ST PAUL COMPANIES INC /MN/
Form S-3
October 29, 2001

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As Filed With The Securities And Exchange Commission On October 29, 2001.

REGISTRATION NOS. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

THE ST. PAUL COMPANIES, INC.	**MINNESOTA**	**41-0518860**
ST. PAUL CAPITAL TRUST I	**DELAWARE**	**41-6494879**
(Exact Name of Registrant as Specified in its Charter)	(State or Other Jurisdiction)	(I.R.S. Employer Identification Number)

385 Washington Street
St. Paul, Minnesota 55102
(651) 310-7911

(Address, Including Zip Code, And Telephone Number, Including Area Code, Of Registrant's Principal Executive Offices)

Bruce A. Backberg
Senior Vice President
The St. Paul Companies, Inc.
385 Washington Street
St. Paul, Minnesota 55102
(651) 310-7916

(Name, Address, Including Zip Code, And Telephone Number, Including Area Code, Of Agent For Service)

With a copy to:

Donald R. Crawshaw
Sullivan & Cromwell
125 Broad Street
New York, New York 10004
(212) 558-4000

Approximate date of commencement of proposed sale to public: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. / /

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. / /

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Aggregate Offering Price per Unit(1)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(2)
Preferred Securities of St. Paul Capital Trust I	13,800,000	$25	$345,000,000	$86,250
Junior Subordinated Debentures of The St. Paul Companies, Inc. (2)(3)				
Guarantee of The St. Paul Companies, Inc. with respect to the above-referenced Preferred Securities (3)				
Total	13,800,000	$25	$345,000,000	$86,250

(1) Estimated solely for the purpose of determining the registration fee pursuant to Rule 457(o) under the Securities Act of 1933.

(2) The junior subordinated debentures will be purchased by St. Paul Capital Trust I with the proceeds of the sale of the preferred securities. No separate consideration will be received for such debentures, which may be distributed to the holders of the preferred securities upon the liquidation of St. Paul Capital Trust I.

(3) This Registration Statement is deemed to cover the preferred securities of St. Paul Capital Trust I, the junior subordinated debentures and the guarantee. It includes the rights of the holders of the preferred securities under the guarantee and certain back-up undertakings, comprised of the obligations of The St. Paul Companies, Inc. under the declaration of trust of St. Paul Capital Trust I and as borrower under the junior subordinated debentures, to provide certain indemnities in respect of, and pay and be responsible for certain costs, expenses, debts and liabilities of, St. Paul Capital Trust I (other than with respect to the preferred securities) and such obligations of The St. Paul Companies, Inc. as set forth in the declaration of trust of St. Paul Capital Trust I and the junior subordinated indenture, in each case as amended from time to time and as further described in the registration statement. The guarantee, when taken together with The St. Paul Companies, Inc.'s obligations under the junior subordinated debentures, the indenture and the declaration of trust, will provide a full and unconditional guarantee on a subordinated basis by The St. Paul Companies, Inc. of payments due on the preferred securities. No separate consideration will be received for the guarantee or such back-up obligations.

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED OCTOBER 29, 2001

The information in this prospectus is not complete and may be changed. The St. Paul Companies, Inc., St. Paul Capital Trust I and the underwriters 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 these securities and it is not an offer to buy securities in any state where the offer or sale is not permitted.

PROSPECTUS

12,000,000 Securities
St. Paul Capital Trust I
% Trust Preferred Securities (TRUPS®)

$25 liquidation amount
guaranteed to the extent set forth herein by
The St. Paul Companies, Inc.

A brief description of the % preferred securities can be found under "Summary Information Q&A" in this prospectus.

We will apply to list the % preferred securities on the New York Stock Exchange, Inc. under the symbol "SPC PrA". We expect the % preferred securities to begin trading on the New York Stock Exchange, Inc. within 30 days after they are first issued.

You are urged to carefully read the "Risk Factors" section beginning on page , where specific risks associated with these % preferred securities are described, along with the other information in this prospectus before you make your investment decision.

Neither the Securities and Exchange Commission nor any state securities or insurance commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Preferred Security	Total
Public offering price	$ 25.00	$ 300,000,000
Underwriting commissions	(1)	(1)
Proceeds to the St. Paul Capital Trust I	$ 25.00	$ 300,000,000

(1) Underwriting commissions of $ per preferred security, or for all % preferred securities, will be paid by The St. Paul Companies, Inc.

The Trust has granted the underwriters a 15-day option to purchase up to 1,800,000 additional preferred securities at $25 per preferred security, plus accrued distributions from , 2001, to cover over-allotments.

The "T**R**UPS[nc_cad,176]" will be ready for delivery in book-entry form only through The Depository Trust Company on or about , 2001.

"T**R**UPS[nc_cad,176]" is a registered service mark of Salomon Smith Barney Inc.

Salomon Smith Barney

, 2001

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PROSPECTUS

You should rely only on the information contained in or incorporated by reference in this prospectus. We and the Trust have not, and the underwriters have not, authorized anyone to provide you with information that is different. This prospectus may only be used where it is legal to sell these securities. The information provided by or incorporated by reference in this prospectus may only be accurate on the date of the document containing the information.

Unless the context otherwise indicates, the terms "The St. Paul," "we," "us" or "our" means The St. Paul Companies, Inc. and its consolidated subsidiaries.

SUMMARY INFORMATION Q&A

The following information supplements, and should be read together with, the information contained in other parts of this prospectus. This summary highlights selected information from this prospectus to help you understand the preferred securities. You should carefully read this prospectus to understand fully the terms of the preferred securities, the related guarantee and junior subordinated debentures, as well as the tax and other considerations that are important to you in making a decision about whether to invest in the preferred securities. You should pay special attention to the "Risk Factors" section beginning on page of this prospectus to determine whether an investment in the preferred securities is appropriate for you.

For your convenience, we make reference to specific page numbers in this prospectus for more detailed information on some of the terms and concepts used throughout this prospectus.

WHAT ARE THE PREFERRED SECURITIES?

Each preferred security represents an undivided beneficial interest in the assets of St. Paul Capital Trust I. Each preferred security will entitle the holder to receive quarterly cash distributions as described in this prospectus. The underwriters are offering preferred securities at a price of

$25 for each preferred security.

WHO IS ST. PAUL CAPITAL TRUST I?

St. Paul Capital Trust I, or the "Trust," is a statutory business trust created under Delaware law. The Trust's business and affairs are conducted by the institutional trustee and the two individual regular trustees, or "administrative trustees," who are officers of The St. Paul Companies, Inc. The Trust exists for the exclusive purposes of:

- issuing the preferred securities, which represent undivided beneficial ownership interests in the Trust's assets;
- issuing the common securities, which represent undivided beneficial ownership interests in the Trust's assets, to us in a total liquidation amount equal to at least 3% of the Trust's total capital;
- using the proceeds from these issuances to buy our junior subordinated debentures;
- maintaining the Trust's status as a grantor trust for federal income tax purposes; and
- engaging in only those other activities necessary, advisable or incidental to the above, such as registering the transfer of preferred securities.

Accordingly, the junior subordinated debentures will be the sole assets of the Trust. The Trust will use the payments it receives on the junior subordinated debentures to make the corresponding payments on the preferred securities. We will, on a subordinated basis, fully and unconditionally guarantee the payment by the Trust of the preferred securities to the extent described in this prospectus. We refer to this as the "guarantee." Both the junior subordinated debentures and the guarantee will be subordinated to our existing and future senior debt, and will be structurally subordinated to existing and future obligations of our subsidiaries. We will own all of the common securities of the Trust.

WHO IS THE ST. PAUL COMPANIES, INC.?

The St. Paul Companies, Inc. and its subsidiaries constitute one of the oldest insurance organizations in the United States, dating back to 1853. We are a management company principally engaged, through our subsidiaries, in providing commercial property-liability insurance and reinsurance products and services worldwide. We also have a presence in the asset management industry through our 78% majority ownership of The John Nuveen Company. As a management company, we oversee

the operations of our subsidiaries and provide them with capital and management and administrative services. At September 30, 2001, our total assets were $37.7 billion and our total shareholders' equity was $6.0 billion. In 2000, insurance and reinsurance underwriting accounted for approximately 95% of our consolidated revenues from continuing operations, and asset management operations accounted for approximately 5% of consolidated revenues from continuing operations.

Our principal and registered executive offices are located at 385 Washington Street, St. Paul, Minnesota 55102, and our telephone number is (651) 310-7911.

WHEN WILL YOU RECEIVE QUARTERLY DISTRIBUTIONS?

If you purchase the preferred securities, you are entitled to receive cumulative cash distributions at an annual rate of % of the liquidation amount of $25 per preferred security. Distributions will accumulate from the date the Trust issues the preferred securities and will be paid quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, beginning on January 15, 2002, unless they are deferred as described below.

WHEN CAN PAYMENT OF YOUR DISTRIBUTIONS BE DEFERRED?

We can, on one or more occasions, defer interest payments on the junior subordinated debentures for up to 20 consecutive quarterly periods unless an event of default under the junior subordinated debentures has occurred and is continuing (see pages and). A deferral of interest payments cannot extend, however, beyond the maturity date of the junior subordinated debentures, which is , 2050.

If we defer interest payments on the junior subordinated debentures, the Trust will also defer distributions on the preferred securities. During this deferral period, distributions will continue to accrue on the preferred securities at an annual rate of % of the liquidation amount of $25 per preferred security. Also, the deferred distributions will themselves accrue interest (to the extent permitted by law) at an annual rate of %, compounded quarterly. Once we make all interest payments on the junior subordinated debentures, with accrued interest, we can again postpone interest payments on the junior subordinated debentures if no event of default under the junior subordinated debentures has occurred and is continuing.

During any period in which we defer interest payments on the junior subordinated debentures, we will not be permitted to:

- declare or pay a dividend or make any other payment or distribution on our capital stock;
- redeem, purchase or make a liquidation payment on any of our capital stock;
- make an interest or principal payment on, or repurchase or redeem, any of our debt securities that rank equal with or junior to the junior subordinated debentures; or
- make any guarantee payments with respect to any guarantee of the debt securities of any of our subsidiaries (including other guarantees) if such guarantee ranks equal or junior to the junior subordinated debentures.

There are limited exceptions to these restrictions which are described on page .

If we defer the payment of interest on the junior subordinated debentures, the preferred securities will be treated as being reissued with original issue discount for United States federal income tax purposes. This means that, beginning at the time of deferral, you will be required to recognize interest income with respect to distributions even during the period those distributions are deferred and include those amounts in your gross income for United States federal income tax purposes before you receive any cash distributions relating to those interest payments. If you sell your preferred securities prior to

the record date for the first distribution after a deferral period, you will not receive the cash related to the accrued interest that you reported for tax purposes. See "Material Federal Income Tax Consequences" beginning on page .

WHEN CAN THE TRUST REDEEM THE PREFERRED SECURITIES?

The Trust will redeem all of the outstanding preferred securities when the junior subordinated debentures are paid at maturity on , 2050. In addition, if we redeem any junior subordinated debentures before their maturity, the Trust will use the cash it receives on the redemption of the junior subordinated debentures to redeem, on a pro rata basis, preferred securities and common securities having an aggregate liquidation amount equal to the aggregate principal amount of the junior subordinated debentures redeemed.

We can redeem the junior subordinated debentures before their maturity at 100% of their principal amount plus accrued interest to the date of redemption:

- in whole or in part, on one or more occasions any time on or after , 2006; and in whole, but not in part, before , 2006, if specified changes in investment company or tax laws occur (each of which is a "special event," more fully described beginning on page 31), and within 90 days of the occurrence of the special event.

WHAT IS OUR GUARANTEE OF THE PREFERRED SECURITIES?

We will fully and unconditionally guarantee the preferred securities based on:

- our obligations under the guarantee; and
- our obligations under the declaration of trust which governs the terms of the preferred securities; and
- our obligations under the indenture which governs the terms of the junior subordinated debentures (see page 28).

If we do not make a payment on the junior subordinated debentures, the Trust will not have sufficient funds to make payments on the preferred securities. The guarantee does not cover payments when the Trust does not have sufficient funds to make payments on the preferred securities.

Our obligations under the guarantee will constitute our unsecured obligation and will rank subordinate and junior in right of payment to all of our senior indebtedness, to the extent and in the manner set forth in the guarantee agreement, and will rank on a equal basis with other guarantees that may be issued by us with respect to preferred securities issued by other trusts.

WHEN COULD THE JUNIOR SUBORDINATED DEBENTURES BE DISTRIBUTED TO YOU?

We have the right to dissolve the Trust at any time. If we decide to exercise our right to dissolve the Trust, the Trust will, after satisfaction of liabilities to creditors of the Trust, redeem the preferred securities and the common securities by distributing the junior subordinated debentures to holders of the preferred securities and the common securities on a pro rata basis.

WILL THE PREFERRED SECURITIES BE LISTED ON A STOCK EXCHANGE?

The Trust will apply to have the preferred securities listed on the New York Stock Exchange, Inc., under the symbol "SPC PrA." If approved for listing, trading is expected to commence within 30 days after the preferred securities are first issued. You should be aware that the listing of the preferred securities will not necessarily assure that a liquid trading market will be available for the preferred securities. If the Trust distributes the junior subordinated debentures, we will use our best efforts to list

the junior subordinated debentures on the NYSE, another exchange, or an automatic quotation system or over-the-counter market.

WHAT HAPPENS IF THE TRUST IS DISSOLVED AND THE JUNIOR SUBORDINATED DEBENTURES ARE NOT DISTRIBUTED?

The Trust may also dissolve in circumstances where the junior subordinated debentures will not be distributed. In those situations, the Trust will, after satisfaction of liabilities to creditors of the Trust, pay the liquidation amount of $25 for each preferred security, plus unpaid distributions to the date the payment is made. The Trust will be able to make this distribution of cash only if the junior subordinated debentures are redeemed by us.

IN WHAT FORM WILL THE PREFERRED SECURITIES BE ISSUED?

The preferred securities will be represented by one or more global securities that will be deposited with and registered in the name of The Depository Trust Company, New York, New York, "DTC," or its nominee. This means that you will not receive a certificate for your preferred securities. The Trust expects that the preferred securities will be ready for delivery through DTC on or about , 2001.

RISK FACTORS

Your investment in the preferred securities will involve some risks. You should carefully consider the following discussion of risks and the other information in this prospectus before deciding whether an investment in the preferred securities is suitable for you.

Because the Trust will rely on the payments it receives on the junior subordinated debentures to fund all payments on the preferred securities, and because the Trust may distribute the junior subordinated debentures in exchange for the preferred securities, you are making an investment regarding the junior subordinated debentures as well as the preferred securities. You should carefully review the information in this prospectus about the preferred securities, the guarantee and the junior subordinated debentures.

HOLDERS OF OUR SENIOR DEBT AND ALL CREDITORS OF OUR SUBSIDIARIES WILL BE PAID BEFORE YOU WILL BE PAID UNDER THE JUNIOR SUBORDINATED DEBENTURES OR THE GUARANTEE, AND OUR RESULTS OF OPERATIONS DEPEND UPON THE RESULTS OF OPERATIONS OF OUR SUBSIDIARIES.

Our obligations to you under the junior subordinated debentures and the guarantee will be junior in right of payment to all of our existing and future senior debt. This means that we cannot make any payments to you on the junior subordinated debentures or the guarantee if we are in default on any of our senior debt. Therefore, in the event of our bankruptcy, liquidation or dissolution, our assets must be used to pay off our senior debt in full before any payments may be made on the junior subordinated debentures or the guarantee.

As of September 30, 2001, The St. Paul Companies, Inc. had outstanding debt securities senior to the junior subordinated debentures of approximately $1.9 billion. The indenture pursuant to which the junior subordinated debentures will be issued, the guarantee and the trust agreement which governs the Trust do not limit our ability to incur additional senior debt.

We are a holding company that conducts substantially all of our operations through our insurance companies and other subsidiaries. As a result, our ability to make payments on the junior subordinated debentures and the guarantee will depend primarily upon the receipt of dividends and other distributions from our subsidiaries.

Applicable insurance laws restrict the ability of our insurance subsidiaries to pay dividends or make other payments to us. Under these laws, our insurance subsidiaries are subject to restrictions on their ability to pay us dividends, and regulatory approval may be required for payments in excess of specified amounts based on the subsidiaries' financial condition and results of operations. Our insurance subsidiaries were permitted to pay us up to a maximum of approximately $1.6 billion in dividends in 2001 without prior regulatory approval. Through September 30, 2001, our insurance subsidiaries had paid us approximately $819 million in dividends. During 2000, our insurance subsidiaries were permitted to pay us dividends of $484 million without prior regulatory approval, and we received dividends of $483 million from them during that year.

In addition, our right to participate in any distribution of assets of any of our subsidiaries upon a subsidiary's liquidation or otherwise, and thus your ability as a holder of the preferred securities to benefit indirectly from that distribution, will be subject to the prior claims of creditors of that subsidiary, except to the extent that any of our claims as a creditor of that subsidiary may be recognized. As a result, the junior subordinated debentures and the guarantee will effectively be subordinated to all existing and future liabilities and obligations of our subsidiaries.

IF WE DO NOT MAKE PAYMENTS ON THE JUNIOR SUBORDINATED DEBENTURES, THE TRUST WILL NOT BE ABLE TO PAY DISTRIBUTIONS AND OTHER PAYMENTS ON THE PREFERRED SECURITIES AND THE GUARANTEE WILL NOT APPLY.

The Trust's ability to make timely distribution and redemption payments on the preferred securities is completely dependent upon our making timely payments on the junior subordinated debentures. If we default on the junior subordinated debentures, the Trust will lack funds for the payments on the preferred securities. If this happens, holders of preferred securities will not be able to rely upon the guarantee for payment of those amounts because the guarantee only guarantees that we will make distributions and redemption payments on the preferred securities if the Trust has the funds to do so itself but does not. Instead, you or the institutional trustee may proceed directly against us for payment of any amounts due on the related junior subordinated debentures.

DISTRIBUTIONS ON THE PREFERRED SECURITIES COULD BE DEFERRED; YOU MAY HAVE TO INCLUDE INTEREST IN YOUR TAXABLE INCOME BEFORE YOU RECEIVE CASH.

We can, on one or more occasions, defer interest payments on the junior subordinated debentures for up to 20 consecutive quarterly periods, but not beyond the maturity date of the junior subordinated debentures. Because interest payments on the junior subordinated debentures fund the distributions on the preferred securities, each deferral would result in a corresponding deferral of distributions on the preferred securities.

We do not intend to defer interest payments on the junior subordinated debentures. However, if we do so in the future, the preferred securities may trade at a price that does not reflect fully the value of the accrued but unpaid distributions. Even if we do not do so, our right to defer interest payments on the junior subordinated debentures could mean that the market price for the preferred securities may be more volatile than that of other securities without interest deferral rights.

If we defer the payment of interest on the junior subordinated debentures, the junior subordinated debentures will be treated as being reissued at that time with original issue discount for United States federal income tax purposes. This means that, beginning at the time of deferral, for United States federal income tax purposes you will be required to accrue interest income with respect to the junior subordinated debentures each year on an economic accrual (constant yield) basis, including during an extension period, and to include those amounts in your gross income whether or not you receive any cash distributions relating to those interest payments. If you sell your preferred securities prior to the record date for the first distribution after an extension period, you will not receive from the Trust the cash related to the accrued interest that you reported for tax purposes. You should consult with your own tax advisor regarding the tax consequences of an investment in the preferred securities.

For more information regarding the tax consequences of purchasing the preferred securities, see under "Certain Federal Income Tax Consequences Interest Income and Original Issue Discount" and " Sale or Redemption of the Preferred Securities."

THE PREFERRED SECURITIES MAY BE REDEEMED PRIOR TO MATURITY; YOU MAY BE TAXED ON THE PROCEEDS AND YOU MAY NOT BE ABLE TO REINVEST THE PROCEEDS AT THE SAME OR A HIGHER RATE OF RETURN.

The junior subordinated debentures, and therefore the preferred securities, may be redeemed in whole or in part on one or more occasions at any time on or after , 2006, or upon the occurrence of a tax event or investment company event. The redemption price for the junior subordinated debentures would be equal to 100% of the principal amount to be redeemed plus accrued and unpaid interest thereon. Upon redemption, the Trust must use the redemption price it receives to redeem on a proportionate basis preferred securities and common securities having an aggregate

liquidation amount equal to the aggregate principal amount of the junior subordinated debentures redeemed.

The redemption of the preferred securities would be a taxable event to you for United States federal income tax purposes. See "Certain Federal Income Tax Consequences Sale or Redemption of the Preferred Securities."

In addition, you may not be able to reinvest the money that you receive in the redemption at a rate that is equal to or higher than the rate of return on the preferred securities.

AN ACTIVE TRADING MARKET FOR THE PREFERRED SECURITIES MAY NOT DEVELOP.

The Trust will apply to have the preferred securities listed on the New York Stock Exchange. Subject to approval, trading of the preferred securities on the New York Stock Exchange is expected to commence within a 30-day period after the initial delivery of the preferred securities. You should be aware that the listing of the preferred securities will not necessarily ensure that an active trading market will be available for the preferred securities or that you will be able to sell your preferred securities at the price you originally paid for them.

The trading price of the preferred securities could widely fluctuate in response to variations in operating results, general market prices movements, interest rates, developments with respect to the September 11 terrorist attack and the global war on terrorism, and other events or factors.

WE GENERALLY WILL CONTROL THE TRUST BECAUSE YOUR VOTING RIGHTS ARE VERY LIMITED.

You will only have limited voting rights. In particular, you may not elect and remove any trustees, except when there is a default under the junior subordinated debentures. If a default under the junior subordinated debentures occurs, a majority of the holders in liquidation amount of the preferred securities would be entitled to remove or appoint the institutional trustee and the Delaware trustee.

DISTRIBUTION OF JUNIOR SUBORDINATED DEBENTURES MAY BE TAXABLE AND MAY DEPRESS TRADING PRICES TO A PRICE BELOW THE PRICE THAT YOU PAID FOR THE PREFERRED SECURITIES.

We have the right to dissolve the Trust at any time. If we dissolve the Trust, the Trust will be liquidated by distribution of the junior subordinated debentures to holders of the preferred securities and the common securities after satisfaction of liabilities to creditors of the Trust. If the Trust distributes the junior subordinated debentures, we will use our best efforts to list the junior subordinated debentures on the NYSE, another exchange, or an automatic quotation system or over-the-counter market.

Under current federal income tax laws, that distribution would not be taxable to you unless the Trust is classified for federal income tax purposes as an association taxable as a corporation at the time it is dissolved. In addition, if there is a change in law, a distribution of junior subordinated debentures to you on the dissolution of the Trust could also be a taxable event.

Your investment in the preferred securities may decrease in value if the junior subordinated debentures are distributed to you upon a liquidation of the Trust. We cannot predict the liquidity of the market price or market prices, if any, for the junior subordinated debentures that may be distributed. Accordingly, the junior subordinated debentures that you receive upon a distribution, or the preferred securities you hold pending such distribution, may trade at a discount to the price that you paid to purchase the preferred securities.

We may not be able to deduct the payments we make on the junior subordinated debentures for federal income tax purposes, which could significantly increase our income tax liability and could impair our ability to make payments on the preferred securities.

Our ability to deduct interest paid on the junior subordinated debentures will depend on whether the junior subordinated debentures are characterized as debt instruments for United States federal income tax purposes, taking all the relevant facts and circumstances into account. Our counsel has rendered an opinion to us that the junior subordinated debentures are debt instruments for United States federal income tax purposes. Accordingly, we intend to deduct interest on the junior subordinated debentures for United States federal income tax purposes. However, a legal opinion is not binding on the tax authorities or the courts. If the tax authorities or the courts determine that we are not able to deduct interest on the junior subordinated debentures, we would have significant additional income tax liability. This tax liability may have a material adverse effect on our results of operations, financial condition and ability to make payments on the junior subordinated debentures and, consequently, the Trust's ability to make payments on the preferred securities. Also, if a tax event were to occur we would have the right to redeem the junior subordinated debentures in whole prior to , 2006, which would require the Trust to redeem the corresponding amount of the preferred securities.

THE ST. PAUL COMPANIES, INC.

The St. Paul Companies, Inc. and its subsidiaries constitute one of the oldest insurance organizations in the United States, dating back to 1853. We are a management company principally engaged, through our subsidiaries, in providing commercial property-liability insurance and reinsurance products and services worldwide. We also have a presence in the asset management industry through our 78% majority ownership of The John Nuveen Company. As a management company, we oversee the operations of our subsidiaries and provide them with capital and management and administrative services. At September 30, 2001, our total assets were $37.7 billion and our total shareholders' equity was $6.0 billion. In 2000, insurance and reinsurance underwriting accounted for approximately 95% of our consolidated revenues from continuing operations, and asset management operations accounted for approximately 5% of consolidated revenues from continuing operations.

Our principal and registered executive offices are located at 385 Washington Street, St. Paul, Minnesota 55102, and our telephone number is (651) 310-7911.

ST. PAUL CAPITAL TRUST I

The Trust is a statutory business trust created under Delaware law. The Trust exists for the exclusive purposes of:

- issuing the preferred securities, which represent undivided beneficial ownership interests in the Trust's assets;
- issuing the common securities, which represent undivided beneficial ownership interests in the Trust's assets, to us in a total liquidation amount equal to at least 3% of the Trust's total capital;
- using the proceeds from the issuances to buy our junior subordinated debentures;
- maintaining the Trust's status as a grantor trust for federal income tax purposes; and
- engaging in only those other activities necessary, advisable or incidental to these purposes, such as registering the transfer of preferred securities.

The junior subordinated debentures will be the sole assets of the Trust, and, accordingly, payments under the junior subordinated debentures will be the sole revenues of the Trust. We will acquire and own all of the common securities of the Trust, which will have an aggregate liquidation amount equal to at least 3% of the total capital of the Trust. The common securities will rank on a parity with, and payments will be made on the common securities pro rata with, the preferred securities, except that upon an event of default under the amended and restated declaration of trust resulting from an event of default under the debentures, our rights as holder of the common securities to distributions and payments upon liquidation or redemption will be subordinated to the rights of the holders of the preferred securities.

The Trust has a term of 50 years, but may dissolve earlier as provided in the declaration. The Trust's business and affairs are conducted by the trustees. The trustees for the Trust will be The Chase Manhattan Bank, as the institutional trustee, Chase Manhattan Bank USA, National Association, as the Delaware trustee, and two administrative trustees who are officers of The St. Paul Companies, Inc. The Chase Manhattan Bank, as institutional trustee, will act as sole indenture trustee under the declaration. The Chase Manhattan Bank will also act as guarantee trustee under the guarantee and as indenture trustee under the indenture. The holder of the common securities of the Trust will be entitled generally to appoint, remove or replace the institutional trustee and/or the Delaware trustee. In the event of a default of the declaration, the holders of a majority in liquidation amount of the preferred securities may appoint, remove or replace the institutional trustee and/or the Delaware trustee, instead. In no event will the holders of the preferred securities have the right to vote to appoint, remove or replace

the administrative trustees; such voting rights will be vested exclusively in the holder of the common securities.

The duties and obligations of each trustee are governed by the declaration of trust. As issuer of the junior subordinated debentures and sponsor of the Trust, we will pay all fees, expenses, debts and obligations (other than the payment of distributions and other payments on, the preferred securities) related to the Trust and the offering of the preferred securities and will pay, directly or indirectly, all ongoing costs, expenses and liabilities of the Trust. The principal executive office of the Trust is c/o The St. Paul Companies, Inc., 385 Washington Street, St. Paul, Minnesota 55102 and its telephone number is (651) 310-7911.

RECENT DEVELOPMENTS

RESULTS OF OPERATIONS

The following table summarizes our results for the third quarter and first nine months of 2001 and 2000.

	Three Months Ended September 30		Nine Months Ended September 30	
	2001	**2000**	**2001**	**2000**
		(In millions)		
Pretax income (loss):				
Property-liability insurance:				
GAAP underwriting result	**$ (1,071)**	$ (47)	**$ (1,271)**	$ (214)
Net investment income	**285**	312	**910**	943
Realized investment gains (losses)	**(77)**	104	**(20)**	542
Other	**(7)**	(24)	**(52)**	(88)
Total property-liability insurance	**(870)**	345	**(433)**	1,183
Asset management	**36**	33	**105**	100
Parent and other	**(43)**	(62)	**(118)**	(146)
Pretax income (loss) from continuing operations	**(877)**	316	**(446)**	1,137
Income tax expense (benefit)	**(282)**	97	**(156)**	352
Income (loss) from continuing operations	**(595)**	219	**(290)**	785
Discontinued operations, net of taxes	**(64)**	12	**(62)**	15
Net income (loss)	**$ (659)**	$ 231	**$ (352)**	$ 800

Our pretax loss from continuing operations of $877 million in the third quarter of 2001 was driven by significant losses incurred in our property-liability insurance operations as a result of the terrorist attack in the United States on September 11, 2001. Our currently estimated net pretax loss from that event is $866 million, which was recorded in our results for the three months ended September 30, 2001. On an after-tax basis, including the write-off of $43 million in foreign tax credits, estimated losses from the terrorist attack total $606 million, or $2.90 per share.

Our estimated gross pretax losses and loss adjustment expenses incurred as a result of the terrorist attack totaled $2.16 billion. The estimated net pretax loss of $866 million includes an estimated benefit of $1.2 billion from cessions made under various reinsurance agreements, a $40 million provision for uncollectible reinsurance, a net $44 million benefit from additional and reinstated insurance and reinsurance premiums, and a $90 million reduction in contingent commission expenses in our reinsurance segment. The estimated net pretax loss of $866 million represented an increase over our previously announced estimate of $700 million, related primarily to our current intention to not cede

losses from the September 11 terrorist attack to our corporate aggregate stop-loss reinsurance program. Our estimated losses are based on a variety of actuarial techniques, coverage interpretation and claims estimation methodologies, and include an estimate of losses incurred but not reported, as well as estimated costs related to the settlement of claims.

Our estimate of losses is based on our belief that property-liability insurance losses from the terrorist attack will total between $30 billion and $35 billion for the insurance industry. Our estimate of industry losses is subject to significant uncertainties and may change over time as additional information becomes available. A material increase in our estimate of industry losses would likely cause us to make a corresponding material increase to our provision for losses related to the attack.

As a result of the September 11 terrorist attack, certain of the major independent rating organizations revised the financial ratings of a number of companies in the insurance and airlines industries. Our financial ratings were revised as follows: Standard & Poor's Ratings Group placed us on CreditWatch negative; Moody's Investor Services, Inc. announced that our ratings were under review for a possible downgrade; and A. M.

Best announced that our ratings were under review with developing implications.

EXECUTIVE MANAGEMENT AND EXPECTED STRATEGIC INITIATIVES

On October 11, 2001, our Board of Directors appointed Jay S. Fishman as Chairman, President and Chief Executive Officer of The St. Paul Companies, Inc. Mr. Fishman has initiated a comprehensive strategic and financial review of all of our business segments. It is likely that the review will result in our announcement of significant strategic initiatives by mid-December of this year, including potential strategic initiatives affecting our global health care, international and reinsurance segments. These segments, which accounted for 35% of our consolidated revenues in the first nine months of 2001 and 28% of our consolidated revenues in 2000, have produced losses and/or have increased the volatility of our earnings profile in recent times. The strategic initiatives are likely to result in material restructuring or related charges in the fourth quarter of 2001, but are expected to result in an emphasis on businesses that have the potential to more consistently produce acceptable returns.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of consolidated earnings to fixed charges for the years and the periods indicated:

	Nine Months Ended September 30, 2001(1)	Year Ended December 31, 2000	1999	1998	1997	1996
Ratio of earnings to fixed charges		9.03	6.43	1.65	10.06	10.59
Ratio of earnings to combined fixed charges and preferred stock dividends		8.32	5.88	1.52	8.88	8.31

Earnings consist of income from continuing operations before income taxes plus fixed charges, net of capitalized interest. Fixed charges consist of interest expense before reduction for capitalized interest and one-third of rental expense, which is considered to be representative of an interest factor.

(1) The loss in the nine months ended September 30, 2001 was inadequate to cover fixed charges by $446 million and combined fixed charges and preferred stock dividends by $456 million.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth our selected consolidated financial information for the five years ended December 31, 2000, and for the nine-month periods ended September 30, 2001 and September 30, 2000. For additional financial information, you should refer to our financial statements in our Annual Report on Form 10-K, filed on March 28, 2001 with the SEC, which is incorporated by reference into this prospectus. See "Where You Can Find More Information".

SELECTED FINANCIAL INFORMATION

	Nine Months Ended September 30		Year Ended December 31				
	2001	2000	2000	1999	1998	1997	1996
	(in millions, except combined ratio data)						
CONSOLIDATED							

	Nine Months Ended September 30		Year Ended December 31				
Income Statement Data							
Revenues from continuing operations	$ 6,555	$ 5,972	$ 7,987	$ 7,150	$ 7,315	$ 7,904	$ 7,536
Net income (loss)	(352)	800	993	834	89(1)	929	733
Balance Sheet Data							
Total assets	$ 37,650	$ 35,951	$ 35,502	$ 33,379	$ 33,212	$ 32,735	$ 30,917
Debt	2,145	1,636	1,647	1,466	1,260	1,304	1,171
Capital securities	318	337	337	425	503	503	307
Common shareholders' equity	5,951	6,997	7,178	6,448	6,621	6,591	5,631
PROPERTY-LIABILITY INSURANCE							
Statutory combined ratio	123.9%	104.5%	104.8%	107.9%	117.4%	103.3%	100.8%

(1) We recorded a pre-tax merger-related charge to earnings of $292 million in 1998, primarily for severance and facilities exit costs; we also recorded a $250 million pre-tax provision to increase USF&G Corporation's loss and loss adjustment expense reserves subsequent to the merger. See notes 15 and 8 to our financial statements in our Annual Report on Form 10-K, filed on March 28, 2001 with the SEC.

CAPITALIZATION

The following table sets forth our consolidated capitalization at September 30, 2001:

- on an actual basis; and
- as adjusted to give effect to the receipt and application by us of the approximately $290 million net proceeds we expect to receive from the sale of the preferred securities in this offering, but before any exercise of the underwriters' over-allotment option, in the manner described in "Use of Proceeds".

	As of September 30, 2001	
	Actual	**As Adjusted**
	(Dollars in millions)	
Debt obligations	**$ 2,113**	$ 1,823
Company-obligated mandatorily redeemable preferred securities of subsidiaries	**318**	618
Preferred shareholders' equity	**59**	59
Common shareholders' equity:		
Common stock	**2,170**	2,170

	As of September 30, 2001	
Retained earnings	**3,285**	3,285
Unrealized appreciation of investments	**565**	565
Unrealized loss on foreign currency translations	**(69)**	(69)
Total common shareholders' equity	**$ 5,951**	$ 5,951
Total capitalization	**$ 8,441**	$ 8,451

ACCOUNTING TREATMENT

For financial reporting purposes, the Trust will be treated as our wholly-owned subsidiary, and, accordingly, the accounts of the Trust will be included in our consolidated financial statements. The preferred securities will be combined with our current company-obligated mandatorily redeemable preferred securities of our other subsidiaries, which is a separate line item in our consolidated balance sheet and appropriate disclosures about the preferred securities, the guarantee and the junior subordinated debentures will be included in the notes to our consolidated financial statements. For financial reporting purposes, we will record distributions on the preferred securities as interest expense, consistent with the balance sheet classification, in the consolidated statement of income of The St. Paul Companies, Inc.

Future reports we file under the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act, will include a footnote to the consolidated financial statements stating that the Trust is wholly-owned and that the sole assets of the Trust are the junior subordinated debentures (specifying the principal amount, interest rate and maturity date of the junior subordinated debentures).

USE OF PROCEEDS

The Trust will issue the preferred securities and common securities and will use the proceeds from these issuances to buy all of our junior subordinated debentures. We intend to use the net proceeds of the offering principally for repayment of outstanding commercial paper. As of October 26, 2001 we had $583 million of commercial paper outstanding, bearing interest at a weighted average rate of interest of 2.736%. The commercial paper was issued for general corporate purposes, principally financing repurchases of our common stock and the repayment in June 2001 of $150,000,000 of our 8.375% senior notes.

DESCRIPTION OF THE PREFERRED SECURITIES

We have summarized below the material terms of the preferred securities. This summary is not a complete description of all of the terms and provisions of the preferred securities. For more information, we refer you to the form of the amended and restated declaration of trust, which we filed as an exhibit to the registration statement of which the prospectus is a part.

GENERAL

The preferred securities will represent undivided beneficial ownership interests in the assets of the Trust.

The preferred securities will be limited to $ aggregate liquidation amount at any one time outstanding. The preferred securities will rank equally with the common securities, except as described under "Subordination of Common Securities." The institutional trustee will have legal title to the junior subordinated debentures and will hold them in trust for the benefit of you and the other holders of the preferred securities. Our guarantee for the benefit of the holders of the preferred securities is a guarantee on a subordinated basis with respect to the preferred securities but it does not guarantee payment of distributions or amounts payable on redemption of the preferred securities or liquidation of the Trust when the Trust does not have funds available for such payments.

DISTRIBUTIONS

Distributions on the preferred securities will be cumulative, and will accumulate from the date that the preferred securities are first issued. Distributions will be payable at the annual rate of % of the liquidation amount, payable quarterly in arrears on the distribution dates, which are January 15, April 15, July 15 and October 15 of each year, commencing January 15, 2002 to the holders of the preferred securities as they appear on the books and records of the Trust at the close of business on the relevant record dates. As long as the preferred securities remain in book-entry only form, the record dates will be one business day prior to the relevant payment date. The record dates and payment dates for the preferred securities are the same as the record dates and payment dates for the junior subordinated debentures. Distributions payable on any preferred securities that are not paid on the scheduled distribution date will cease to be payable to the person in whose name such preferred securities are registered on the relevant record date, and such distribution will instead be payable to the person in whose name such preferred securities are registered on a special record date set for this purpose. The amount of distributions payable for any distribution period will be based on a 360-day year of twelve 30-day months and, for any period shorter than a full monthly interest period, the actual number of days elapsed in such month.

Distributions not paid when due will accumulate additional distributions at the annual rate of % on the amount of unpaid distributions, compounded quarterly (to the extent permitted by applicable law).

If any distribution date would otherwise fall on a day that is not a business day, the required payment will be made on the next business day without any additional payments for the delay. A business day means any day other than a Saturday or a Sunday, or a day on which banking institutions in Wilmington, Delaware or New York, New York are authorized or required by law or executive order to remain closed.

The Trust's revenue available for distribution to holders of the preferred securities will be limited to our payments to the Trust under our junior subordinated debentures. If we do not make interest payments on the junior subordinated debentures, the institutional trustee will not have funds available to pay distributions on the preferred securities. Our guarantee only covers the payment of distributions if and to the extent that the Trust has funds available to pay the distributions.

DEFERRAL OF DISTRIBUTIONS

As long as no debenture event of default exists, we have the right under the indenture to defer the payment of interest on the junior subordinated debentures. We may exercise this right at any time or from time to time before the end of any deferral period, for no more than 20 consecutive quarterly periods. No deferral period will extend beyond , 2050, the stated maturity date of the junior subordinated debentures. If we defer payments, the Trust will defer quarterly distributions on the preferred securities during the deferral period subject to the above requirements. During any deferral period, distributions will continue to accumulate on the preferred securities and on any accumulated and unpaid distributions, compounded quarterly at the annual rate of %, to the extent permitted by law from the relevant distribution date. The term distributions includes any accumulated additional distributions.

At the end of any deferral period and upon the payment of all amounts then due on any interest payment date, we may elect to begin a new deferral period. No interest will be due and payable during a deferral period until the deferral period ends. We must give the Trust and the institutional trustee notice of our election to defer interest payments or to extend a deferral period:

- at least five Business Days prior to the date the distributions on the preferred securities would have been payable, except for the election to begin a deferral period; and

- no later than the last date on which the Trust is required to give notice to any securities exchange or automated quotation system or to holders of the preferred securities of the record date or the date such distributions are payable.

There is no limitation on the number of times that we may elect to begin a deferral period.

During any deferral period, we may not and we may not permit any subsidiary to:

- declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of our capital stock, or make any guarantee payment with respect to those payments; or

- make any payment of interest on or principal of (or premium, if any, on), or repay, repurchase or redeem any debt securities that rank equal or junior to the junior subordinated debentures.

Notwithstanding the foregoing, during a deferral period the following is permitted:

- repurchases, redemptions or other acquisitions of shares of our capital stock in connection with any employment contract, benefit plans or other similar arrangement with or for the benefit of our employees, directors, officers or consultants;

- the repurchase, redemption or other acquisition of shares of any class of our capital stock as a result of an exchange or conversion of any class of our capital stock for any other class or series of our capital stock;

- the purchase of fractional interests in share of our capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged;

- a distribution of rights under any shareholders' rights plan adopted by The St. Paul.

Prior to the termination of a deferral period, we may further extend that deferral period. However, the deferral period, together with all previous and further extensions of that deferral period, may not exceed 20 consecutive quarterly interest periods and may not extend beyond the maturity of the junior subordinated debentures. Upon the termination of any deferral period, and the payment of all amounts then due, we may commence a new deferral period, subject to these restrictions. Consequently, there could be numerous deferral periods of varying lengths throughout the term of the junior subordinated debentures. No interest will be due and payable during a deferral period until the deferral period ends.

The administrative trustees shall give the holders of the preferred securities notice of any extension period upon their receipt of notice from us. If distributions are deferred, the deferred distributions and accrued interest will be paid to the holders of record of the preferred securities as they appear on the books and records of the Trust on the record date next following the termination of the deferral period.

We do not currently intend to exercise our right to defer payments of interest on the junior subordinated debentures.

REDEMPTION

We will have the right to redeem the junior subordinated debentures at a redemption price equal to 100% of the principal amount, plus accrued interest to the date of redemption:

- in whole or in part, on or after , 2006; and

- in whole, but not in part, prior to , 2006 if there are specified changes in investment company or tax laws that would adversely affect the status of the Trust, the preferred securities or the junior subordinated debentures (each of which is a special event and is described more fully below).

Upon repayment at maturity on , 2050 or redemption, in whole or in part after , 2006, or redemption in whole, but not in part, prior to , 2006 of the junior subordinated debentures (other than following the distribution of the junior subordinated debentures to you as a holder of the preferred securities and us, as the holder of the common securities), the institutional trustee will apply the proceeds from the repayment or redemption of the junior subordinated debentures (as long as the institutional trustee has received written notice no later than

45 days before the repayment) to redeem preferred securities and common securities having an aggregate liquidation amount equal to the principal amount of the junior subordinated debentures paid to the Trust. The redemption price for any preferred security or common security will be equal to the $25 liquidation amount of such security plus accumulated and unpaid distributions to the redemption date. The Trust will give notice of any redemption of preferred securities between 30 to 60 days prior to the redemption date.

If we redeem less than all of the junior subordinated debentures on the stated maturity date or a redemption date, then the institutional trustee will allocate the proceeds of the redemption on a pro rata basis among the preferred securities and the common securities unless an event of default has occurred under the junior subordinated debentures, in which case no proceeds will be allocated to the common securities until the preferred securities are paid in full.

SPECIAL EVENT REDEMPTION

A "special event" is defined as either a "tax event" or an "investment company event."

A "tax event" means that the administrative trustees shall have received an opinion of nationally recognized independent tax counsel experienced in such matters to the effect that, as a result of:

any amendment to, or change, including any announced prospective change, in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing aut/TD> (176) (158) (26)

Limited partner interest
$ (8,632) $ (7,725) $ (1,269)
Basic and diluted net loss per common and subordinated unit
$ (0.21) $ (0.18) $ (0.03)
Cash distributions declared per common and subordinated unit
0.94 0.2217 0.38
Basic and diluted net loss per Class B common unit
(0.12) (0.18)
Cash distributions declared per Class B common unit

Basic and diluted net loss per Class C common unit

Cash distributions declared per Class C common unit

Balance Sheet Data (at period end):

Property, plant and equipment, net
$ 328,784 $ 609,157 $ 734,034 $ 762,120
Total assets
492,170 806,740 1,013,085 1,031,559
Long-term debt (long-term portion only)
248,000 428,250 664,700 698,100
Partners capital or member interest
181,936 230,962 212,657 185,352

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	Regency LLC Predecessor	Regency Energy Partners LP				
	Period from January 1, 2004 to November 30, 2004	Period from Acquisition Date (December 1, 2004) to December 31, 2004	Year Ended December 31, 2005	Year Ended December 31, 2006	Three Months Ended March 31, 2006	Three Months Ended March 31, 2007
	($ in thousands except per unit data)					
Cash Flow Data:						
Net cash flows provided by (used in):						
Operating activities	$ 32,401	$ (4,311)	$ 37,340	$ 44,156	$ (471)	$ 27,470
Investing activities	(84,721)	(130,478)	(279,963)	(223,650)	(30,378)	(46,891)
Financing activities	56,380	132,515	242,949	184,947	30,951	18,786
Other Financial Data:						
Total segment margin	$ 69,559	$ 6,870	$ 77,059	$ 158,049	$ 34,530	$ 44,491
EBITDA	35,242	4,470	30,191	69,592	10,851	25,017
Maintenance capital expenditures	5,548	358	9,158	16,433	3,833	864
Segment Financial and Operating Data:						
Gathering and Processing Segment:						
Financial Data:						
Segment margin	$ 61,347	$ 6,262	$ 61,387	$ 113,002	$ 24,643	$ 30,178
Operating Data:						
Throughput (MMbtu/d)	303,345	314,812	345,398	529,467	423,593	729,218
NGL gross production (Bbls/d)	14,487	16,321	14,883	18,587	17,478	20,047
Transportation Segment:						
Financial data:						
Segment margin	$ 8,212	$ 608	$ 15,672	$ 45,047	$ 9,887	$ 14,313
Operating data:						
Throughput (MMbtu/d)	192,236	161,584	258,194	587,098	438,396	704,458

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Non-GAAP financial measures

The financial information on the preceding page includes the following non-GAAP financial measures: EBITDA and total segment margin. Provided below are our reconciliations of these non-GAAP financial measures to their most directly comparable financial measures as calculated and presented in accordance with GAAP.

EBITDA. We define EBITDA as net income (loss) plus interest expense, net and depreciation and amortization expense.

EBITDA is used as a supplemental measure by our management and by external users of our financial statements, such as investors, commercial banks, research analysts and others to assess:

- Ø financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
- Ø the ability of our assets to generate cash sufficient to pay interest costs, support our indebtedness and make cash distributions to our unitholders and General Partner;
- Ø our operating performance and return on capital as compared to those of other companies in the midstream energy sector, without regard to financing methods or capital structure; and
- Ø the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

EBITDA should not be considered as an alternative to net income, operating income, cash flows from operating activities or any other measure of financial performance presented in accordance with GAAP.

EBITDA does not include interest expense, income taxes or depreciation and amortization expense. Because we have borrowed money to finance our operations, interest expense is a necessary element of our costs and our ability to generate cash available for distribution. Because we use capital assets, depreciation and amortization are also necessary elements of our costs. Therefore, any measures that exclude these elements have material limitations. To compensate for these limitations, we believe that it is important to consider both net earnings determined under GAAP, as well as EBITDA, to evaluate our performance.

Total Segment Margin. We define total segment margin as total revenues, including service fees, less cost of gas and liquids.

Total segment margin is included as a supplemental disclosure because it is used by our management as a primary measure of the results of product sales, service fee revenues and product purchases, a key component of our operations. We believe total segment margin is an important measure because it is directly related to our volumes and commodity price changes. Operation and maintenance expenses are a separate measure used by management to evaluate operating performance of field operations. Direct labor, insurance, property taxes, repair and maintenance, utilities and contract services comprise the most significant portion of our operation and maintenance expenses. These expenses are largely independent of the volumes we transport or process and fluctuate depending on the activities performed during a specific period. We do not deduct operation and maintenance expenses from total revenues in calculating total segment margin because we separately evaluate commodity volume and price changes in total segment margin. As an indicator of our operating performance, total segment margin should not be considered an alternative to, or more meaningful than, net income as determined in accordance with GAAP. Our total segment margin may not be comparable to a similarly titled measure of another company because other entities may not calculate total segment margin in the same manner.

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	Regency LLC Predecessor	Regency Energy Partners LP				
	Period from January 1, 2004 to November 30, 2004	Period from Acquisition Date (December 1, 2004) to December 31, 2004	Year Ended December 31, 2005	Year Ended December 31, 2006	Three Months Ended March 31, 2006	Three Months Ended March 31, 2007
	($ in thousands)					
Reconciliation of EBITDA to net cash flows provided by (used in) operating activities and to net (loss) income:						
Net cash flows provided by (used in) operating activities	$ 32,401	$ (4,311)	$ 37,340	$ 44,156	$ (471)	$ 27,470
Add (deduct):						
Depreciation and amortization	(10,461)	(1,793)	(24,286)	(39,287)	(9,318)	(11,986)
Equity income		56	312	532	91	43
Loss on debt refinancing	(3,022)		(8,480)	(10,761)		
Risk management portfolio valuation changes		322	(11,191)	2,262	191	124
Loss on sale of assets						(1,808)
Unit based compensation expenses				(2,906)	(314)	(1,103)
Gain on the sale of Regency Gas Treating LP assets			626			
Gain on the sale of NGL line pack			628			
Accounts receivable	19,832	(2,568)	43,012	5,506	(16,938)	1,959
Other current assets	1,169	2,456	2,644	(104)	(921)	(598)
Accounts payable and accrued liabilities	(18,122)	(548)	(52,651)	1,359	23,535	(5,220)
	(1,475)	921	(806)	(492)	(273)	(203)

Accrued taxes payable						
Interest payable						(11,918)
Other current liabilities	(502)	242	(1,269)	(3,148)	(12)	1,504
Proceeds from termination of interest rate swap				(4,940)		
Amount of swap termination proceeds reclassified into earnings				3,862		
Other assets	196	6,697	3,261	(3,014)	(2,515)	441
Other liabilities				(269)	626	
Net (loss) income	$ 20,016	$ 1,474	$ (10,860)	$ (7,244)	$ (6,319)	$ (1,295)
Add:						
Interest expense, net	5,097	1,335	17,880	37,182	8,001	14,885
Depreciation and amortization	10,129	1,661	23,171	39,654	9,169	11,427
EBITDA	$ 35,242	$ 4,470	$ 30,191	$ 69,592	$ 10,851	$ 25,017

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	Regency LLC Predecessor	Period from	Regency Energy Partners LP