. L. M. Baker, Jr., will be a member of the combined company's board of directors and will serve as its Chairman until 2004, unless he retires or resigns before then or as otherwise determined according to the combined company's articles of incorporation and by-laws. The current Chairman, President and Chief Executive Officer of First Union, Mr. G. Kennedy Thompson, will be a member of its board of directors, as well as the combined company's President and Chief Executive Officer, and will succeed Mr. Baker as Chairman at the annual shareholders' meeting held in 2004, unless he retires or resigns before then or as otherwise determined according to the combined company's articles of incorporation and by-laws.

Our Directors and Executive Officers May Have Interests in the Merger that Differ from Your Interests (Page .)

Some of our directors and executive officers have interests in the merger other than their interests as shareholders. The members of our boards of directors knew about these additional interests and considered them when they adopted the merger agreement and the plan of merger. We estimate that the value of the incremental payments and benefits executive officers and directors of First Union will receive as a result of the merger is $11.2 million, and the value of the incremental payments and benefits the executive officers and directors of Wachovia could receive is $70 million.

The following provides more detail about the payments, benefits and other interests we have described.

Mr. Baker's Employment Agreement. In connection with the merger, First Union entered into a new employment agreement with Mr. Baker, for his position as Chairman of the combined company. Mr. Baker's employment agreement with the combined company is for three years following the merger. He is to be paid an annual salary of at least $1 million (consistent with his current salary) and is eligible for an annual incentive payment, but in no event may his salary or annual bonus be less than the combined company's Chief Executive Officer. Following the merger, the combined company will honor Mr. Baker's current Supplemental Retirement Agreement, which will entitle Mr. Baker to receive an annual retirement benefit in addition to his normal pension benefit upon his retirement. Mr. Baker will also receive other payments upon

termination of employment described under "Interests of Certain Persons in the Merger" beginning on page . . See also "Wachovia Supplemental Retirement Agreements" beginning on page . .

Wachovia Employment Agreements. Employment agreements between Wachovia and 9 of its other executive officers provide those officers with severance benefits if their employment with the combined company terminates within 3 years following the merger. We currently estimate that payments and benefits of up to $31 million in the aggregate could be triggered if all such employees were terminated within the time frames covered under the agreements, which we do not expect to occur.

Wachovia Supplemental Agreements. Also, once Wachovia shareholders approve the merger, benefits under supplemental retirement agreements with 9 executive officers will become fully vested and, assuming the executive's employment terminates following the merger, will be adjusted to reflect any continuation benefits under the executive's employment agreement. We currently estimate that as of the date of the merger, the present value of the aggregate payments and benefits that could be triggered under these agreements is $30 million if all such executives' employment terminates immediately upon the merger, which we do not expect to occur. In addition, non-employee directors may elect to obtain a lump sum settlement of the phantom stock units credited to their account.

First Union Employment Agreements. Employment and severance agreements between First Union and 14 of its officers provide the officers with severance benefits if their employment is terminated in a specified fashion. Currently 3 such executives have not been identified as having positions with the combined company following the merger. We currently estimate that payments and benefits of up to $11.2 million in the aggregate could be payable to those executives.

Directors of the Combined Company. 9 of the current directors of First Union and 9 of the current directors of Wachovia will become directors of the combined company following the merger and will continue to receive customary fees from the combined company for being a director. Other than Mr. Baker and Mr. Thompson, these directors have not yet been identified. Also, following the merger, the combined company will indemnify, and provide directors' and officers' insurance for, the officers and directors of Wachovia for events occurring before the merger, including events that are related to the merger.

We Must Meet Several Conditions To Complete the Merger (Page .)

Our obligations to complete the merger depend on a number of conditions being met. These include:

- approval of the plan of merger by both First Union and Wachovia shareholders;
- the representations and warranties of the other party to the merger agreement being true and correct, except as would not have or would not reasonably be expected to have a material adverse effect; and the other party to the merger agreement must have performed in all material respects all its obligations under the merger agreement;
- listing the shares of First Union common stock to be issued in the merger on the NYSE;
- receiving the approval of necessary federal and state regulatory authorities;
- absence of any government action or other legal restraint or prohibition that would prohibit the merger or make it illegal; and
- receiving legal opinions that, for U.S. federal income tax purposes, the merger will be treated as a reorganization and no gain or loss will be recognized by Wachovia shareholders who receive First Union common shares in exchange for all of their Wachovia common stock, except with respect to consideration received other than First Union stock, including the $0.48 per share cash payment for those shareholders who elect to receive it and any cash for fractional interests. These opinions will be subject to various limitations. Receipt of opinions with respect to the tax consequences of the exchange of Wachovia shares

for DEPs is not a condition of completing the merger.

Where the law permits, either of us could choose to waive a condition to our obligation to complete the merger even when that condition has not been satisfied. We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed. Although the merger agreement allows us to waive the tax opinion condition, we do not currently anticipate doing so. If either of us does waive this condition, we will inform you of this fact and ask you to vote on the merger taking this into consideration.

We Must Obtain Regulatory Approvals to Complete the Merger (Page .)

We cannot complete the merger unless it is approved by the Board of Governors of the Federal Reserve System. Once the Federal Reserve Board approves the merger, we will have to wait from 15 to 30 days before we can complete it. During that time, the U.S. Department of Justice, or DOJ, can challenge the merger. The merger is also subject to receiving the approval of other regulatory authorities.

We have filed the required application and notices with the Federal Reserve Board. We are in the process of filing all of the required applications and notices with other regulatory authorities. In addition, the merger is subject to review by antitrust authorities under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or HSR Act, and we have received clearance pursuant to the HSR Act to complete the merger.

As of the date of this document, we have not yet received the required approvals. Although we do not know of any reason why we would not be able to obtain the necessary approvals in a timely manner, we cannot be certain when or if we will get them. We expect that we will need to sell branches with approximately $1.49 billion in deposits, along with related loans, to third parties in order to comply with antitrust requirements, but we have taken this into account in planning for the merger, and we do not believe that it will have a material negative effect on the combined company.

We May Terminate the Merger Agreement (Page .)

We can mutually agree at any time to terminate the merger agreement without completing the merger, even if our shareholders have approved the plan of merger. Also, either of us can decide, without the consent of the other, to terminate the merger agreement:

- if there is a final denial of a required regulatory approval;

- if there is a continuing breach of the merger agreement by the other party, after 60 days' written notice to the breaching party, as long as that breach would allow the non-breaching party not to complete the merger;

- if the other party's board of directors fails to recommend and support approval of the plan of merger to its shareholders, or withdraws or materially and adversely modifies its recommendation; or the other party's board recommends a third party acquisition proposal;

- if the other party commences, or the other party's board authorizes commencement of, negotiations with a third party about a third party acquisition proposal and those negotiations continue for 5 business days; or

- if the merger is not completed on or before January 16, 2002.

The SunTrust proposal is a third party acquisition proposal for purposes of the third and fourth bullet points above.

The failure of either Wachovia or First Union to obtain the shareholder vote required for the merger will not by itself give either company the right to terminate the merger agreement. As long as no other termination event occurred, both companies would remain obligated to continue to use their reasonable best efforts to complete the merger until January 16, 2002, which, depending on the timing of the failed meeting, could include calling additional shareholder meetings. In addition, during this period neither company could undertake any other material acquisitions or mergers.

The boards of directors of both companies considered, and believed it was appropriate to make, this commitment for the limited period of time involved, especially in light of the nature of the transaction as a merger-of-equals based on long-term strategic considerations, the relatively short term of this commitment and the relatively lengthy regulatory and integration processes involved in transactions like these. Moreover, a similar provision has been used in 4 out of the 8 banking mergers involving consideration over $10 billion (not including the proposed First Union/Wachovia merger) since 1998.

Whether or not the merger is completed, we will each pay our own fees and expenses, except that we will evenly divide the costs and expenses that we incur in preparing, printing and mailing this document and filing fees paid in connection with the registration statement and all applications for government approvals, except fees paid to counsel, financial advisors and accountants.

We May Amend or Waive Merger Agreement Provisions (Page .)

We may jointly amend the merger agreement, and each of us may waive our right to require the other party to follow particular provisions of the merger agreement. However, we may not amend the merger agreement after our shareholders approve the plan of merger if the amendment would legally require the plan of merger to be resubmitted to Wachovia shareholders or First Union shareholders or would violate North Carolina law.

We may also agree to change the structure of the merger, as long as any change does not change the amount or type of stock or other payment to be received by Wachovia shareholders and the holders of options to purchase Wachovia common stock, does not adversely affect the timing of completion of the merger, does not affect the ability to receive the legal opinions relating to the tax-free nature of the merger and does not adversely affect the interests of our shareholders.

We Have Granted Stock Options to Each Other (Page . and Appendices B and C)

We each entered into a stock option agreement that grants the other an option to purchase up to 19.9% of the outstanding shares of our common stock, or the stock of any company that acquires either of us, under the circumstances and for the payments described in the option agreements.

We granted the options to each other in order to increase the likelihood that we would complete the merger. The options could discourage other companies from proposing a competing combination with either of us before we complete the merger.

Neither of us can exercise our option unless either:

- a third party acquires 25% or more of the common stock of the option issuer or
- the option issuer agrees to, or recommends to its shareholders, a business combination or acquisition transaction (other than the proposed merger) with another party that would result in the acquisition of more than 25% of the stock or business of the option issuer or a significant subsidiary.

We do not know of any event that has occurred as of the date of this document that would allow either of us to exercise our option.

As of the date of this document, SunTrust's proposal to acquire Wachovia has not triggered exercisability of the option that First Union holds on Wachovia common stock, although the occurrence in the future of either of the events listed in the 2 bullets above would cause the option to become exercisable. SunTrust has filed suit to challenge the Wachovia option; First Union and Wachovia have filed suit seeking an order upholding the option. First Union and Wachovia believe that the options are valid under North Carolina law.

After completion of a business combination or acquisition transaction between the option issuer and a third party involving 25% or more of the stock or business of the option issuer or a significant subsidiary, the option issuer may be required to repurchase the option and any shares purchased

under it at a formula price, or the option holder may choose to surrender the option for a minimum cash payment of $375 million. The holder of the option may realize a maximum total profit under the terms of the option of $780 million.

The options generally expire if the merger agreement terminates. However, an option will continue for 18 months after the merger agreement terminates if, before the merger agreement terminates (subject to extension for up to 6 months if the regulatory or legal impediments prevent exercise during that period), the option issuer agrees to an acquisition transaction with a third-party or a third-party takes other specified steps toward an acquisition of the issuer. On May 30, 2001, SunTrust filed an application with the Federal Reserve Board for approval to complete its unsolicited merger proposal with Wachovia. This event has triggered the 18-month continuation of First Union's option on Wachovia common stock. As a result, this option will not terminate until 18 months after the merger agreement terminates, subject to extension for up to 6 months as described above. If, for example, the merger agreement terminates on January 16, 2002, the option would expire on July 16, 2003 (subject to the possible six-month extension until January 16, 2004).

If either company were able to, and did, exercise its option, it would own about 17% of the other's common shares, after giving effect to the newly issued shares, and have the ability to vote those shares in the future. Because North Carolina law generally requires a majority vote for merger proposals, the holder would not be able to force a merger or block future business combination transactions, based solely on the shares received upon exercise of the option. Similarly, neither of us believes the maximum payment of $780 million would prohibit us from engaging in a future business combination transaction. SunTrust has publicly indicated that it does not "currently intend" to continue its hostile proposal if First Union refuses to cancel its option to purchase Wachovia shares in exchange for a cash payment equal to its "in the money" value, or if First Union is able to, and does, exercise the option and acquires Wachovia shares. However, SunTrust has said that it reserves the right to change its mind.

The Rights of Shareholders of the Combined Company Will Be Similar to the Current Rights of First Union Shareholders (Page .)

The rights of First Union shareholders are governed by North Carolina law and by First Union's articles of incorporation and by-laws. The rights of Wachovia shareholders are also governed by North Carolina law, but are subject to Wachovia's articles of incorporation and by-laws. Upon completing the merger, the rights of both shareholder groups will be governed by North Carolina law and First Union's articles of incorporation and by-laws, except that:

- the name of the combined company will be "Wachovia Corporation";
- 500,000,000 no-par DEPs, as they are described in this document, will be authorized to be issued to Wachovia shareholders;
- the number of authorized shares of the combined company's common stock will be increased from 2 billion to 3 billion; and
- the combined company's articles of incorporation and by-laws will contain provisions related to management succession and procedures and qualifications for the nomination of directors by the board intended to effect the 50/50 split between former First Union and former Wachovia board members contemplated by the merger agreement. These provisions will expire immediately after the combined company's 2004 annual shareholders' meeting.

OTHER ANNUAL MEETING PROPOSALS (PAGES . and .)

First Union Shareholders. In addition to the plan of merger, First Union shareholders will be asked to consider other proposals at First Union's annual meeting. These proposals are described in this document under "Other Matters to be Considered at the First Union Meeting" beginning on page . . These proposals include:

- electing 5 nominees to First Union's board of directors;
- approving First Union's Senior Management Incentive Plan;
- approving an amendment to First Union's 1998 Stock Incentive Plan;
- ratifying the appointment of KPMG LLP as First Union's independent auditors for the year 2001; and
- if properly presented, a shareholder proposal regarding political contributions, which management and the board oppose.

First Union's board of directors recommends voting "FOR" electing the five nominees, approving the Senior Management Incentive Plan, approving the amendment to the 1998 Stock Incentive Plan, and ratifying the appointment of

KPMG LLP. The First Union board of directors recommends voting "AGAINST" the shareholder proposal regarding political contributions.

Wachovia Shareholders. In addition to the plan of merger, Wachovia shareholders will be asked to consider other proposals at Wachovia's annual meeting. These proposals are described in this document under "Other Matters to be Considered at the Wachovia Meeting" beginning on page . . These proposals include:

- electing 5 nominees to Wachovia's board of directors; and

- ratifying the appointment of Ernst & Young LLP as Wachovia's independent auditors for the year 2001.

Wachovia's board of directors recommends voting "FOR" electing the five nominees and ratifying the appointment of Ernst & Young LLP.

INFORMATION ABOUT FIRST UNION AND WACHOVIA (PAGE .)

First Union Corporation
One First Union Center
Charlotte, NC 28288
(704) 374-6565

First Union is a financial holding company organized under the laws of North Carolina and registered under the federal Bank Holding Company Act. First Union has nearly 2,200 full-service financial centers and more than 3,800 ATM locations. First Union 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 March 31, 2001, First Union had consolidated total assets of $253 billion, consolidated total deposits of $144 billion and consolidated stockholders' equity of $16 billion. Based on total assets at March 31, 2001, First Union was the 6th largest bank holding company in the United States.

Wachovia Corporation

100 North Main Street	191 Peachtree St., N.E.
Winston-Salem, NC 27150	Atlanta, GA 30303
(336) 732-2549	(404) 332-6661

Wachovia is an interstate financial holding company with dual headquarters in Atlanta, Georgia, and Winston-Salem, North Carolina, serving regional, national and international markets. Wachovia had total assets of $76 billion and deposits of $46 billion as of March 31, 2001 and is ranked 14th and 15th, respectively, among U.S. banking companies in those categories. Wachovia's principal banking subsidiary is Wachovia Bank, N.A., which has 668 branches and 1,356 ATMs in Florida, Georgia, North Carolina, South Carolina and Virginia. Wachovia serves 3.8 million consumers and 180,000 small business customers in the five states. Wachovia's corporate bank has more than 28,000 business relationships and global activities in 40 countries.

Unaudited Comparative Per Share Data

The following table shows historical information about our companies' respective earnings per share, dividends per share and book value per share, and similar information reflecting the merger, which we refer to as "pro forma" information, at or for the three months ended March 31, 2001 and at or for the year ended December 31, 2000. In presenting the comparative pro forma information for the periods shown we assumed that we had been combined throughout those periods.

We assumed that the merger will be accounted for under an accounting method known as "purchase accounting." Under the purchase method of accounting, the assets and liabilities of the company not surviving a merger are, as of the completion date of the merger, recorded at their respective fair values and added to those of the surviving company. Financial statements of the surviving company issued after consummation of the merger reflect such values and are not restated retroactively to reflect the historical financial position or results of operations of the company not surviving.

The information listed as "equivalent pro forma" for Wachovia was obtained by multiplying the pro forma amounts by the 2-for-1 exchange ratio. We present this information to reflect the fact that Wachovia shareholders will receive two shares of common stock of the combined company for each share of their Wachovia common stock exchanged in the merger.

We expect that we will record approximately $1.4 billion of restructuring charges, merger-related charges and purchase accounting adjustments as a result of combining our companies. A portion of these charges and adjustments will be recorded upon merger closing as either purchase accounting adjustments or in the combined results of operations, with the remainder expected to be recorded in the combined results of operations in each year from 2002 through 2004. We also anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses. The pro forma information throughout this document, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not necessarily reflect what the historical results of the combined company would have been had our companies been actually combined during the periods presented.

The final allocation of the purchase price will be determined after the merger is completed and after completion of thorough analyses to determine the fair values of Wachovia's tangible and identifiable intangible assets and liabilities as of the date the merger is completed. In addition, estimates related to restructuring and merger-related charges are subject to final decisions related to combining the companies. Any change in the fair value of the net assets of Wachovia will change the amount of the purchase price allocable to goodwill. Additionally, changes to Wachovia's stockholders' equity including net income from April 1, 2001, through the date the merger is completed, will also change the amount of goodwill recorded. In addition, the final adjustments may be materially different from the unaudited pro forma adjustments presented herein.

The information in the following table is based on, and should be read together with, the historical financial information that we have presented in our prior filings with the SEC, which are incorporated into this document by reference, and with the more detailed pro forma financial information we provide in this document, which you can find beginning at page . . See "Where You Can Find More Information" on page . for a description of where you can find our prior filings.

Unaudited Comparative Per Common Share Data of First Union and Wachovia

	Three Months Ended March 31, 2001	Year Ended December 31, 2000
First Union		
Basic earnings per common share:		
Income before change in accounting principle		
Historical	$ 0.60	0.12
Pro forma	0.48	0.26
Diluted earnings per common share:		
Income before change in accounting principle		
Historical	0.59	0.12
Pro forma	0.47	0.26
Dividends declared on common stock:		
Historical	0.24(a)	1.92
Pro forma	0.24(a)	1.92
Book value per common share:		
Historical	16.39	15.66
Pro forma	20.98	20.68
Wachovia		
Basic earnings per common share:		
Historical	$ 1.17	4.10
Equivalent pro forma	0.96	0.52
Diluted earnings per common share:		
Historical	1.17	4.07
Equivalent pro forma	0.94	0.52
Dividends declared on common stock:		
Historical	0.60	2.28
Equivalent pro forma	0.48	3.84
Book value per common share:		
Historical	32.64	30.89
Equivalent pro forma	41.96	41.36

(a) The current annualized dividend rate for First Union for 2001 is $0.96.

Selected Financial Data

The following tables show summarized historical financial data for each of the companies and also show similar pro forma information reflecting the merger. The historical financial data show the financial results actually achieved by First Union and Wachovia for the periods indicated. The pro forma information reflects the pro forma effect of accounting for the merger under the purchase method of accounting. The pro forma income statement data for the three months ended March 31, 2001 assumes a merger completion date of January 1, 2001. The pro forma income statement data for the year ended December 31, 2000 assumes a merger completion date of January 1, 2000. The pro forma balance sheet data assumes a merger completion date of March 31, 2001.

We expect that we will record approximately $1.4 billion of restructuring charges, merger-related charges and purchase accounting adjustments as a result of combining our companies. A portion of these charges and adjustments will be recorded upon completion of the merger, with the remainder expected to be recorded in each year from 2002 through 2004. The pro forma financial information includes estimated adjustments to record certain assets and liabilities of Wachovia at their respective fair values. The pro forma adjustments included herein are subject to updates as additional information becomes available and as additional analyses are performed. Certain other assets and liabilities of Wachovia, principally loans and borrowings, will also be subject to adjustment to their respective fair values. Pending more detailed analyses, no pro forma adjustments are included herein for these assets and liabilities. We also anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses. The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect these charges, expenses or benefits and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the new company would have been had our companies been combined during the periods presented. See "Cost Savings" on page . .

The information in the following tables is based on historical financial information and related notes that we have presented in our prior filings with the SEC. You should read all of the summary financial information we provide in the following tables together with this historical financial information and related notes and together with the more detailed pro forma financial information and related notes we provide in this document, which you can find beginning at page . . The historical financial information is also incorporated into this document by reference. See "Where You Can Find More Information" on page . for a description of where you can find this historical information and "First Union and Wachovia Unaudited Pro Forma Condensed Combined Financial Information" on page . .

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF FIRST UNION

(In millions, except per share data)	Three Months Ended March 31, 2001	2000	Years Ended December 31, 2000	1999	1998	1997	1996
CONSOLIDATED SUMMARIES OF INCOME							
Interest income..........	$ 4,025	4,313	17,534	15,151	14,988	14,362	13,758
Interest expense.........	2,323	2,347	10,097	7,699	7,711	6,568	6,151
Net interest income......	1,702	1,966	7,437	7,452	7,277	7,794	7,607
Provision for loan losses..................	219	192	1,736	692	691	1,103	678
Net interest income after provision for loan losses..................	1,483	1,774	5,701	6,760	6,586	6,691	6,929
Securities transactions--portfolio..............	(16)	(16)	(1,134)	(63)	357	55	100
Fee and other income.....	1,590	1,858	7,846	6,996	6,078	4,267	3,435
Restructuring and merger-related charges.........	2	(5)	2,190	404	1,212	284	421
Noninterest expense......	2,207	2,387	9,520	8,458	7,844	6,936	6,509

Income before income taxes and cumulative effect of a change in accounting principle ...	848	1,234	703	4,831	3,965	3,793	3,534
Income taxes............	264	394	565	1,608	1,074	1,084	1,261
Income before cumulative effect of a change in accounting principle....	584	840	138	3,223	2,891	2,709	2,273
Cumulative effect of a change in the accounting for beneficial interests, net of tax...	--	--	(46)	--	--	--	--
Net income..............	$ 584	840	92	3,223	2,891	2,709	2,273
PER COMMON SHARE DATA							
Basic							
Income before change in accounting principle...	$ 0.60	0.86	0.12	3.35	2.98	2.84	2.33
Net income.............	0.60	0.86	0.07	3.35	2.98	2.84	2.33
Diluted							
Income before change in accounting principle...	0.59	0.85	0.12	3.33	2.95	2.80	2.30
Net income.............	0.59	0.85	0.07	3.33	2.95	2.80	2.30
Cash dividends..........	0.24	0.48	1.92	1.88	1.58	1.22	1.10
Book value..............	16.39	17.16	15.66	16.91	17.20	15.82	14.77
CASH DIVIDENDS PAID ON COMMON STOCK...........	235	478	1,888	1,817	1,524	1,141	1,031
CONSOLIDATED PERIOD-END BALANCE SHEET ITEMS							
Assets..................	252,949	253,648	254,170	253,024	237,087	205,609	197,259
Loans, net of unearned income.................	122,853	135,803	123,760	133,177	134,149	131,687	134,647
Deposits................	140,795	139,890	142,668	141,047	142,467	137,077	136,429
Long-term debt..........	36,092	33,043	35,809	31,975	22,949	13,487	11,604
Stockholders' equity.....	$ 16,081	16,884	15,347	16,709	16,897	15,143	14,546
Common shares outstanding (In thousands)..........	981,268	984,148	979,963	988,315	982,223	960,984	988,594
CONSOLIDATED AVERAGE BALANCE SHEET ITEMS							
Assets..................	$245,469	248,290	247,492	230,319	222,213	195,980	189,214
Loans, net of unearned income.................	119,850	131,481	126,888	129,791	132,060	134,517	129,120
Deposits................	137,282	140,421	140,766	135,112	136,330	132,847	131,276
Long-term debt..........	36,631	32,564	34,279	28,738	16,268	12,596	10,443
Stockholders' equity.....	$ 15,846	16,583	15,541	15,932	15,878	14,327	13,834
Common shares outstanding (In thousands)							
Basic..................	967,671	972,174	970,608	959,390	969,131	955,241	973,712
Diluted................	975,847	984,095	974,172	966,863	980,112	966,792	982,755
CONSOLIDATED PERCENTAGES							
Average assets to average stockholders' equity....	15.49x	14.97	15.93	14.46	13.99	13.68	13.68
Return on average assets.................	0.97%(a)	1.36(a)	0.04	1.40	1.30	1.38	1.20
Return on average stockholders' equity....	14.95(a)	20.38(a)	0.59	20.23	18.21	18.91	16.43
Average stockholders' equity to average assets.................	6.46	6.68	6.28	6.92	7.15	7.31	7.31
Stockholders' equity to							

assets.................	6.36	6.66	6.04	6.60	7.13	7.36	7.37
Allowance for loan losses to							
Loans, net.............	1.43	1.30	1.39	1.32	1.36	1.40	1.64
Nonperforming assets....	132	139	135	165	216	186	211
Net charge-offs to average loans, net......	0.53(a)	0.57(a)	0.59	0.53	0.48	0.65	0.64
Nonperforming assets to loans, net, foreclosed properties and loans in other assets as held for sale..	1.30	0.92	1.22	0.78	0.63	0.75	0.78
Capital ratios							
Tier 1 capital..........	7.18	6.94	7.02	7.08	6.81	8.36	7.86
Total capital...........	11.33	10.67	11.19	10.87	10.99	12.95	12.53
Leverage................	5.88	5.94	5.92	5.97	5.91	7.03	6.70
Net interest margin......	3.42%(a)	3.69(a)	3.55	3.79	3.81	4.53	4.55

(a) Annualized.

21

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF WACHOVIA

(In millions, except per share data)	Three Months Ended March 31, 2001	2000	Years Ended December 31, 2000	1999	1998	1997	1996
CONSOLIDATED SUMMARIES OF INCOME							
Interest income..........	$ 1,350	1,246	5,345	4,667	4,665	4,262	4,010
Interest expense.........	720	626	2,830	2,197	2,314	2,169	2,086
Net interest income......	630	620	2,515	2,470	2,351	2,093	1,924
Provision for loan losses.................	122	74	588	298	299	265	194
Net interest income after provision for loan losses.................	508	546	1,927	2,172	2,052	1,828	1,730
Securities transactions--portfolio..............	9	--	--	11	20	1	5
Fee and other income.....	492	471	1,931	1,610	1,228	1,006	874
Restructuring and merger-related charges.........	13	8	136	19	85	220	--
Noninterest expense......	619	630	2,447	2,232	1,911	1,746	1,509
Income before income taxes..................	377	379	1,275	1,542	1,304	869	1,100
Income taxes.............	135	134	443	531	430	276	343
Net income..............	$ 242	245	832	1,011	874	593	757
PER SHARE DATA							
Basic..................	$ 1.17	1.21	4.10	4.99	4.26	2.99	3.70

Diluted..................	1.17	1.20	4.07	4.90	4.18	2.94	3.65
Cash dividends...........	0.60	0.54	2.28	2.06	1.86	1.68	1.52
Book value...............	32.64	28.88	30.89	28.04	26.30	25.13	22.90
CASH DIVIDENDS PAID ON COMMON STOCK............	122	110	463	418	382	327	306
CONSOLIDATED PERIOD-END BALANCE SHEET ITEMS							
Assets...................	75,606	68,817	74,032	67,353	64,123	65,397	57,229
Loans, net of unearned income..................	56,703	51,125	55,002	49,621	45,719	44,194	38,007
Deposits.................	45,617	43,716	44,412	41,786	40,995	42,654	35,322
Long-term debt...........	10,712	8,738	10,808	7,814	7,597	5,934	7,025
Stockholders' equity.....	$ 6,865	5,846	6,285	5,658	5,338	5,174	4,608
Common shares outstanding (In thousands)..........	210,335	202,456	203,424	201,812	202,986	205,927	201,253
CONSOLIDATED AVERAGE BALANCE SHEET ITEMS							
Assets...................	$ 73,800	67,755	69,699	65,420	63,949	57,607	55,584
Loans, net of unearned income..................	55,659	50,550	52,436	47,223	44,401	39,716	36,739
Deposits.................	43,991	43,192	43,612	40,580	39,814	36,516	34,100
Long-term debt...........	10,721	8,081	9,144	8,134	6,279	6,122	6,693
Stockholders' equity.....	$ 6,439	5,688	5,886	5,430	5,168	4,533	4,458
Common shares outstanding (In thousands)							
Basic..................	206,061	202,464	202,989	202,795	205,058	198,290	204,889
Diluted................	207,569	204,213	204,450	206,192	209,153	201,901	207,432
CONSOLIDATED PERCENTAGES							
Average assets to average stockholders' equity....	11.46x	11.91	11.84	12.05	12.37	12.71	12.47
Return on average assets.................	1.31%(a)	1.44(a)	1.19	1.55	1.37	1.03	1.36
Return on average stockholders' equity....	15.04(a)	17.21(a)	14.14	18.62	16.92	13.08	16.99
Average stockholders' equity to average assets.................	8.72	8.39	8.44	8.30	8.08	7.87	8.02
Stockholders' equity to assets.................	9.08	8.50	8.49	8.40	8.32	7.91	8.05
Allowance for loan losses to							
Loans, net.............	1.50	1.17	1.50	1.12	1.20	1.23	1.37
Nonperforming assets....	195	242	158	248	302	421	395
Net charge-offs to average loans, net......	0.85(a)	0.58(a)	0.70	0.62	0.67	0.67	0.53
Nonperforming assets to loans, net, foreclosed properties and loans in other assets as held for sale..	0.77	0.48	0.95	0.45	0.40	0.29	0.35
Capital ratios							
Tier 1 capital..........	7.80	7.44	7.55	7.52	7.99	8.43	8.93
Total capital...........	11.80	11.23	11.56	10.98	11.34	11.11	12.32
Leverage................	8.93	8.81	8.73	8.77	8.67	9.24	8.52
Net interest margin......	3.93%(a)	4.20(a)	4.11	4.32	4.24	4.14	3.98

(a) Annualized.

SELECTED PRO FORMA CONDENSED COMBINED FINANCIAL DATA OF FIRST UNION AND WACHOVIA (a)

(In millions, except per share data)	Three Months Ended March 31, 2001	Year Ended December 31, 2000
CONSOLIDATED SUMMARIES OF INCOME		
Interest income	$ 5,375	22,879
Interest expense	3,043	12,927
Net interest income	2,332	9,952
Provision for loan losses	341	2,324
Net interest income after provision for loan losses	1,991	7,628
Securities transactions--portfolio	(7)	(1,134)
Fee and other income	2,082	9,777
Restructuring and merger-related charges	15	2,326
Noninterest expense	3,013	12,716
Income before income taxes and cumulative effect of a change in accounting principle	1,038	1,229
Income taxes	359	848
Income before cumulative effect of a change in accounting principle	$ 679	381
PER COMMON SHARE DATA		
Income before change in accounting principle		
Basic	$ 0.48	0.26
Diluted	0.47	0.26
Dividends	0.24	1.92
Book value	20.98	20.68
CONSOLIDATED PERIOD-END BALANCE SHEET ITEMS		
Assets	334,470	--
Loans, net of unearned income	179,556	--
Deposits	184,912	--
Long-term debt	46,804	--
Stockholders' equity	$ 29,338	--
Common shares outstanding (In thousands)	1,401,938	--
CONSOLIDATED PERCENTAGES		
Return on average assets	0.85%(b)	0.12
Return on average stockholders' equity	9.60(b)	1.37
Allowance for loan losses to		
Loans, net	1.45	1.42
Nonperforming assets	147	141
Net charge-offs to average loans, net	0.63(b)	0.62
Nonperforming assets to loans, net, foreclosed properties and loans in other assets as held for sale	1.14%	1.14

(a) See "First Union and Wachovia Unaudited Pro Forma Condensed Combined Financial Information" on page . .

(b) Annualized.

RISK FACTORS

In addition to the other information contained in or incorporated by reference into this joint proxy statement-prospectus, including the matters addressed under the heading "Forward-Looking Statements" beginning on page . , you should carefully consider the following risk factors in deciding how to vote on the merger.

Because the Market Price of First Union Common Stock May Fluctuate, You Cannot Be Sure of the Market Value of the Common Stock that Wachovia Shareholders Will Receive in the Merger.

Upon completion of the merger, each share of Wachovia common stock will be converted into 2 shares of First Union common stock and the option to receive either a one-time cash payment of $0.48 or 2 DEPs. The exchange ratio will not be adjusted for changes in the market price of either First Union common stock or Wachovia common stock. Any change in the price of First Union common stock prior to the merger will affect the market value that Wachovia common shareholders will receive on the date of the merger. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in our businesses, operations and prospects and regulatory considerations. Many of these factors are beyond our control. Neither of us is permitted to terminate the merger agreement or resolicit the vote of our shareholders solely because of changes in the market price of either of our common stocks.

The prices of First Union common stock and Wachovia common stock at the closing of the merger may vary from their respective prices on the date the merger agreement was executed, on the date of this joint proxy statement-prospectus and on the date of the meetings. As a result, the value represented by the exchange ratio will also vary. For example, based on the range of closing prices of First Union common stock during the period from April 12, 2001, the last trading day before public announcement of the merger, through . , 2001, the exchange ratio represented a value based on the First Union common stock ranging from a high of $. to a low of $. for each share of Wachovia common stock (excluding the $0.48 cash payment). Because the date the merger is completed may be later than the dates of the meetings, at the time of your shareholders' meeting, you will not necessarily know the market value of the combined company's common stock that you will hold upon completion of the merger.

We May Fail to Realize the Cost Savings We Estimate For the Merger.

The success of the merger will depend, in part, on our ability to realize the estimated cost savings from combining the businesses of First Union and Wachovia. Our managements originally estimated that approximately $890 million of annual pre-tax cost savings would be realized from the merger by December 31, 2004. While we continue to be comfortable with these estimates as of the date of this document, it is possible that our estimates of the potential cost savings could turn out to be incorrect. For example, our combined purchasing power may not be as strong as we expect, and therefore our cost savings could be reduced. In addition, unanticipated growth in the combined company's business may require that some facilities or support functions that we currently expect to combine or reduce may be necessary for us to continue operations. Additional information about our cost savings estimates can be found on page . under "Cost Savings". Our cost savings estimates also depend on our ability to combine the businesses of First Union and Wachovia in a manner that permits those costs savings to be realized. If our estimates turn out to be incorrect or we are not able to combine successfully our two companies, the anticipated cost savings may not be realized fully or at all, or may take longer to realize than expected.

Combining Our Two Companies May Be More Difficult, Costly or Time-Consuming Than We Expect.

First Union and Wachovia have operated, and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with clients and employees or to achieve the

anticipated benefits of the merger. As with any merger of banking institutions, there also may be disruptions that cause us to lose customers or cause customers to take their deposits out of our banks. In addition, competitors may view SunTrust's hostile bid as an opportunity to draw customers from each of us and from SunTrust.

For example, First Union's 1998 acquisition of CoreStates Financial Corp involved a number of the integration problems listed above. Because this transaction occurred at the same time First Union was implementing a new business model and involved an accelerated implementation of cost savings, unanticipated levels of customer attrition were experienced.

We Will Need to Divest About $1.49 Billion of Deposits to Address Competitive Concerns.

Because of First Union's and Wachovia's strong presence in some markets, we believe we will need to make divestitures of branches with deposits of approximately $1.49 billion, and related loans, in order to avoid a determination by the Federal Reserve Board or the DOJ that the merger would have a significantly adverse effect on competition in those markets. First Union and Wachovia are attempting to receive clearance for these divestitures as soon as possible. Although we believe that the divestitures and potential customer run-off will not have a material negative effect on the business of the combined company, we cannot be sure.

Unless the Merger Is Completed, Neither of Us Can Undertake Another Business Combination Until January 2002.

The failure of either Wachovia or First Union to obtain the shareholder vote required for the merger will not by itself give either company the right to terminate the merger agreement. As long as no other termination event has occurred, both companies would remain obligated to continue to use their reasonable best efforts to complete the merger until January 16, 2002, which, depending on the timing of the failed meeting, could include calling additional shareholder meetings.

During this period neither company could undertake any other material mergers or business combination transactions without the consent of the other. This prohibition could have the effect of delaying alternative strategic business combinations for a limited period. In addition, the option that Wachovia granted First Union would survive for 18 months after the termination of the merger (subject to a 6-month extension in limited circumstances) because SunTrust has filed an application with the Federal Reserve Board to acquire Wachovia. See "Completion of SunTrust's Proposal Would Trigger the Option That Wachovia Issued First Union" on page . .

Our Directors and Executive Officers May Have Interests in the Merger that Differ from Your Interests.

Some of our directors and executive officers have interests in the merger other than their interests as shareholders. We estimate that the value of the incremental payments and benefits executive officers and directors of First Union will receive as a result of our proposed merger is $11.2 million. We estimate that the value of the incremental payments and benefits executive officers and directors of Wachovia could receive is $70 million, but the payment and value of such amount depends on whether the executive officers' employment with the combined company terminates after the merger and the time of such termination. We have calculated such payments and benefits assuming that all Wachovia executive officers terminate employment immediately after the merger, but we currently expect several will remain in the employment of the combined company, so that the amount of such payments and benefits may be substantially lower.

These payments and benefits may cause some of our directors and executive officers to view the merger proposal differently than you may view it.

We May Record Additional Allowance for Loan Losses After the Merger.

The determination of the appropriate level of the allowance for loan losses is a subjective process that involves both quantitative and qualitative factors. Based on our preliminary analysis performed during due diligence, we have determined that there are certain differences in the methodologies employed by the two companies. We have preliminarily selected First Union's methodology for the combined company.

The combined loan portfolio will have certain risk attributes that are different than the risk attributes of each company on a stand-alone basis such as an increased level of borrower and industry concentration. The combined effect of the risk attributes and of the utilization of a common methodology may result in an increase in the allowance for loan losses of the combined company.

After completion of the merger, we will complete our analysis of the two companies' allowance for loan losses methodologies, finalize the selection of a methodology for the combined company and further analyze the attributes of the combined portfolio. Based on the preliminary analysis, we expect to record an additional provision for loan losses in the results of operations of the combined company following completion of the merger. The actual increase to the allowance for loan losses will be determined and recorded immediately following the date the merger is completed. It will be based on a comprehensive analysis of the combined portfolio taking into account credit conditions existing at that time. We do not believe that the increase in the allowance for loan losses will exceed $450 million.

SunTrust's Tactics May Complicate or Delay Completion of the Merger.

SunTrust has begun an aggressive campaign to stop the merger. This campaign includes lawsuits, as well as tactics that we have alleged in litigation interfere with our contractual rights and include false and misleading statements. In addition, there have been lawsuits related to the merger by persons other than SunTrust. See "Litigation Relating to the Proposed Wachovia/First Union Merger" on page . .

The boards of directors of both Wachovia and First Union remain committed to the merger and to limiting outside interference. However, we cannot promise that SunTrust's lawsuits and other aggressive tactics, or any of the other lawsuits related to SunTrust's hostile offer or the merger, will not complicate or delay completion of the merger.

Completion of SunTrust's Proposal Would Trigger the Option That Wachovia Issued First Union.

Wachovia and First Union issued each other options in the merger. Generally, these options would expire if our merger were not completed and our merger agreement terminated. Because of SunTrust's actions, however, the option granted by Wachovia to First Union will continue for 18 months after termination of the merger agreement subject to extension in limited circumstances.

For example, if the merger agreement terminates on January 16, 2002, the option would expire on July 16, 2003 (subject to the possible six-month extension until January 16, 2004). This option will become exercisable if, during this 18-month period:

- SunTrust or any other third party acquires 25% or more of Wachovia's common shares or

- Wachovia agrees or recommends to its shareholders a business combination or acquisition transaction with SunTrust or any other party that would result in the acquisition of more than 25% of the voting stock, business, assets or deposits of Wachovia or one of its significant subsidiaries.

If First Union exercised this option, it would own about 17% of Wachovia's common shares and have the ability to vote those shares in the future. Many public corporations have large shareholders, and First Union would not be able to force a merger or block future business combinations based solely on the shares received upon exercise of the option. However, First Union would become the largest shareholder of Wachovia and would have the rights attendant to its share ownership. SunTrust has publicly indicated that it does not "currently intend" to continue its hostile proposal if First Union refuses to cancel its option to purchase Wachovia shares in exchange for a cash payment equal to its "in the money" value, or if First Union is able to, and does, exercise the option and acquires Wachovia shares. However, SunTrust has said that it reserves the right to change its mind.

Future Results of the Combined Companies May Materially Differ from the Pro Forma Financial Information Presented in this Document.

Future results of the combined company may be materially different from those shown in the pro forma financial statements that only show a combination of our historical results. W