GENERAL CABLE CORP /DE/
Form 424B3
December 12, 2005

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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-129577

CONVERSION OFFER PROSPECTUS

General Cable Corporation
Offer to Pay a Cash Premium
Upon the Conversion of
General Cable Corporation s
5.75% Series A Redeemable Convertible Preferred Stock
(CUSIP Nos. 369300207 and 369300306)
into General Cable Corporation Common Stock

We are offering to pay a cash premium to holders of our 5.75% Series A Redeemable Convertible Preferred Stock who elect to convert their shares of Series A preferred stock into shares of our common stock, $0.01 par value per share, in accordance with the terms and subject to the conditions described in this conversion offer prospectus and the accompanying letter of transmittal. As of November 29, 2005, 2,069,907 shares of Series A preferred stock were outstanding.

Each share of Series A preferred stock is currently convertible into 4.998 shares of common stock, which is equivalent to a conversion price of approximately $10.004 per share, subject to potential adjustments. Holders who surrender their shares of Series A preferred stock for conversion on or before 5:00 p.m., New York City time, on December 9, 2005 will receive, subject to adjustment, the following consideration for each share of Series A preferred stock surrendered:

- a cash premium of $7.88;
- 4.998 shares of common stock, less any fractional shares; and
- accrued, unpaid and accumulated dividends from November 24, 2005 to the date immediately preceding the settlement date of the conversion, payable in cash.

This offer will expire at 5:00 p.m., New York City time, on Friday, December 9, 2005, unless extended or earlier terminated.

The cash premium will be $7.88 per share of Series A preferred stock, subject to adjustment as provided in this conversion offer prospectus. This premium is in addition to the shares of common stock you would otherwise be entitled to receive upon conversion of the Series A preferred stock. We are not required to issue fractional shares of common stock upon conversion of the Series A preferred stock. Instead, we will pay a cash adjustment for such fractional shares based upon the market price of the common stock on the second business day before the settlement date of the conversion. If all shares of Series A preferred stock are converted in the conversion offer, we would be required to issue a total of 10,345,395 shares of common stock, assuming a conversion price of $10.004 per share.

The Series A preferred stock is not listed on any national securities exchange and there is no established trading market for these shares. However, a substantial majority of the shares of Series A preferred stock are traded over-the-counter, and the remainder of these shares are traded on the PORTAL[SM] system of The NASDAQ Stock Market, Inc. Our common stock is traded on the New York Stock Exchange under the symbol BGC. As of November 29, 2005, the average of the closing bid and asked price of the Series A preferred stock on the over-the-counter market was $94.38 per share. As of that date, the closing price of the common stock on the New York Stock Exchange was $17.28 per share. The shares of common stock to be issued in this conversion offer have been approved for listing on the New York Stock Exchange.

Conversion of the Series A preferred stock and an investment in the common stock involves risks. See Risk Factors beginning on page 8 for a discussion of issues that you should consider with respect to this conversion offer.

You must make your own decision whether to convert any shares of Series A preferred stock in this conversion offer, and, if so, the number of shares of Series A preferred stock to convert. Neither General Cable Corporation, the conversion agent, the information agent, the dealer manager nor any other person is making any recommendation as to whether you should convert your shares of Series A preferred stock in the conversion offer.

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

The dealer manager for the conversion offer is:
Merrill Lynch & Co.

The date of this conversion offer prospectus is November 9, 2005
(as amended on December 1, 2005 and December 9, 2005)

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As used in this conversion offer prospectus, except where the context otherwise requires or as otherwise indicated, General Cable Corporation , General Cable, the company, we, our, and us refer to General Cable Corporation and its subsidiaries. We refer to our 5.75% Series A Redeemable Convertible Preferred Stock as Series A preferred stock.

This conversion offer prospectus incorporates important business and financial information about us that is not included in or delivered with this conversion offer prospectus. **Information incorporated by reference is available without charge to holders of our Series A preferred stock upon written or oral request to us at General Cable Corporation, 4 Tesseneer Drive, Highland Heights, Kentucky 41076-9753, Attention: Chief Financial Officer, or by telephone at (859) 572-8000. To obtain timely delivery, holders of Series A preferred stock must request the information no later than five business days before the date they must make their investment decision, or December 9, 2005, the present expiration date of the conversion offer, and deliver proper instructions prior to the expiration date of the conversion offer.**

You should rely only on the information contained or incorporated by reference in this conversion offer prospectus. We have not, and each of the dealer manager, the information agent and the conversion agent has not, authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are not making an offer to convert these securities in any jurisdiction where the offer or conversion is not permitted. You should assume that the information in this conversion offer prospectus is accurate as of the date appearing on the front cover of this conversion offer prospectus

only. Our business, financial condition, results of operations and prospects may have changed since that date.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This conversion offer prospectus and the documents incorporated by reference herein include forward-looking statements. Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. You can generally identify forward-looking statements as statements containing the words believe, expect, will, anticipate, intend, estimate, project, plan, assume, seek to or other similar ex
not all forward-looking statements contain these identifying words. We commonly use forward-looking statements throughout this conversion offer prospectus and the documents incorporated by reference herein regarding the following subjects:

- this conversion offer;
- our business strategy, plans and objectives;
- our understanding of our competition;
- market trends;
- projected sources and uses of available cash flow;
- projected capital expenditures;
- our future financial results and performance;
- potential liability with respect to legal proceedings; and
- potential effects of proposed legislation and regulatory action.

Actual results may differ materially from those statements as a result of factors, risks and uncertainties over many of which we have no control. These factors include, without limitation:

- economic and political consequences resulting from terrorist attacks and the war with Iraq;
- economic consequences arising from natural disasters and other similar catastrophes, such as floods, earthquakes, hurricanes and tsunamis;
- domestic and local country price competition, particularly in certain segments of the power cable market and other competitive pressures;
- general economic conditions, particularly in construction;
- changes in customer or distributor purchasing patterns in our business segments;
- our ability to increase manufacturing capacity and productivity;
- the financial impact of any future plant closures;
- our ability to successfully complete and integrate acquisitions and divestitures;
- our ability to negotiate extensions of labor agreements on acceptable terms and to successfully deal with any labor disputes;

our ability to service, and meet all requirements under, our debt, and to maintain adequate domestic and international credit facilities and credit lines;

our ability to pay dividends on our preferred stock;

the impact of unexpected future judgments or settlements of claims and litigation;

our ability to achieve target returns on investments in our defined benefit plans;

our ability to avoid limitations on utilization of net losses for income tax purposes;

the cost and availability of raw materials, including copper, aluminum and petrochemicals, generally and as a consequence of Hurricanes Katrina and Rita;

- our ability to increase our selling prices during periods of increasing raw material costs;
- the impact of foreign currency fluctuations;
- the impact of technological changes; and
- other material factors.

You should not place undue reliance on our forward-looking statements because the matters they describe are subject to risks, uncertainties and other unpredictable factors, many of which are beyond our control. Our forward-looking statements are based on the information currently available to us and are applicable only as of the date on the cover of this conversion offer prospectus or, in the case of forward-looking statements incorporated by reference, as of the date of the filing that includes the statement. New risks and uncertainties arise from time to time, and it is impossible for us to predict these matters or how they may affect us. Over time, our actual results, performance or achievements will likely differ from the anticipated results, performance or achievements that are expressed or implied by our forward-looking statements, and such difference might be significant and materially adverse to our stockholders. Such factors include, without limitation, the following:

- those identified under Risk Factors ;
- those identified from time to time in our public filings with the Securities and Exchange Commission;
- the negative impact of economic slowdowns or recessions;
- the effect of changes in interest rates;
- the condition of the markets for our products;
- our access to funding sources and our ability to renew, replace or add to our existing credit facilities on terms comparable to the current terms;
- the impact of new state or federal legislation or court decisions on our operations; and
- the impact of new state or federal legislation or court decisions restricting the activities of lenders or suppliers of credit in our market.

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SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information included elsewhere or incorporated by reference in this conversion offer prospectus as well as the information contained in the letter of transmittal and any amendments or supplements thereto. Because this is a summary, it may not contain all the information you should consider before deciding whether to accept our offer to convert your Series A preferred stock in the conversion offer. You should read this entire prospectus carefully, including the section entitled Risk Factors, before making your investment decision.

General Cable Corporation

We are a Fortune 1000 company and a leading global developer and manufacturer in the wire and cable industry, an industry which is estimated to have had $82 billion in sales in 2004. We have leading market positions in the segments in which we compete due to our product, geographic and customer diversity and our ability to operate as a low-cost provider. We sell over 13,800 copper, aluminum and fiber optic wire and cable products, which we believe represent the most diversified product line of any U.S. manufacturer. As a result, we are able to offer our customers a single source for most of their wire and cable requirements. We manufacture our product lines in 25 facilities and sell our products worldwide through our operations in North America, Europe and in the Asia-Pacific region. Technical expertise and implementation of Lean Six Sigma strategies have allowed us to maintain our position as a low-cost provider.

Our operations are divided into three main segments: energy, industrial & specialty and communications. The net sales in 2004 and for the first nine fiscal months of 2005 generated by each of our three main segments (as a percentage of our total company results) were 36% and 35%, respectively, for energy; 37% and 37%, respectively, for industrial & specialty; and 27% and 28%, respectively, for communications. We operate our business globally, with 66% of net sales in 2004 generated from North America and 34% from our international operations. For the first nine fiscal months of 2005, 67% of our net sales were generated from North America and 33% from our international operations. We estimate that we sold our products and services to customers in more than 77 countries as of September 30, 2005.

Purpose of the Conversion Offer

We are offering to pay the consideration for the Series A preferred stock surrendered for conversion upon the terms and subject to the conditions set forth in this conversion offer prospectus and the related letter of transmittal. The conversion offer allows current holders of shares of Series A preferred stock to receive a cash premium, in addition to the shares of common stock that they would receive upon conversion of the Series A preferred stock. The conversion offer and the payment of the conversion consideration are conditioned upon, among other things, our obtaining an amendment to our existing senior secured credit facility to permit us to effect the conversion offer, as well as our ability to borrow the cash consideration for the conversion offer under this facility. On November 23, 2005, the terms of our senior secured credit facility were amended to permit us to effect the conversion offer and to borrow the cash necessary to complete it, which satisfies these financing conditions. See The Conversion Offer Conditions to the Conversion Offer. The purposes of the conversion offer are to induce the conversion into common stock of any and all of the outstanding shares of Series A preferred stock to reduce our ongoing fixed dividend obligations, and to improve the trading liquidity of our common stock by increasing the number of outstanding shares of common stock available for trading.

Sources and Amount of Conversion Consideration

We are offering to pay a cash premium of $7.88 for each share of Series A preferred stock surrendered for conversion in the conversion offer, plus accrued but unpaid cash dividends upon such shares from November 24, 2005 to the date immediately preceding the settlement date of the conversion. We currently intend to borrow approximately $17.6 million in cash needed to pay the conversion consideration to holders who surrender their shares of Series A preferred stock in the conversion offer and

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to pay all fees and expenses of the conversion offer from our $300 million senior secured credit facility, of which an aggregate of $55.4 million has already been borrowed under that facility as of September 30, 2005; in addition, there was $34.4 million in outstanding letters of credit. As of November 29, 2005, borrowings under this facility were $131.0 million; in addition, there was $33.9 million in outstanding letters of credit. We will issue authorized but previously unissued shares of our common stock in the conversion offer as permitted by our amended and restated certificate of incorporation.

Recent Developments

Proposed Acquisition of Silec Business

On November 18, 2005, we signed a definitive agreement to acquire the wire and cable manufacturing business of SAFRAN SA, a diverse, global high-technology company headquartered in Paris, France. The business to be acquired has historically operated under the names Silec and Sagem. Silec is based in Montereau, France and employs 1,000 associates with nearly a million square feet of manufacturing space in that location. Silec is recognized as a global leader in the design, engineering and installation of high-voltage underground links. Silec is also among the top three producers of energy and industrial cables for the French market.

In 2004, Silec reported global sales of approximately   210 million with about 60% derived from the sale of energy cables. Subject to closing adjustments, the consideration to be paid for the acquisition would be approximately   85 million, which includes about   75 million for the net working capital. As of November 29, 2005, the transaction consideration valued in U.S. dollars was about $99 million, including approximately $88 million for the net working capital. Funding for the transaction is expected to come from available cash and a new term loan in Europe. The transaction is expected to close during the fourth quarter of 2005 and is subject to certain conditions, including regulatory approvals and consultation with the French Works Council.

Cross-Currency Interest Rate Swap Agreement

On October 13, 2005, we entered into a U.S. dollar to Euro cross-currency interest rate swap agreement with a notional value of $150 million. This represents approximately 53% of the then outstanding principal amount of our senior notes. The swap has a maturity date of November 15, 2007, which is the earliest redemption date of our senior notes. Under the swap arrangement, we have notionally exchanged $150 million at a fixed interest rate of 9.5% for approximately   125 million, based on an exchange rate of $1.198 per Euro, at a fixed interest rate of 7.5%.

Our executive offices are located at 4 Tesseneer Drive, Highland Heights, Kentucky 41076, and our telephone number is (859) 572-8000.

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Selected Summary Consolidated Financial Information

The selected summary consolidated financial information for the years ended and as of December 31, 2002, 2003 and 2004 were derived from our audited consolidated financial statements. The selected summary consolidated financial information for the nine fiscal months ended October 1, 2004 and September 30, 2005 and as of September 30, 2005 were derived from unaudited consolidated financial statements as filed with the SEC, which, in the opinion of our management, include all normal recurring adjustments necessary for a fair presentation of the results for the unaudited interim periods. The following summary financial information presented below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the notes thereto incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2004 and our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2005. The summary historical financial information presented below may not be indicative of our future performance.

	Years Ended December 31,			Nine Fiscal Months Ended	
	2002	2003	2004	October 1, 2004	September 30, 2005
				(unaudited)	(unaudited)
Statement of Operations Data: (in millions, except per share data)					
Net sales:					
Energy	$ 516.0	$ 560.2	$ 705.7	$ 520.4	$ 622.2
Industrial & specialty	499.4	542.4	734.3	561.6	650.7
Communications	438.5	435.8	530.7	403.4	490.4
Total net sales	1,453.9	1,538.4	1,970.7	1,485.4	1,763.3
Cost of sales	1,287.3	1,365.0	1,756.0	1,326.0	1,564.7
Gross profit	166.6	173.4	214.7	159.4	198.6
Selling, general and administrative expenses	150.9	127.7	158.2	115.9	129.1
Operating income	15.7	45.7	56.5	43.5	69.5
Other income (expense)		1.5	(1.2)	(0.9)	
Interest expense, net	(42.6)	(43.1)	(35.9)	(27.3)	(28.9)
Other financial costs	(1.1)	(6.0)			
Income (loss) from continuing operations before taxes	(28.0)	(1.9)	19.4	15.3	40.6
Income tax benefit (provision)	9.9	(2.9)	18.1	(4.6)	(15.6)
Income (loss) from continuing operations	(18.1)	(4.8)	37.5	10.7	25.0
Income (loss) on disposal of discontinued operations	(5.9)		0.4		
Net income (loss)	$ (24.0)	$ (4.8)	$ 37.9	$ 10.7	$ 25.0

Less: Series A preferred stock dividends				(0.6)		(6.0)		(4.5)		(4.5)
Net income (loss) applicable to common shareholders	$	(24.0)	$	(5.4)	$	31.9	$	6.2	$	20.5
Earnings (loss) of continuing operations per common share	$	(0.55)	$	(0.16)	$	0.81	$	0.16	$	0.52
Earnings (loss) of continuing operations per common share assuming dilution	$	(0.55)	$	(0.16)	$	0.75	$	0.16	$	0.49
Earnings (loss) of discontinued operations per common share	$	(0.18)	$		$	0.01	$		$	
Earnings (loss) of discontinued operations per common share assuming dilution	$	(0.18)	$		$	0.01	$		$	
Earnings (loss) per common share	$	(0.73)	$	(0.16)	$	0.82	$	0.16	$	0.52
Earnings (loss) per common share assuming dilution	$	(0.73)	$	(0.16)	$	0.75	$	0.16	$	0.49
Weighted average shares outstanding		33.0		33.6		39.0		39.2		39.5
Weighted average shares outstanding assuming dilution		33.0		33.6		50.3		39.9		50.9
Dividends per common share	$	0.15	$		$		$		$	

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	December 31,			September 30, 2005
	2002	2003	2004	(unaudited)
Balance Sheet Data: (in millions, except per share data)				
Cash and cash equivalents	$ 29.1	$ 25.1	$ 36.4	$ 51.3
Working capital(1)	$ 150.8	$ 236.6	$ 298.0	$ 300.5
Property, plant and equipment, net	$ 323.3	$ 333.3	$ 356.0	$ 328.1
Total assets	$ 973.3	$ 1,049.5	$ 1,220.8	$ 1,266.9
Total debt(2)	$ 451.9	$ 340.4	$ 374.9	$ 352.3
Net debt(2)(3)	$ 422.8	$ 315.3	$ 338.5	$ 301.0
Shareholders equity	$ 60.9	$ 240.1	$ 301.4	$ 305.1
Book value per share				$ 7.69

	Year Ended December 31,			Nine Fiscal Months Ended	
	2002	2003	2004	October 1, 2004 (unaudited)	September 30, 2005 (unaudited)
Other Financial Data: (in millions, except ratio and metals data)					
Cash flows of operating activities	$ 57.3	$ (14.5)	$ 12.5	$ 20.7	$ 74.9
Cash flows of investing activities	$ (30.0)	$ (19.7)	$ (36.3)	$ (24.2)	$ (29.2)
Cash flows of financing activities	$ (16.2)	$ 27.2	$ 28.8	$ 8.0	$ (25.2)
Depreciation and amortization	$ 30.6	$ 33.4	$ 35.4	$ 27.3	$ 43.6
Capital expenditures	$ (31.4)	$ (19.1)	$ (37.0)	$ (24.1)	$ (25.7)
Ratio of earnings to combined fixed charges and preferred dividends(4)			1.2x	1.2x	1.8x
Average daily COMEX price per pound of copper cathode	$ 0.72	$ 0.81	$ 1.29	$ 1.25	$ 1.57
Average daily selling price per pound of aluminum rod	$ 0.65	$ 0.69	$ 0.85	$ 0.83	$ 0.90

(1) Working capital means current assets less current liabilities.

(2) Excludes off-balance sheet borrowings of $48.5 million as of December 31, 2002 under our former accounts receivable asset-backed securitization facility. We terminated this facility in November 2003. Also excludes $1.0 million of off-balance sheet debt related to the sale of accounts receivable by one of our international operations as of September 30, 2005.

(3) Net debt means our total debt less cash and cash equivalents.

(4) For purposes of calculating the ratio of earnings to combined fixed charges and preferred dividends, earnings consist of income from continuing operations before income taxes and fixed charges. Fixed charges include: (i) interest expense, whether expensed or capitalized; (ii) amortization of debt issuance cost; (iii) the portion of rental expense representative of the interest factor; and (iv) the amount of pretax earnings required to cover preferred stock dividends and any accretion in the carrying value of the preferred stock. For the years ended December 31, 2002 and 2003, earnings were insufficient to cover fixed charges by $27.6 million and $2.1 million, respectively.

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The Conversion Offer

The company	General Cable Corporation
The Series A preferred stock	5.75% Series A Redeemable Convertible Preferred Stock, $50.00 liquidation preference per share
The conversion offer	Upon the conversion to common stock of a share of outstanding Series A preferred stock in the conversion offer, we are offering to pay to the holder thereof conversion consideration comprised of a cash premium plus accrued but unpaid dividends payable in cash, as more fully discussed below, on terms and subject to the conditions set forth herein, including, without limitation, the financing conditions and the general conditions.
Purposes of the conversion offer	The purposes of the conversion offer are to induce the conversion to common stock of any and all of the outstanding shares of Series A preferred stock to reduce our ongoing fixed dividend obligations, and to improve the trading liquidity of our common stock by increasing the number of outstanding shares of common stock available for trading.
Conversion	Each share of Series A preferred stock will be convertible into 4.998 shares of common stock, less any fractional shares, subject to adjustment in accordance with the terms of the Series A preferred stock. We are not required to issue fractional shares of common stock upon conversion of the Series A preferred stock. Instead, we will pay a cash adjustment for such fractional shares based upon the market price of the common stock on the second business day before the settlement date.
Expiration date	Friday, December 9, 2005, unless extended or earlier terminated by us. For example, we may extend the expiration date of this conversion offer so that the expiration date occurs upon or shortly after the satisfaction of the conditions to the conversion offer.
Conversion consideration	$7.88 in cash per share of Series A preferred stock converted into common stock in the conversion offer, subject to adjustment as provided herein, plus an amount in cash equal to the accrued but unpaid and accumulated dividends on each share of Series A preferred stock from and after November 24, 2005, the last dividend payment date prior to the expiration date, up to, but not including, the settlement date.
Settlement date	The settlement date in respect of any shares of Series A preferred stock validly surrendered for conversion prior to 5:00 p.m., New York City time, on the expiration date is expected to occur promptly following the expiration date.
How to surrender shares of Series A preferred stock	See The Conversion Offer Procedures for Surrendering Shares of Series A Preferred Stock in the Conversion Offer and the attached letter of transmittal. For further information, you may call the conversion agent at the telephone number

	set forth on the back cover of this conversion offer prospectus, or consult your broker, dealer, commercial bank, trust company or other nominee for assistance.
Withdrawal and revocation rights	Shares of Series A preferred stock surrendered for conversion may be validly withdrawn at any time up until 5:00 p.m., New York City time, on the expiration date. In addition, surrendered shares of Series A preferred stock may be validly withdrawn after the expiration date if the shares of Series A preferred stock have not been accepted for conversion after the expiration of 40 business days from November 9, 2005. If the conversion offer is terminated, the shares of Series A preferred stock surrendered in the conversion offer will be promptly returned to the surrendering holders.
Conditions precedent to the conversion offer	Our obligation to pay the conversion consideration and shares of common stock in respect of shares of Series A preferred stock validly surrendered for conversion pursuant to the conversion offer is contingent upon the satisfaction of certain conditions. See The Conversion Offer Conditions to the Conversion Offer.
Material U.S. federal tax considerations	For a discussion of the material U.S. federal income tax considerations of this conversion offer, see Material U.S. Federal Income Tax Considerations.
Use of proceeds	We will not receive any cash proceeds from the surrender of Series A preferred stock in the conversion offer.
Brokerage commissions	No brokerage commissions are payable by the holders of shares of Series A preferred stock to the dealer manager, the information agent, the conversion agent or us.
Dealer manager	Merrill Lynch, Pierce, Fenner & Smith Incorporated is the dealer manager for the conversion offer. Merrill Lynch s address and telephone number are included on the back cover of this conversion offer prospectus.
Information agent	D.F. King & Co., Inc. is the information agent for the conversion offer. Its address and telephone number are included on the back cover of this conversion offer prospectus.
Conversion agent	Mellon Investor Services LLC is the conversion agent for the conversion offer. Its address and telephone number are included on the back cover of this conversion offer prospectus.
Regulatory approvals	We are not aware of any other material regulatory approvals necessary to complete the conversion offer, other than the obligation to have the registration statement of which this conversion offer prospectus forms a part declared effective by the SEC, to file a Schedule TO with the SEC and to otherwise comply with applicable securities laws.
No appraisal rights	Holders of shares of Series A preferred stock have no appraisal rights in connection with the conversion offer.

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Further information	If you have questions regarding the conversion offer, please contact the dealer manager, Merrill Lynch & Co. You may call Merrill Lynch toll-free at (888) 654-8637 or collect at (212) 449-4914. If you have questions regarding the procedures for converting your shares of Series A preferred stock in the conversion offer, please contact Mellon Investor Services LLC, the conversion agent, toll-free at (800) 685-4258. If you require additional conversion offer materials, please contact D.F. King & Co., Inc., the information agent, at (212) 269-5550. You may also write to any of these entities at one of their respective addresses set forth on the back cover of this conversion offer prospectus.

RISK FACTORS

You should consider carefully each of the following risks and all of the other information set forth in this conversion offer prospectus before deciding whether to surrender shares of Series A preferred stock for conversion in the conversion offer. The risks and uncertainties described below are not the only ones facing our company. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business. If any of the following risks and uncertainties develop into actual events, those events could have a material adverse effect on our business, financial condition or results of operations.

Risks Related to the Conversion Offer

Upon consummation of the conversion offer, holders who surrender their Series A preferred stock for common stock will lose their rights under the Series A preferred stock, including, without limitation, their right to future preferred stock dividend payments and their right to receive a liquidation preference in connection with any liquidation or winding up of General Cable.

If you surrender your shares of Series A preferred stock for conversion into our common stock pursuant to the conversion offer, you will be giving up all of your rights as a holder of Series A preferred stock, including, without limitation, your right to future payments of dividends with respect to the Series A preferred stock. You will also cease to be eligible to receive a preferential payment in the event of a liquidation or winding up of our business. The common stock that you may receive in the conversion offer will not provide you with the same degree of protection which holders of our Series A preferred stock may have. If we were to file for bankruptcy, preferred stockholders would generally be entitled to be paid a liquidation preference prior to holders of our common stock. As a holder of our common stock, however, your investment will be subject to the rights of any series of preferred stock we may issue in the future, as well as all claims of creditors against us and the other risks and liabilities affecting our operations.

You may have difficulty selling the Series A preferred stock that you do not convert.

The Series A preferred stock is not listed on any national securities exchange and there is no established trading market for these shares. A substantial majority of the shares of Series A preferred stock are traded over-the-counter, and the remainder of these shares are traded on the PORTAL[SM] system of The NASDAQ Stock Market, Inc. However, we cannot assure you that an efficient or liquid trading market exists or will be able to be maintained in order for you to be able to sell your shares of Series A preferred stock at any time or from time to time. Also, if a large number of shares of Series A preferred stock are converted into common stock in the conversion offer, then it may be more difficult for you to sell your unconverted shares of Series A preferred stock.

Future trading prices of the Series A preferred stock may depend on many factors, including, among other things, the price of our common stock, prevailing dividend rates, our operating results and the market for similar securities. We also cannot assure you that you will be able to sell your Series A preferred stock at a particular time or that the prices that you receive if and when you sell will be favorable.

If you do not convert your shares of Series A preferred stock into common stock pursuant to this conversion offer, then you will continue to be subject to the restrictions on the transfer of your Series A preferred stock. Those transfer restrictions are described in the terms governing the Series A preferred stock and in the legend contained on the Series A preferred stock, and arose because we originally issued the Series A preferred stock under exemptions from, and in transactions not subject to, the registration requirements of the Securities Act of 1933, as amended.

We are no longer obligated to maintain an effective registration statement that would permit you under the Securities Act to resell your shares of Series A preferred stock. Thus, it may now be harder for you to sell your Series A preferred stock under the Securities Act and each resale will need to qualify for a valid exemption from registration.

Our ability to pay dividends on our preferred stock and our common stock is limited.

We do not expect to pay cash dividends on our common stock in the foreseeable future. Payment of dividends on our common stock and Series A preferred stock will depend on the earnings and cash flows of our business and that of subsidiaries, and on our subsidiaries ability to pay dividends or to advance or repay funds to us. Before declaring any dividend, our board of directors will consider factors that ordinarily affect dividend policy, such as earnings, cash flow, estimates of future earnings and cash flow, business conditions, regulatory factors, our financial condition and other matters within its discretion, as well as contractual restrictions on our ability to pay dividends. We may not be able to pay dividends in the future or, if paid, we cannot assure you that the dividends will be in the same amount or with the same frequency as in the past.

Under the Delaware General Corporation Law, we may pay dividends, in cash or otherwise, only if we have surplus in an amount at least equal to the amount of the relevant dividend payment. Any payment of cash dividends will depend upon our financial condition, capital requirements, earnings and other factors deemed relevant by our board of directors. Further, our senior secured credit facility and the indenture governing our senior notes restrict our ability to pay cash dividends. The indenture permits us to pay cash dividends on our preferred stock through November 24, 2005, so long as no default exists under the indenture, and thereafter only if we meet certain financial conditions. Our senior secured credit facility permits us to pay cash dividends on our preferred stock at any time only if no default exists thereunder and if we meet certain financial conditions, and prohibits us from paying dividends on our common stock. In addition, the certificate of designations for our Series A preferred stock prohibits us from the payment of any cash dividends on our common stock if we are not current on dividend payments with respect to our Series A preferred stock. Agreements governing future indebtedness will likely contain restrictions on our ability to pay cash dividends.

Our board of directors has not made a recommendation as to whether you should convert your shares of Series A preferred stock into common stock in the conversion offer, and we have not obtained a third-party determination that the conversion offer is fair to holders of our Series A preferred stock.

Our board of directors has not made, and will not make, any recommendation as to whether holders of Series A preferred stock should convert their Series A preferred stock into common stock pursuant to the conversion offer. We have not retained and do not intend to retain any unaffiliated representative to act solely on behalf of the holders of the Series A preferred stock for purposes of negotiating the terms of this conversion offer, or preparing a report or making any recommendation concerning the fairness of this conversion offer.

The market price and value of our common stock may fluctuate, and reductions in the price of our common stock could make the Series A preferred stock a less attractive investment.

We are offering to pay a cash premium to holders that convert their outstanding shares of Series A preferred stock into shares of our common stock. The market price of our common stock may fluctuate widely in the future. If the market price of our common stock declines, the value of the shares of the common stock you would receive upon conversion of your shares of Series A preferred stock will decline. The trading value of our common stock could fluctuate depending upon any number of specific or general factors, many of which are beyond our control. See Risks Related to Our Business and Risks Related to Our Capital Stock below.

We may redeem shares of Series A preferred stock at our option, on or after November 24, 2008.

We may redeem all or a portion of the Series A preferred stock, at our option, on or after November 24, 2008 at redemption prices per share as described in Description of Our Series A Preferred Stock Optional Redemption plus all accrued and unpaid or accumulated dividends thereon. We must provide the holders of the Series A preferred stock with at least 30, but no more than 60, days notice of our intention to redeem any shares of Series A preferred stock. The market price of the common stock into which the shares of Series A preferred stock are convertible may decline significantly between the expiration date of this conversion offer and the date of any redemption of our Series A preferred stock.

Future sales of shares of our common stock may depress its market price.

Sales of substantial numbers of additional shares of common stock or any shares of our preferred stock, including up to 10,345,395 shares of common stock underlying the Series A preferred stock being registered as part of the conversion offer and sales of shares that may be issued in connection with future acquisitions, or the perception that such sales could occur, may have a harmful effect on prevailing market prices for our common stock and our ability to raise additional capital in the financial markets at a time and price favorable to us. Our amended and restated certificate of incorporation provides that we have authority to issue 75 million shares of common stock. As of November 29, 2005, there were approximately 39.7 million shares of common stock outstanding, approximately 3.1 million shares of common stock issuable upon exercise of currently outstanding stock options and approximately 10.35 million shares of common stock issuable upon conversion of our Series A preferred stock. Each share of Series A preferred stock is currently convertible into 4.998 shares of our common stock. The number of shares of our common stock to be issued in the conversion offer is based on the conversion price of the Series A preferred stock, which is currently $10.004 per share, subject to adjustment. All of the shares of our common stock to be issued in the conversion offer to holders who are not our affiliates will be freely tradable.

The market price for our common stock has been and continues to be volatile.

The market price for our common stock could fluctuate due to various factors. These factors include:

- announcements relating to significant corporate transactions;
- fluctuations in our quarterly and annual financial results;
- operating and stock price performance of companies that investors deem comparable to us;
- changes in government regulation or proposals relating thereto;
- general industry and economic conditions; and
- sales or the expectation of sales of a substantial number of shares of our common stock in the public market.

In addition, the stock markets have, in recent years, experienced significant price fluctuations. These fluctuations often have been unrelated to the operating performance of the specific companies whose stock is traded. Market fluctuations, as well as economic conditions, have adversely affected, and may continue to adversely affect, the market price of our common stock. Fluctuations in the price of our common stock will affect the value of any outstanding preferred stock.

Risks Related to Our Business

Our substantial debt could adversely affect our business.

We have a significant amount of debt. As of September 30, 2005, we had $352.3 million of debt outstanding, $67.3 million of which was secured indebtedness, and had $184.2 million of additional borrowing capacity available under our senior secured credit facility. As of September 30, 2005, we had

$285.0 million in senior notes outstanding. We intend to borrow under our senior secured credit facility substantially all of the cash needed to pay the conversion consideration to holders of Series A preferred stock and the costs and expenses of the conversion offer. If all outstanding shares of Series A preferred stock are converted pursuant to the conversion offer, our debt outstanding as of September 30, 2005 would be $369.9 million on a pro forma basis, of which $84.9 million would be secured indebtedness. In addition, subject to the terms of the senior secured credit facility and the indenture governing our senior notes, we may also incur additional indebtedness, including secured debt, in the future.

The degree to which we are leveraged could have important adverse consequences to us. For example, it could:

- make it difficult for us to make payments on or otherwise satisfy our obligations with respect to our indebtedness;
- limit our ability to borrow additional amounts for working capital, capital expenditures, potential acquisition opportunities and other purposes;
- limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business, regulatory and economic conditions in our industry;
- place us at a competitive disadvantage against our less leveraged competitors;
- subject us to increased costs, to the extent of the portion of our indebtedness that is subject to floating interest rates; and
- cause us to fail to comply with applicable debt covenants and could result in an event of default that could result in all of our indebtedness being immediately due and payable.

In addition, our ability to generate cash flow from operations sufficient to make scheduled payments on our debt as they become due will depend on our future performance, our ability to successfully implement our business strategy and our ability to obtain other financing. Our indebtedness could also adversely affect our financial position and make it more difficult for us to fulfill our obligations under the Series A preferred stock.

The agreements that govern our senior secured credit facility and our senior notes contain various covenants that limit our discretion in the operation of our business.

The agreements and instruments that govern our senior secured credit facility and our senior notes contain various restrictive covenants that, among other things, require us to comply with or maintain certain financial tests and ratios and restrict our ability to:

- incur more debt;
- pay dividends, purchase company stock or make other distributions;
- make certain investments and payments;
- create liens;
- enter into transactions with affiliates;
- make acquisitions;
- merge or consolidate; and
- transfer or sell assets.

Our ability to comply with these covenants is subject to various risks and uncertainties. In addition, events beyond our control could affect our ability to comply with and maintain the financial tests and ratios required by our senior indebtedness. Any failure by us to comply with and maintain all applicable financial tests and ratios and to comply with all applicable covenants could result in an event of default with respect to, the acceleration of the maturity of, and the termination of the commitments to

make further extension of credit under, a substantial portion of our debt. Even if we are able to comply with all applicable covenants, the restrictions on our ability to operate our business in our sole discretion could harm our business by, among other things, limiting our ability to take advantage of financing, mergers, acquisitions and other corporate opportunities.

If we fail to meet our payment or other obligations under our senior secured credit facility, the lenders under our senior secured credit facility could foreclose on, and acquire control of, substantially all of our assets.

In connection with the incurrence of indebtedness under our senior secured credit facility, the lenders under that facility have received a pledge of all of the capital stock of our existing domestic subsidiaries and any future domestic subsidiaries. Additionally, these lenders have a lien on substantially all of our domestic assets, including our existing and future accounts receivables, cash, general intangibles, investment property and real property. As a result of these pledges and liens, if we fail to meet our payment or other obligations under our senior secured credit facility, the lenders under the credit agreement would be entitled to foreclose on substantially all of our assets and liquidate these assets. Under those circumstances, we may not have sufficient funds to pay any liquidation preference or dividends on the Series A preferred stock, if and when such amounts become due and payable. As a result, you may lose a portion of or the entire value of your investment in the Series A preferred stock.

As of December 31, 2004, we had material weaknesses in our internal control over financial reporting and disclosure controls and procedures, which could result in material misstatements in our financial statements and could negatively affect our stock price.

In connection with the preparation of our 2004 Annual Report on Form 10-K, as of December 31, 2004, we concluded that control deficiencies in our internal control over financial reporting as of December 31, 2004 constituted material weaknesses within the meaning of the Public Company Accounting Oversight Board s Auditing Standard No. 2, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction with an Audit of Financial Statements*. As we disclosed in our amended 2004 Annual Report on Form 10-K that we filed with the SEC on April 29, 2005, we identified the following material weaknesses:

- Controls over access to computer applications and segregation of duties with respect to both our manual and computer-based business processes.

- Controls over the recording of inventory shipments and revenue in the proper accounting period.

- Controls over the recording of receiving transactions and non-purchase order based accounts payable transactions in the proper accounting period.

- Controls over the liability estimation and accrual process, including income tax reserves.

- Controls over finished goods inventory on consignment at customer locations.

- The design and implementation of adequate controls to address the existence and completeness of fixed assets included in the financial statements, including returnable shipping reels, and the effectiveness of controls over recording of fixed asset acquisitions in the proper accounting period.

- The design of adequate controls relating to the purchasing function, including review and approval of significant third-party contracts and the maintenance of vendor master files.

- The design and implementation of adequate controls over the financial reporting and close process, including controls over non-routine transactions. These deficiencies were primarily attributable to the sufficiency of personnel with appropriate qualifications and training in certain key accounting roles in order to complete and document the monthly and quarterly financial closing process.

The general control environment was ineffective due to the aggregation of the material weaknesses listed above.

Although we have identified and implemented remediation plans to address the material weaknesses in our internal control over financial reporting, control weaknesses will not be considered remediated until new internal controls over financial reporting are fully operational for a period of time and are tested, and we and our independent registered public accounting firm conclude that these controls are operating effectively. This process is expected to be completed by December 31, 2005. Any failure to remediate our reported material weaknesses as expected could cause an increased risk of errors or fraud related to our financial statements, which could result in material misstatements in our financial statements. Any such failure also could adversely affect the results of our annual evaluation of our internal control over financial reporting and our independent registered public accounting firm s annual attestation reports regarding the effectiveness of our internal control over financial reporting. Such weaknesses have caused material weaknesses in our disclosure controls and procedures, which have rendered such controls and procedures ineffective. Inadequate internal control over financial reporting or ineffective disclosure controls and procedures could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

Our net sales, net income and growth depend largely on the economic strength of the geographic markets that we serve, and if these markets become weaker we could suffer decreased sales and net income.

Many of our customers use our products as components in their own products or in projects undertaken for their customers. Our ability to sell our products is largely dependent on general economic conditions, including how much our customers and end-users spend on information technology, new construction and building, maintaining or reconfiguring their communications network, industrial manufacturing assets and power transmission and distribution infrastructures. Over the past few years, many companies significantly reduced their capital equipment and information technology budgets, and construction activity that necessitates the building or modification of communication networks and power transmission and distribution infrastructures slowed considerably as a result of a weakening of the U.S. and foreign economies. As a result, our net sales and financial results declined significantly in recent years. Beginning in 2004, we have seen an improvement in these markets; however, if they were to weaken, we could suffer decreased sales and net income.

The markets for our products are highly competitive, and if we fail to invest in product development, productivity improvements and customer service and support, the sale of our products could be adversely affected.

The markets for copper, aluminum and fiber optic wire and cable products are highly competitive, and some of our competitors may have greater financial resources than us. We compete with at least one major competitor with respect to each of our business segments. Many of our products are made to common specifications and therefore may be fungible with competitors products. Accordingly, we are subject to competition in many markets on the basis of price, delivery time, customer service and our ability to meet specific customer needs.

We believe our competitors will continue to improve the design and performance of their products and to introduce new products with competitive price and performance characteristics. We expect that we will be required to continue to invest in product development, productivity improvements and customer service and support in order to compete in our markets. Furthermore, an increase in imports of products competitive with our products could adversely affect our sales.

Our business is subject to the economic and political risks of maintaining facilities and selling products in foreign countries.

During the nine fiscal months ended September 30, 2005, approximately 33% of our sales and approximately 37% of our assets were in markets outside North America. Our operations outside North

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America generated approximately $48.4 million of our cash flows from operations and the North American operations generated $26.5 million of cash flows from operations during this period. Our financial results may be adversely affected by significant fluctuations in the value of the U.S. dollar against foreign currencies or by the enactment of exchange controls or foreign governmental or regulatory restrictions on the transfer of funds. In addition, negative tax consequences relating to repatriating certain foreign currencies, particularly cash generated by our operations in Spain, may adversely affect our cash flows. Furthermore, our foreign operations are subject to risks inherent in maintaining operations abroad, such as economic and political destabilization, international conflicts, restrictive actions by foreign governments, nationalizations, changes in regulatory requirements, the difficulty of effectively managing diverse global operations and adverse foreign tax laws.

Changes in industry standards and regulatory requirements may adversely affect our business.

As a manufacturer and distributor of wire and cable products, we are subject to a number of industry standard-setting authorities, such as Underwriters Laboratories, the Telecommunications Industry Association, the Electronics Industries Association and the Canadian Standards Association. In addition, many of our products are subject to the requirements of federal, state and local or foreign regulatory authorities. Changes in the standards and requirements imposed by such authorities could have an adverse effect on us. In the event we are unable to meet any such standards when adopted, our business could be adversely affected.

In addition, changes in the legislative environment could affect the growth and other aspects of important markets served by us. In September 2005, President George W. Bush signed into law the Energy Policy Act of 2005. This law was enacted to establish a comprehensive, long-range national energy policy. Among other things, it provides tax credits and other incentives for the production of traditional sources of energy, as well as alternative energy sources, such as wind, wave, tidal and geothermal power generation systems. Although we are studying the impact that this legislation may have on us and our financial results, we cannot presently predict what this impact will be. We also cannot predict the impact that changes in laws or industry standards that may be adopted in the future could have on our financial results, cash flows or financial position.

Advancing technologies, such as fiber optic and wireless technologies, may make some of our products less competitive.

Technological developments could have a material adverse effect on our business. For example, a significant decrease in the cost and complexity of installation of fiber optic systems or an increase in the cost of copper-based systems could make fiber optic systems superior on a price performance basis to copper systems and may have a material adverse effect on our business. While we do manufacture and sell fiber optic cables, any erosion of our sales of copper cables due to increased market demand for fiber optic cables would most likely not be offset by an increase in sales of our fiber optic cables.

Also, advancing wireless technologies, as they relate to network and communications systems, may represent an alternative to certain copper cables we manufacture and reduce customer demand for premise wiring. Traditional telephone companies are facing increasing competition within their respective territories from, among others, voice over Internet protocol, or VoIP, providers and wireless carriers. Wireless communications depend heavily on a fiber optic backbone and do not depend as much on copper-based systems. An increase in the acceptance and use of VoIP and wireless technology, or the introduction of new wireless or fiber-optic based technologies, may have a material adverse effect on our marketability and profitability. If wireless technology were to significantly erode the markets for copper-based systems, our sales of copper premise cables could face downward pressure.

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Volatility in the price of copper and other raw materials, as well as fuel and energy, could adversely affect our businesses.

The costs of copper and aluminum, the most significant raw materials we use, have been subject to considerable volatility over the years. Volatility in the price of copper, aluminum, polyethylene, petrochemicals, and other raw materials, as well as fuel, natural gas and energy, will in turn lead to significant fluctuations in our cost of sales. Additionally, sharp increases in the price of copper can also reduce demand if customers decide to defer their purchases of copper wire and cable products or seek to purchase substitute products. Moreover, we do not engage in activities to hedge the underlying value of our copper and aluminum inventory. Although we attempt to reflect copper and other raw material price changes in the selling price of our products, there is no assurance that we can do so successfully or at all in the future.

Interruptions of supplies from our key suppliers may affect our results of operations and financial performance.

Interruptions of supplies from our key suppliers, including as a result of Hurricanes Katrina and Rita, could disrupt production or impact our ability to increase production and sales. During 2003, our copper rod mill plant produced approximately 62% of the copper rod used in our North American operations, and two suppliers provided an aggregate of approximately 68% of our North American copper purchases. During the second quarter of 2004, the Company s rod mill facility ceased operations. All copper rod used in our North American operations is now externally sourced; our largest supplier of copper rod accounted for approximately 68% of our North American purchases in the first nine fiscal months of 2005. Any unanticipated problems with our copper rod suppliers could have a material adverse effect on our business. Additionally, we use a limited number of sources for most of the other raw materials that we do not produce. We do not have long-term or volume purchase agreements with most of our suppliers, and may have limited options in the short-term for alternative supply if these suppliers fail to continue the supply of material or components for any reason, including their business failure, inability to obtain raw materials or financial difficulties. Moreover, identifying and accessing alternative sources may increase our costs.

Failure to negotiate extensions of our labor agreements as they expire may result in a disruption of our operations.

As of September 30, 2005, approximately 61% of our employees were represented by various labor unions. During the five calendar years ended December 31, 2004, we have experienced only two strikes, which were settled on satisfactory terms. On March 31, 2005, union workers at our Lincoln, Rhode Island manufacturing facility commenced a labor strike. We negotiated a new four-year agreement with the local union, which agreement was ratified by the local union s members on April 2, 2005. This strike did not have a significant impact on our financial results for the first fiscal quarter of 2005.

We are parties to labor agreements with unions that represent employees at many of our operational facilities. Labor agreements expired at three facilities in 2005 and were successfully renegotiated. Labor agreements are to expire at three facilities in 2006. We cannot predict what issues may be raised by the collective bargaining units representing our employees and, if raised, whether negotiations concerning such issues will be successfully concluded. A protracted work stoppage could result in a disruption of our operations which could adversely affect our ability to deliver certain products and our financial results.

Our inability to continue to achieve productivity improvements may result in increased costs.

Part of our business strategy is to increase our profitability by lowering costs through improving our processes and productivity. In the event we are unable to continue to implement measures improving our manufacturing techniques and processes, we may not achieve desired efficiency or productivity levels and our manufacturing costs may increase. In addition, productivity increases are related in part to factory

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utilization rates. Our decreased utilization rates over the past few years have adversely impacted productivity. However, we have experienced an increase in utilization rates in 2005.

We are substantially dependent upon distributors and retailers for non-exclusive sales of our products and they could cease purchasing our products at any time.

During 2004 and the first nine fiscal months of 2005, approximately 38% of our domestic net sales were made to independent distributors and three of our ten largest customers were distributors. Distributors accounted for a substantial portion of sales of our communications products and industrial & specialty products. During 2004 and the first nine fiscal months of 2005, approximately 13% and 12%, respectively, of our domestic net sales were to retailers, and the two largest retailers, The Home Depot and AutoZone, accounted for approximately 2.7% and 2.3%, respectively, of our net sales in 2004 and 4.5% and 3.2%, respectively, of our net sales for the first nine fiscal months of 2005.

These distributors and retailers are not contractually obligated to carry our product lines exclusively or for any period of time. Therefore, these distributors and retailers may purchase products that compete with our products or cease purchasing our products at any time. The loss of one or more large distributors or retailers could have a material adverse effect on our ability to bring our products to end users and on our results of operations. Moreover, a downturn in the business of one or more large distributors or retailers could adversely affect our sales and could create significant credit exposure.

We face pricing pressures in each of our markets that could adversely affect our results of operations and financial performance.

We face pricing pressures in each of our markets as a result of significant competition or over-capacity, and price levels for most of our products declined over the past few years. While we will work toward reducing our costs to respond to the pricing pressures that may continue, we may not be able to achieve proportionate reductions in costs. As a result of overcapacity and economic and industry downturn in the communications and industrial markets in particular, pricing pressures increased in 2002 and 2003, and continued into 2004. While we generally have been successful in raising prices to recover increased raw material costs, pricing pressures continued into 2005, and are expected for the foreseeable future. Further declines in prices, without offsetting cost reductions, would adversely affect our financial results.

If either of our uncommitted accounts payable or accounts receivable financing arrangements for our European operations is cancelled, our liquidity will be negatively impacted.

Our European operations participate in arrangements with several European financial institutions that provide extended accounts payable terms to us. In general, the arrangements provide for accounts payable terms of up to 180 days. As of September 30, 2005, the arrangements had a maximum availability limit of the equivalent of approximately $139 million, of which approximately $107 million was drawn. We do not have firm commitments from these European financial institutions requiring them to continue to extend credit and they may decline to advance additional funding. We also have an approximate $40 million Euro-denominated uncommitted facility in Europe, which allows us to sell at a discount, with limited recourse, a portion of our accounts receivable to a financial institution. As of September 30, 2005, this accounts receivable facility was not drawn upon. We do not have a firm commitment from this institution to purchase our accounts receivable. Should the availability under these arrangements be reduced or terminated, we would be required to negotiate longer payment terms with our suppliers or repay the outstanding obligations with our suppliers under these arrangements over 180 days and seek alternative financing arrangements which could increase our interest expense. We cannot assure you that such longer payment terms or alternate financing will be available on favorable terms or at all. Failure to obtain alternative financing arrangements in such case would negatively impact our liquidity.

In addition, in order to avoid an event of default under our senior secured credit facility, we must maintain foreign credit lines of at least the equivalent of $80.0 million during those periods when our

average excess available funds under our senior secured credit facility is less than $100.0 million for a period of three consecutive months.

We may be required to take additional charges in connection with plant closures and certain charges to our earnings in future periods in connection with our inventory accounting practices.

During 2004, we closed two industrial manufacturing locations, refocused operations at another industrial manufacturing location and ceased operations at our copper rod mill. We incurred net charges of $7.4 million ($4.7 million of which were cash) in 2004 related to these activities which are now complete. We continuously evaluate our ability to more efficiently utilize existing manufacturing capacity which may require additional future charges.

In June 2005, we decided to close one of our manufacturing plants located in Bonham, Texas. At that time, we also decided to close our fiber optic military and premise cable manufacturing plant located in Dayville, Connecticut, and we recently relocated production from this plant to our recently acquired facility in Franklin, Massachusetts, which currently produces copper as well as some fiber optic communications products. The total cost of these closures is currently estimated to be approximately $26.5 million. Total costs recorded during the nine months ended September 30, 2005 with respect to these closures were $19.6 million.

As a result of volatile copper prices, the replacement cost of our copper inventory exceeded its historic LIFO cost by approximately $38 million and $13 million at December 31, 2004 and 2003, respectively, and by approximately $65.0 million at September 30, 2005. If we were not able to recover the LIFO value of our inventory at a profit in some future period when replacement costs were lower than the LIFO value of the inventory, we would be required to take a charge to recognize on our income statement all or a portion of the higher LIFO value of the inventory. During 2002 and 2003, we recorded a $2.5 million and a $0.5 million charge, respectively, for the liquidation of LIFO inventory in North America as we significantly reduced our inventory levels. During 2004, we increased inventory quantities and therefore there was not a liquidation of LIFO inventory impact in this period. During the nine fiscal months ended September 30, 2005, we reduced our copper inventory quantities in North America and we do not expect to replace these inventories by year end, which resulted in a $2.4 million gain since LIFO inventory quantities were reduced in a period when replacement costs where higher than the LIFO value of the inventory. If LIFO inventory quantities are reduced in a future period when replacement costs exceed the LIFO value of the inventory, we would experience an increase in reported earnings. Conversely, if LIFO inventory quantities are reduced in a future period when replacement costs are lower than the LIFO value of the inventory, we would experience a decline in reported earnings.

We are subject to certain asbestos litigation and unexpected judgments or settlements could have a material adverse effect on our financial results.

There are approximately 9,700 pending non-maritime asbestos cases involving our subsidiaries. The majority of these cases involve plaintiffs alleging exposure to asbestos-containing cable manufactured by our predecessors. In addition to our subsidiaries, numerous other wire and cable manufacturers have been named as defendants in these cases. Our subsidiaries have also been named, along with numerous other product manufacturers, as defendants in approximately 33,260 suits in which plaintiffs alleged that they suffered an asbestos-related injury while working in the maritime industry. These cases are referred to as MARDOC cases and are currently managed under the supervision of the U.S. District Court for the Eastern District of Pennsylvania. On May 1, 1996, the District Court ordered that all pending MARDOC cases be administratively dismissed without prejudice and the cases cannot be reinstated, except in certain circumstances involving specific proof of injury. We cannot assure you that any judgments or settlements of the pending non-maritime and/or MARDOC asbestos cases or any cases which may be filed in the future will not have a material adverse effect on our financial results, cash flows or financial position. Moreover, certain of our insurers may be financially unstable and in the event one or more of these insurers enter into insurance liquidation proceedings, we will be required to pay a larger portion of the costs incurred in connection with these cases.

Environmental liabilities could potentially adversely impact us and our affiliates.

We are subject to federal, state, local and foreign environmental protection laws and regulations governing our operations and the use, handling, disposal and remediation of hazardous substances currently or formerly used by us and our affiliates. A risk of environmental liability is inherent in our and our affiliates current and former manufacturing activities in the event of a release or discharge of a hazardous substance generated by us or our affiliates. Under certain environmental laws, we could be held jointly and severally responsible for the remediation of any hazardous substance contamination at our facilities and at third party waste disposal sites and could also be held liable for any consequences arising out of human exposure to such substances or other environmental damage. We and our affiliates have been named as potentially responsible parties in proceedings that involve environmental remediation. There can be no assurance that the costs of complying with environmental, health and safety laws and requirements in our current operations or the liabilities arising from past releases of, or exposure to, hazardous substances, will not result in future expenditures by us that could materially and adversely affect our financial results, cash flows or financial condition.

Growth through acquisition has been a significant part of our strategy and we may not be able to successfully identify, finance or integrate acquisitions.

Growth through acquisition has been, and is expected to continue to be, a significant part of our strategy. For example, in November 2005 we announced that we had entered into a definitive agreement to acquire Silec, the wire and cable manufacturing business of SAFRAN SA, a diverse, global high-technology company based in Paris, France. We regularly evaluate possible acquisition candidates. We cannot assure you that we will be successful in identifying, financing and closing acquisitions at favorable prices and terms. Potential acquisitions may require us to issue additional shares of stock or obtain additional or new financing, and such financing may not be available on terms acceptable to us, or at all. The issuance of our common or preferred shares may dilute the value of shares held by our equityholders. Further, we cannot assure you that we will be successful in integrating any such acquisitions that are completed. Integration of any such acquisitions may require substantial management, financial and other resources and may pose risks with respect to production, customer service and market share of existing operations. In addition, we may acquire businesses that are subject to technological or competitive risks, and we may not be able to realize the benefits expected from such acquisitions.

Terrorist attacks and other attacks or acts of war may adversely affect the markets in which we operate and our profitability.

The attacks of September 11, 2001 and subsequent events, including the military action in Iraq, have caused and may continue to cause instability in our markets and have led and may continue to lead to, further armed hostilities or further acts of terrorism worldwide, which could cause further disruption in our markets. Acts of terrorism may impact any or all of our facilities and operations, or those of our customers or suppliers and may further limit or delay purchasing decisions of our customers. Depending on their magnitude, acts of terrorism or war could have a material adverse effect on our business, financial results, cash flows and financial position.

We carry insurance coverage on our facilities of types and in amounts that we believe are in line with coverage customarily obtained by owners of similar properties. We continue to monitor the state of the insurance market in general and the scope and cost of coverage for acts of terrorism in particular, but we cannot anticipate what coverage will be available on commercially reasonable terms in future policy years. Currently, we do not carry terrorism insurance coverage. If we experience a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged facilities, as well as the anticipated future net sales from those facilities. Depending on the specific circumstances of each affected facility, it is possible that we could be liable for indebtedness or other obligations related to the facility. Any such loss could materially and adversely affect our business, financial results, cash flows and financial position.

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If we fail to retain our key employees, our business may be harmed.

Our success has been largely dependent on the skills, experience and efforts of our key employees, and the loss of the services of any of our executive officers or other key employees could have an adverse effect on us. The loss of our key employees who have intimate knowledge of our manufacturing process could lead to increased competition to the extent that those employees are hired by a competitor and are able to recreate our manufacturing process. Our future success will also depend in part upon our continuing ability to attract and retain highly qualified personnel, who are in great demand.

Declining returns in the investment portfolio of our defined benefit plans could increase the volatility in our pension expense and require us to increase cash contributions to the plans.

Pension expense for the defined benefit pension plans sponsored by us is determined based upon a number of actuarial assumptions, including an expected long-term rate of return on assets and discount rate. During the fourth quarter of 2002, as a result of declining returns in the investment portfolio of our defined benefit pension plans, we were required to record a minimum pension liability equal to the underfunded status of our plans. As of December 31, 2003, the defined benefit plans were underfunded by approximately $39.9 million based on the actuarial methods and assumptions utilized for purposes of the applicable accounting rules and interpretations. During 2004, investment performance improved and as a result, the defined benefit plans were underfunded by approximately $33.0 million at December 31, 2004. We have experienced volatility in our pension expense and an increase in our cash contributions to our defined benefit pension plan. Pension expense for our defined benefit plans decreased from $8.4 million in 2003 to $5.5 million in 2004 and our required cash contributions increased to $13.0 million in 2004 from $6.1 million in 2003. In 2005, pension expense for our defined benefit plans is expected to decrease approximately $0.7 million from 2004, primarily due to improved investment performance during 2004 in the market value of assets held and cash contributions are expected to decrease by $2.2 million. In the event that actual results differ from the actuarial assumptions, the funded status of our defined benefit plans may change and any such deficiency could result in additional charges to equity and an increase in future pension expense and cash contributions.

An ownership change could result in a limitation of the use of our net operating losses.

As of December 31, 2004, we had net operating loss, or NOL, carryforwards of approximately $202 million available to reduce taxable income in future years. Specifically, we generated NOL carryforwards of approximately $148 million between 2000 and 2004. These NOL carryforwards will not begin to expire until 2020. We also have other NOL carryforwards that are subject to an annual limitation under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code. These Section 382 limited NOL carryforwards expire in varying amounts from 2006 to 2009. The total Section 382 limited NOL carryforwards that may be utilized prior to expiration is estimated at approximately $54 million.

Our ability to utilize our NOL carryforwards may be further limited by Section 382 if we undergo an ownership change as a result of the sale of our stock by holders of our equity securities or as a result of subsequent changes in the ownership of our outstanding stock. We would undergo an ownership change if, among other things, the stockholders, or group of stockholders, who own or have owned, directly or indirectly, 5% or more of the value of our stock or are otherwise treated as 5% stockholders under Section 382 and the regulations promulgated thereunder increase their aggregate percentage ownership of our stock by more than 50% over the lowest percentage of our stock owned by these stockholders at any time during the testing period, which is generally the three-year period preceding the potential ownership change. In the event of an ownership change, Section 382 imposes an annual limitation on the amount of post-ownership change taxable income a corporation may offset with pre-ownership change NOL carryforwards and certain recognized built-in losses. The limitation imposed by Section 382 for any post-change year would be determined by multiplying the value of our stock immediately before the ownership change (subject to certain adjustments) by the applicable long-term tax-exempt rate in effect at the time of the ownership change. By way of example, the long-term tax-exempt rate is 4.24% as of November 2005. Any unused annual limitation may be carried over to later years, and the limitation may under

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certain circumstances be increased by built-in gains which may be present in assets held by us at the time of the ownership change that are recognized in the five-year period after the ownership change.

Based upon our review of the aggregate change in percentage ownership during the current testing period and subject to any unanticipated increases in ownership by our five percent shareholders (as described above) with respect to our outstanding stock, we do not believe that we will experience a change in ownership as a result of the conversion offer. However, such a determination is complex and there can be no assurance that the Internal Revenue Service could not successfully challenge our conclusion. In addition, there are circumstances beyond our control, such as the purchase of our stock by investors who are existing 5% shareholders or become 5% shareholders as a result of such purchase, which could result in an ownership change with respect to our stock. Even if the conversion offer does not cause an ownership change to occur, our November 2003 stock issuances used a large portion of our available 50% ownership shift limitation, and we may not be able to engage in significant transactions, including making significant issuances of our stock, that would create a further shift in ownership within the meaning of Section 382 within the subsequent three-year period without triggering an ownership change. Thus, while it is our general intention to maximize utilization of our NOL carryforwards by avoiding the triggering of an ownership change, there can be no assurance that our future actions or future actions by our stockholders will not result in the occurrence of an ownership change, which will result in limitations in our utilization of the NOL and negatively affect cash flows.

If we are required to classify our Series A preferred stock as debt in the future, our balance sheet will be adversely affected.

Upon issuance, our Series A preferred stock was classified as equity on our balance sheet in accordance with Statement of Financial Accounting Standards No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, or SFAS 150, since our Series A preferred stock contains a substantive conversion feature. Under SFAS 150, our Series A preferred stock will remain classified as equity until and unless it becomes certain that the conversion feature will not be exercised by the holders. If it were to become certain that the holders of our Series A preferred stock will not exercise their conversion rights, we would be required to reclassify our Series A preferred stock as a liability on our balance sheet. Additionally, in adopting SFAS 150, the Financial Accounting Standards Board indicated that it is considering changes to the accounting treatment for certain instruments with both liability and equity characteristics. As a result, we cannot assume that our Series A preferred stock will continue to be classified as equity in future periods or that any series of preferred stock that we may issue in the future would qualify to be classified as equity on our balance sheet. However, any such reclassification of our Series A preferred stock would not, in any material respect, affect our compliance with the indenture governing our senior notes or our senior secured credit facility.

Risks Related to Our Capital Stock

In addition to the risks discussed above in Risks Related to the Conversion Offer and Risks Related to Our Business, the following risks, among others, are important to an investment in our capital stock:

Our Series A preferred stock ranks junior to all of our liabilities as well as the liabilities of our subsidiaries.

The ranking of our Series A preferred stock with respect to the payment of dividends and upon liquidation, dissolution or winding up may prevent us from paying cash dividends. Our Series A preferred stock ranks junior in right of payment to all of our existing and future liabilities, including our obligations under our senior secured credit facility and our senior notes. In the event that we do not have sufficient funds to pay both our debt service and accrued dividends on our Series A preferred stock, we will first limit or stop paying such dividends to holders of Series A preferred stock until all amounts due on our liabilities are paid.

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In the event of our bankruptcy, liquidation or winding-up, our assets will be available to pay the liquidation preference of and accrued dividends on, our Series A preferred stock only after all our indebtedness and other liabilities have been paid. In addition, our Series A preferred stock effectively ranks junior to all existing and future liabilities of our subsidiaries and the capital stock (other than common stock) of our subsidiaries held by third parties. The rights of holders of our Series A preferred stock to participate in the assets of our subsidiaries upon any liquidation or reorganization of any subsidiary ranks junior to the prior claims of that subsidiary s creditors and equity holders. As of September 30, 2005, we had total consolidated liabilities of $961.8 million. In the event of our bankruptcy, liquidation or winding-up, there may not be sufficient assets remaining to pay amounts due on any or all shares of our preferred stock then outstanding.

We may not be able to pay the purchase price of our Series A preferred stock upon a change of control if the holders exercise their right to require us to purchase such securities.

If we undergo a change of control, subject to limited exceptions, we will be required to offer to purchase our Series A preferred stock at a purchase price equal to 100% of the then liquidation preference, plus accrued, unpaid and accumulated dividends. Under certain circumstances, we will have the option to pay for those shares either in cash or in shares of our common stock valued at a discount of 5% from the market price of our common stock.

Under the terms of our senior secured credit facility, however, we are prohibited from paying the purchase price of our Series A preferred stock in cash. To permit us to do so, we would need to amend our senior secured credit facility with the consent of the lenders under that facility. Our future credit facilities and other existing and future indebtedness may contain similar restrictions.

Issuances of additional series of preferred stock could adversely affect holders of our common stock.

Our board of directors is authorized to issue additional series of preferred stock without any action on the part of our stockholders. Our board of directors also has the power, without stockholder approval, to set the terms of any such series of preferred stock that may be issued, including voting rights, conversion rights, dividend rights, preferences over our common stock with respect to dividends or if we liquidate, dissolve or wind up our business and other terms. If we issue preferred stock in the future that has preference over our common stock with respect to the payment of dividends or upon our liquidation, dissolution or winding-up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the market price of our common stock could be adversely affected.

Provisions in our constituent documents could make it more difficult to acquire our company.

Our amended and restated certificate of incorporation and amended and restated by-laws contain provisions that may discourage, delay or prevent a third party from acquiring us, even if doing so would be beneficial to our stockholders. Under our amended and restated certificate of incorporation, only our board of directors may call special meetings of stockholders, and stockholders must comply with advance notice requirements for nominating candidates for election to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings. Directors may be removed by stockholders only for cause and only by the effective vote of at least 66^{2}/3% of the voting power of all shares of capital stock then entitled to vote generally in the election of directors, voting together as a single class. Additionally, agreements with certain of our executive officers may have the effect of making a change of control more expensive and, therefore, less attractive.

Pursuant to our amended and restated certificate of incorporation, our board of directors may by resolution establish one or more series of preferred stock, having such number of shares, designation, relative voting rights, dividend rates, conversion rights, liquidation or other rights, preferences and limitations as may be fixed by our board of directors without any further stockholder approval. Such rights,

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preferences, privileges and limitations as may be established could have the further effect of impeding or discouraging the acquisition of control of our company.

Holders of our preferred stock have no rights as common stockholders until they acquire our common stock.

Until preferred stockholders acquire shares of our common stock upon conversion of our preferred stock, they will have no rights with respect to our common stock, including voting rights (except as required by applicable state law or our amended and restated certificate of incorporation, and as described under Description of Our Series A Preferred Stock Voting Rights), rights to respond to tender offers and rights to receive any dividends or other distributions on our common stock. Upon conversion, they will be entitled to exercise the rights of a holder of common stock only as to matters for which the record date occurs after the conversion date.

QUESTIONS AND ANSWERS ABOUT THE CONVERSION OFFER

These answers to questions that you may have as a holder of shares of our Series A preferred stock are highlights of selected information included elsewhere or incorporated by reference in this conversion offer prospectus. To fully understand the conversion offer and the other considerations that may be important to your decision about whether to participate in it, you should carefully read this conversion offer prospectus in its entirety, including the section entitled Risk Factors, as well as the information incorporated by reference in this conversion offer prospectus. See Incorporation of Certain Documents by Reference. For further information about us, see the section of this conversion offer prospectus entitled Where You Can Find More Information.

Why are you making the conversion offer?

We are making the conversion offer to reduce our ongoing fixed dividend obligations and to improve the trading liquidity of our common stock. The conversion offer allows current holders of shares of Series A preferred stock to receive a cash premium, discussed below, in addition to the number of shares of common stock that they would otherwise receive upon conversion of the Series A preferred stock.

How many shares of Series A preferred stock are being sought in the conversion offer?

We are offering to convert all outstanding shares of the Series A preferred stock into our common stock. As of November 29, 2005, 2,069,907 shares of Series A preferred stock were outstanding.

What will I receive in the conversion offer if I surrender my shares of Series A preferred stock for conversion and they are accepted?

For each share of Series A preferred stock you validly surrender as part of the conversion offer and we accept for conversion, you will receive:

- a cash premium payment equal to $7.88, subject to adjustment; and
- 4.998 shares of our common stock, which is equal to the number of shares that you would otherwise receive upon conversion of a share of Series A preferred stock, subject to adjustment as provided in the terms of the Series A preferred stock, and less any fractional shares; and
- an amount in cash equal to the accrued but unpaid and accumulated dividends on each share of Series A preferred stock from and after November 24, 2005, the last dividend payment date prior to the expiration date of the conversion offer, up to, but not including, the settlement date.

In this conversion offer prospectus, we refer to the aggregate of the cash payments described above as the conversion consideration. We are not required to issue fractional shares of common stock upon conversion of the Series A preferred stock in the conversion offer. Instead, we will pay a cash adjustment for all fractional shares based upon the market price of the common stock on the second business day before the settlement date of the conversion.

Your right to receive the above consideration in the conversion offer is subject to all of the conditions set forth in this conversion offer prospectus and the related letter of transmittal.

When will I receive the conversion consideration for surrendering my shares of Series A preferred stock pursuant to the conversion offer?

Assuming that we have not previously elected to terminate the conversion offer, shares of Series A preferred stock validly surrendered for conversion in accordance with the procedures described in this conversion offer prospectus and the letter of transmittal before 5:00 p.m., New York City time, on the expiration date will, upon the terms and subject to the conditions of the conversion offer, including all conditions thereto, be accepted for conversion and payment of the conversion consideration, and payments

will be made on the settlement date. The settlement date will occur promptly after the expiration date, and we expect that the settlement date will occur within three business days after the expiration date. If the conversion offer is not completed, no such conversion will occur, no payments will be made and we will return your shares of Series A preferred stock. We must waive or satisfy all conditions to the conversion offer on or prior to the expiration date to accept any shares of Series A preferred stock for conversion in the conversion offer.

How does the consideration I will receive if I convert my shares of Series A preferred stock in the conversion offer compare to the payments I would receive on the shares of Series A preferred stock if I do not convert now?

If you do not surrender shares of Series A preferred stock pursuant to the conversion offer, you will receive, when, as and if declared by our board of directors, dividend payments at an annual rate of 5.75% of the liquidation preference per share, accruing from the beginning of each relevant dividend period. Dividend payments are made quarterly in arrears on February 24, May 24, August 24 and November 24 of each year through November 24, 2013 or until such earlier time as they are converted into common stock or redeemed by us. See Description of Our Series A Preferred Stock Dividends. You will also continue to have the right to convert your shares of Series A preferred stock into common stock in accordance with their terms, subject to our right, on or after November 24, 2008, to redeem all or any portion of the Series A preferred stock at 100% of the then liquidation preference per share, plus accrued, unpaid and accumulated dividends thereon. If you do not surrender your shares of Series A preferred stock in the conversion offer, you will not be entitled to receive any conversion consideration as part of the conversion offer.

If, however, you participate in the conversion offer, for each share of Series A preferred stock converted pursuant to such offer, you will receive the number of shares of common stock and the cash conversion consideration described above in What will I receive in the conversion offer if I surrender my shares of Series A preferred stock for conversion and they are accepted?

How will you finance payment of the cash portion of the conversion consideration?

Assuming full participation, we estimate that we will need approximately $17.6 million in cash to complete the conversion offer, including the payment of the cash portion of the conversion consideration and all estimated fees and expenses incurred in connection with the conversion offer. We currently intend to pay the cash needed to complete the conversion offer with amounts borrowed under our senior secured credit facility.

What other rights will I lose if I convert my shares of Series A preferred stock in the conversion offer?

If you validly surrender your shares of Series A preferred stock and we accept them for conversion, you would lose the rights of a holder of Series A preferred stock, which are described in Comparison of Rights Between the Series A Preferred Stock and Our Common Stock. For example, you would lose the right to receive quarterly dividends, when, if and as declared by the board of directors. You would also lose the right to receive, out of our assets available for distribution to our stockholders and before any distribution is made to the holders of stock ranking junior to the Series A preferred stock (including common stock), a liquidation preference in the amount of $50.00 per share of Series A preferred stock, plus accumulated and unpaid dividends, upon our voluntary or involuntary liquidation, winding up or dissolution.

Will I be entitled to receive any dividend that may be paid on the Series A preferred stock on the November 24, 2005 dividend payment date if I surrender my Series A preferred stock in the conversion offer prior to November 24th?

Yes, assuming you held your shares of Series A preferred stock as of October 31, 2005, the record date for the November 24, 2005 dividend. Because the conversion offer will remain open until

December 9, 2005, if you validly surrender your shares of Series A preferred stock in the conversion offer prior to November 24, 2005 and we accept them for conversion, you will still retain the right to receive a cash payment of the dividend on the Series A preferred stock that we declared and will pay with respect to the November 24, 2005 dividend payment date.

May I convert only a portion of the shares of Series A preferred stock that I hold?

Yes. You do not have to convert all of your shares of Series A preferred stock to participate in the conversion offer.

If the conversion offer is consummated and I do not participate in the conversion offer or I do not convert all of my shares of Series A preferred stock in the conversion offer, how will my rights and obligations under my remaining outstanding shares of Series A preferred stock be affected?

The terms of your shares of Series A preferred stock, if any, that remain outstanding after the consummation of the conversion offer will not change as a result of the conversion offer.

What do you intend to do with the shares of Series A preferred stock that are converted in the conversion offer?

Shares of Series A preferred stock accepted for conversion by us in the conversion offer will be retired and cancelled.

Are you making a recommendation regarding whether I should participate in the conversion offer?

We are not making any recommendation regarding whether you should convert or refrain from converting your shares of Series A preferred stock in the conversion offer. Accordingly, you must make your own determination as to whether to convert your shares of Series A preferred stock in the conversion offer and, if so, the number of shares of Series A preferred stock to convert. Before making your decision, we urge you to carefully read this conversion offer prospectus in its entirety, including the information set forth in the section of this conversion offer prospectus entitled Risk Factors, and the other documents incorporated by reference in this conversion offer prospectus.

Will the common stock to be issued in the conversion offer be freely tradable?

Yes. The shares of our common stock to be issued in the conversion offer have been approved for listing on the New York Stock Exchange under the symbol BGC. Generally, the common stock you receive in the conversion offer will be freely tradable, unless you are considered an affiliate of ours, as that term is defined in the Securities Act. For more information regarding the market for our common stock, see the section of this conversion offer prospectus entitled Market for Our Common Stock and Series A Preferred Stock.

What are the conditions to the conversion offer?

The conversion offer is conditioned upon:

- the effectiveness of the registration statement of which this conversion offer prospectus forms a part; and
- the other closing conditions described in The Conversion Offer Conditions to the Conversion Offer.

The conversion offer is not conditioned upon any minimum number of shares of Series A preferred stock being surrendered for conversion. We may waive certain conditions of this conversion offer. If any of the conditions are not satisfied or waived, we will not complete the conversion offer. For more information regarding the conditions to the conversion offer, see the section of this conversion offer prospectus entitled The Conversion Offer Conditions to the Conversion Offer.

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How will fluctuations in the trading price of our common stock affect the consideration offered to holders of shares of Series A preferred stock?

Our common stock is traded on the New York Stock Exchange under the symbol BGC. The last reported sale price of our common stock on November 29, 2005 was $17.28 per share. At present, each share of Series A preferred stock is immediately convertible into 4.998 shares of our common stock, which is equivalent to a conversion price of $10.004 per share.

We are offering to convert each share of Series A preferred stock into 4.998 shares of common stock, subject to adjustment and less fractional shares, plus a cash premium payment of $7.88 per share. If the market price of our common stock declines, the then market value of the fixed portion of the shares of common stock you will receive in the conversion of your shares of Series A preferred stock will also decline. However, neither the number of shares of common stock nor the cash payment you would receive in the conversion offer will vary based on the trading price of our common stock. The trading price of our common stock could fluctuate depending upon any number of factors, including those specific to us and those that influence the trading prices of equity securities generally. See Risk Factors Risks Related to the Conversion Offer The market price and value of our common stock may fluctuate, and reductions in the price of our common stock could make the Series A preferred stock a less attractive investment.

When does the conversion offer expire?

The conversion offer will expire at 5:00 p.m., New York City time, on Friday, December 9, 2005, unless extended or earlier terminated by us.

Under what circumstances can the conversion offer be extended, amended or terminated?

We reserve the right to extend the conversion offer for any reason at all. We also expressly reserve the right, at any time or from time to time, to amend the terms of the conversion offer in any respect prior to the expiration date of the conversion offer. Further, we may be required by law to extend the conversion offer if we make a material change in the terms of the conversion offer or in the information contained in this conversion offer prospectus or waive a material condition to the conversion offer. During any extension of the conversion offer, shares of Series A preferred stock that were previously surrendered for conversion and not validly withdrawn will remain subject to the conversion offer. We reserve the right, in our sole and absolute discretion, to terminate the conversion offer, at any time prior to the expiration date of the conversion offer if any condition to the conversion offer is not met, other than the financing conditions (which have already been satisfied) and the requirement that the registration statement of which this conversion offer prospectus forms a part is declared effective by the SEC. If the conversion offer is terminated, no shares of Series A preferred stock will be accepted for conversion and any shares of Series A preferred stock that have been surrendered for conversion will be returned to the holder promptly after the termination. For more information regarding our right to extend, amend or terminate the conversion offer, see the section of this conversion offer prospectus entitled The Conversion Offer Expiration Date and Amendments.

How will I be notified if the conversion offer is extended, amended or terminated?

If the conversion offer is extended, amended or terminated, we will promptly make a public announcement by issuing a press release, with the announcement in the case of an extension to be issued no later than 9:00 a.m., New York City time, on the first business day after the previously scheduled expiration date of the conversion offer. For more information regarding notification of extensions, amendments or the termination of the conversion offer, see the section of this conversion offer prospectus entitled The Conversion Offer Expiration Date and Amendments.

What risks should I consider in deciding whether or not to convert my Series A preferred stock?

In deciding whether to participate in the conversion offer, you should carefully consider the discussion of risks and uncertainties affecting our business, the Series A preferred stock and our common stock that are described in the section of this conversion offer prospectus entitled Risk Factors, and the documents incorporated by reference in this conversion offer prospectus.

What are the material U.S. federal income tax considerations of my participating in the conversion offer?

Blank Rome LLP, our legal counsel, has provided a legal opinion concerning the tax treatment of the conversion offer for U.S. federal income tax purposes. For more details, please see the section of this conversion offer prospectus entitled Material U.S. Federal Income Tax Considerations. You should consult your own tax advisor for a full understanding of the tax considerations of participating in the conversion offer.

How will the conversion offer affect the trading market for the shares of Series A preferred stock that are not exchanged?

The Series A preferred stock is not listed on any national securities exchange and there is no established trading market for these shares. A substantial majority of the shares of Series A preferred stock are traded over-the-counter, and the remainder of these shares are traded on the PORTAL system of the National Association of Securities Dealers, Inc. If a sufficiently large number of shares of Series A preferred stock do not remain outstanding after the conversion offer, the trading market for the remaining outstanding shares of Series A preferred stock may become even less liquid and more sporadic, and market prices may fluctuate significantly depending on the volume of trading in shares of Series A preferred stock. In such an event, your ability to sell your shares of Series A preferred stock not surrendered in the conversion offer may be impaired. See Risk Factors Risks Related to the Conversion Offer You may have difficulty selling the Series A preferred stock that you do not convert.

Are your financial condition and results of operations relevant to my decision to convert my shares as part of the conversion offer?

Yes. The price of our common stock and the Series A preferred stock are closely linked to our financial condition and results of operations. For information about the accounting treatment of the conversion offer, see the section of this conversion offer prospectus entitled The Conversion Offer Accounting Treatment.

Will you receive any cash proceeds from the conversion offer?

No. We will not receive any cash proceeds from the conversion offer.

How do I convert my shares of Series A preferred stock in the conversion offer?

If you beneficially own shares of Series A preferred stock that are held in the name of a broker or other nominee and wish to convert such shares of Series A preferred stock, you should promptly instruct your broker or other nominee to convert on your behalf. To convert shares of Series A preferred stock, Mellon Investor Services LLC, the conversion agent, must receive, prior to the expiration date of the conversion offer:

either

- the certificates representing such shares of Series A preferred stock and a duly executed and completed letter of transmittal, or

- in the case of book-entry transfer, a timely confirmation of book-entry transfer of such shares of Series A preferred stock, and

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either

- a properly completed and executed letter of transmittal, or
- a properly transmitted agent s message through the automated tender offer program, or ATOP, of The Depository Trust Company, which we refer to in this conversion offer prospectus as the depositary or DTC, according to the procedure for book-entry transfer described in this conversion offer prospectus.

For more information regarding the procedures for converting your shares of Series A preferred stock, see the section of this conversion offer prospectus entitled The Conversion Offer Procedures for Converting Shares of Series A Preferred Stock in the Conversion Offer.

What happens if some or all of my shares of Series A preferred stock are not accepted for conversion?

If we decide for any reason not to accept some or all of your shares of Series A preferred stock, the shares of Series A preferred stock not accepted by us will be returned to you, at our expense, promptly after the expiration or termination of the conversion offer by book entry transfer into the conversion agent s account at DTC. DTC will credit any validly withdrawn or unaccepted shares of Series A preferred stock to your account at DTC. For more information, see the section of this conversion offer prospectus entitled The Conversion Offer Withdrawal Rights.

Until when may I withdraw shares of Series A preferred stock previously surrendered for conversion?

If not previously returned, you may withdraw shares of Series A preferred stock that were previously surrendered for conversion at any time until the conversion offer has expired. In addition, you may withdraw any shares of Series A preferred stock that you surrender that are not accepted for conversion by us after the expiration of 40 business days from November 9, 2005, if such shares have not been previously returned to you. For more information, see the section of this conversion offer prospectus entitled The Conversion Offer Withdrawal Rights.

How do I withdraw shares of Series A preferred stock previously surrendered for conversion?

To withdraw shares of Series A preferred stock previously surrendered for conversion, you must either give written notice of withdrawal which must be received by the conversion agent on or before the expiration date, or, in the case of book-entry transfer, you must comply with the appropriate procedures of DTC s automated tender offer program. For more information regarding the procedures for withdrawing these shares, see the section of this conversion offer prospectus entitled The Conversion Offer Withdrawal Rights.

Will I have to pay any fees or commissions if I convert my shares of Series A preferred stock in this conversion offer?

If your shares of Series A preferred stock are held through a broker or other nominee who surrenders the Series A preferred stock on your behalf (other than those surrendered through the dealer manager), your broker may charge you a commission for doing so. You should consult with your broker or nominee to determine whether any charges will apply. Otherwise, you will not be required to pay any fees or commissions to us, the dealer manager, the conversion agent or the information agent in connection with the conversion offer.

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With whom may I talk if I have questions about the conversion offer?

If you have questions regarding the conversion offer, please contact the dealer manager, Merrill Lynch & Co. You may call Merrill Lynch toll-free at (888) 654-8637 or collect at (212) 449-4914. If you have questions regarding the procedures for converting your shares of Series A preferred stock in the conversion offer, please contact Mellon Investor Services LLC, the conversion agent, toll-free at (800) 685-4258. If you require additional conversion offer materials, please contact D.F. King & Co., Inc., the information agent, at (212) 269-5550. You may also write to any of these entities at one of their respective addresses set forth on the back cover of this conversion offer prospectus.

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THE CONVERSION OFFER

Purpose and Effect

The purposes of the conversion offer are to induce the conversion to common stock of any and all of the outstanding shares of Series A preferred stock to reduce our ongoing fixed dividend obligations and to improve the trading liquidity of our common stock by increasing the number of outstanding shares of common stock available for trading. The conversion offer allows current holders of shares of our Series A preferred stock to convert such shares into the right to receive a cash premium payment of $7.88 per share, subject to adjustment, plus accrued, unpaid and accumulated dividends thereupon, in addition to the shares of common stock that they would receive upon conversion of the Series A preferred stock. Any shares of Series A preferred stock that are converted in the conversion offer will be cancelled and retired.

Terms of the Conversion Offer

Pursuant to the terms of the conversion offer, including the terms or conditions of any extension or amendment of the conversion offer, we will accept for conversion, and promptly convert pursuant to the terms of the Series A preferred stock and will pay the conversion consideration described below in respect of, all shares of Series A preferred stock validly surrendered for conversion pursuant to the conversion offer and not validly withdrawn (or, if withdrawn, validly re-surrendered after such withdrawal). We will make this payment by depositing with the conversion agent the conversion consideration in immediately available funds promptly after the expiration date. The conversion agent will act as agent for converting holders for the purpose of receiving payment from us and transmitting such payment to the converting holders. Under no circumstances will interest be paid on the conversion consideration in the event of any delay on behalf of the conversion agent in making payment.

For each share of Series A preferred stock you validly surrender as part of the conversion offer and we accept for conversion, you will receive:

- a cash premium payment equal to $7.88, subject to adjustment;
- 4.998 shares of our common stock, which is equal to the number of shares that you would otherwise receive upon conversion of a share of Series A preferred stock, subject to adjustment as provided in the terms of the Series A preferred stock and less any fractional shares; and
- an amount in cash equal to the accrued but unpaid and accumulated dividends on each share of Series A preferred stock from and after November 24, 2005, the last dividend payment date prior to the expiration date of the conversion offer, up to, but not including, the settlement date.

We are not required to issue fractional shares of common stock upon conversion of the Series A preferred stock in the conversion offer. Instead, we will pay a cash adjustment for all fractional shares based upon the market price of the common stock on the second business day before the settlement date of the conversion.

For example, assuming that a holder owns 100 shares of Series A preferred stock and all of the holder s shares are accepted for conversion in the conversion offer at the present conversion ratio of 4.998, the holder would be entitled to receive 499.8 shares of common stock, which is equal to 100 shares of Series A preferred stock multiplied by the conversion ratio of 4.998. However, the fractional shares would be paid in cash rather than stock. If the closing price of a share of our common stock on the second business day prior to the conversion offer settlement date is $17.28, the holder would receive 499 shares of common stock plus, as payment for the fractional shares, $13.82 in cash ($17.28 per share on the determination date multiplied by 0.8 of a share of common stock).

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Assuming that all of the 2,069,907 outstanding shares of Series A preferred stock are converted into common stock pursuant to the conversion offer, we estimate that the total amount of cash needed to complete the conversion offer, including the payment of all related fees and expenses, will be approximately $17.6 million. We will need to borrow substantially all of this cash under our senior secured credit facility. See Conditions to the Conversion Offer Financing Conditions. We currently have no alternative plan of conducting the conversion offer if we are unable to borrow under our senior secured credit facility the cash necessary to complete it. Other than such repayments of principal or interest as may be required pursuant to the terms of the senior secured credit facility, we have no present plans or arrangements to finance or repay any amounts borrowed in connection with the conversion offer.

Subject to Rule 14e-1(c) of the Securities Exchange Act of 1934, as amended, we reserve the right in our sole discretion and at any time to delay acceptance for conversion of, or payment of conversion consideration in respect of, shares of Series A preferred stock for such time as may be needed to obtain any required governmental regulatory approvals. See Conditions to the Conversion Offer. In all cases, the conversion agent will make payment to holders of Series A preferred stock or beneficial owners of the conversion consideration for such shares surrendered for conversion pursuant to the conversion offer only after the conversion agent has received, prior to the expiration date:

- either of the following:
  - (1) certificates representing the shares of Series A preferred stock to be converted in the conversion offer; or
  - (2) timely confirmation of a book-entry transfer of the shares of Series A preferred stock into the conversion s agent account at DTC pursuant to the procedures set forth in this section; and
- either of the following:
  - (1) a properly completed and duly executed letter of transmittal, together with any other forms, signatures, guarantees, documents or information that may be required thereby; or
  - (2) a properly transmitted agent s message through ATOP.

For purposes of this conversion offer, shares of Series A preferred stock surrendered for conversion will only be deemed to have been accepted for conversion and payment of conversion consideration if, as and when we give proper notice of such acceptance to the conversion agent.

Converting holders will not be obligated to pay brokerage fees or commissions to the dealer manager, the information agent, the conversion agent or us. Converting holders will not be required to pay transfer taxes on the payment of the conversion consideration, except as provided in the letter of transmittal.

Expiration Date and Amendments

The conversion offer will expire at 5:00 p.m., New York City time, on Friday, December 9, 2005, unless we, in our sole discretion, extend the conversion offer, in which case the term expiration date means the latest date and time to which we extend the conversion offer. In any event, the conversion offer will be open for at least 20 full business days.

We also may extend the conversion offer or amend or terminate the conversion offer if any of the conditions described below under Conditions to the Conversion Offer have not been satisfied or waived prior to the expiration date by giving proper notice to the conversion agent of the delay, extension, amendment or termination. Further, we reserve the right, in our sole discretion and at any time, to amend the terms of the conversion offer in any manner permitted or not prohibited by applicable law. We will notify you as promptly as practicable of any extension, amendment or termination in accordance with applicable law. We will also file an amendment to the registration statement of which this conversion offer prospectus is a part with respect to any fundamental change in the conversion offer.

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If we determine to extend the conversion offer, then we will notify the conversion agent of any extension by oral or written notice and give each registered holder notice of the extension by means of a press release or other public announcement before 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. During any extension, all shares of Series A preferred stock previously surrendered for conversion will remain subject to the conversion offer and may be accepted for conversion by us, except that surrendered shares may be validly withdrawn after the expiration date if the shares of Series A preferred stock have not been accepted for conversion after the expiration of 40 business days from November 9, 2005. Any shares of Series A preferred stock not accepted for conversion for any reason will be returned without expense to the surrendering holder promptly after the expiration or termination of the conversion offer.

Procedures for Surrendering Shares of Series A Preferred Stock for Conversion

Submission of Shares of Series A Preferred Stock

The submission of shares of Series A preferred stock for conversion as described below and our acceptance of such shares will constitute a binding agreement between the converting holder and us upon the terms and conditions described in this conversion offer prospectus and in the accompanying letter of transmittal. Except as described below, a converting holder who wishes to submit shares of Series A preferred stock for conversion in response to the conversion offer must deliver the shares, together with a properly completed and duly executed letter of transmittal, including all other documents required by the letter of transmittal, to the conversion agent at the address listed on the back cover page of this conversion offer prospectus prior to 5:00 p.m., New York City time, on Friday, December 9, 2005. All shares not converted in response to the conversion offer will be returned to the submitting holder at our expense as promptly as practicable following the expiration date.

THE METHOD OF DELIVERY OF SHARES, LETTERS OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS IS AT THE ELECTION AND RISK OF THE HOLDER. IF DELIVERY IS BY MAIL, IT IS RECOMMENDED THAT REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, BE USED. INSTEAD OF DELIVERY BY MAIL, IT IS RECOMMENDED THAT THE HOLDER USE AN OVERNIGHT OR HAND DELIVERY SERVICE. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY.

There are no guaranteed delivery procedures in connection with this conversion offer.

Book-Entry Delivery Procedures

Any financial institution that is a participant in DTC may make book-entry delivery of the shares of Series A preferred stock by causing DTC to transfer such shares into the conversion agent s account in accordance with that facility s procedures for the transfer. In connection with a book-entry transfer, a letter of transmittal need not be transmitted to the conversion agent, as long as the book-entry transfer procedure is complied with prior to 5:00 p.m., New York City time, on the expiration date and an agent s message (as defined below) is received by the conversion agent prior to 5:00 p.m., New York City time, on the expiration date. The term agent s message means a message, transmitted by DTC to, and received by, the conversion agent, which states that (1) DTC has received an express acknowledgement from the participant in DTC submitting shares of Series A preferred stock for conversion, (2) the participant has received and agrees to be bound by the terms of the letter of transmittal and (3) we may enforce the agreement against the participant.

Signatures and Signature Guarantees

Each signature on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed, unless the shares surrendered for conversion with that letter of transmittal are submitted (1) by a registered holder of the shares who has not completed either the box entitled Special Conversion Instructions or the box entitled Special Delivery Instructions in the letter of transmittal, or

(2) for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a participant in the Security Transfer Agent Medallion Program, the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program, each known as an eligible institution. In the event that a signature on a letter of transmittal or a notice of withdrawal, as the case may be, is required to be guaranteed, the guarantee must be by an eligible institution. If the letter of transmittal is signed by a person other than the registered holder of the shares, the shares surrendered for conversion must either (1) be endorsed by the registered holder, with the signature guaranteed by an eligible institution, or (2) be accompanied by a stock power, in satisfactory form as determined by us in our sole discretion, duly executed by the registered holder, with the signature guaranteed by an eligible institution. The term registered holder as used in this paragraph with respect to the shares of Series A preferred stock means any person in whose name such shares are registered on the books of the transfer agent and registrar for the shares.

If any letter of transmittal, endorsement, stock power, power of attorney or any other document required by the letter of transmittal is signed by a trustee, executor, corporation or other person acting in a fiduciary or representative capacity, the signatory should so indicate when signing, and, unless waived by us, submit proper evidence of the person s authority to so act, which evidence must be satisfactory to us in our sole discretion.

Beneficial Owners

Any beneficial owner of the shares of Series A preferred stock whose shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to submit shares for conversion in the conversion offer should contact the broker, dealer, commercial bank, trust company or other nominee promptly and instruct it to have the registered holder submit such shares for conversion on the beneficial owner s behalf. Beneficial owners should be aware that the transfer of registered ownership may take considerable time.

Backup Withholding

To prevent U.S. federal income tax backup withholding, each converting holder of Series A preferred stock that is a U.S. person generally must provide the conversion agent with the holder s correct taxpayer identification number and certify that the holder is not subject to U.S. federal income tax backup withholding by completing the Form W-9 provided with the letter of transmittal. Each converting holder of shares that is not a U.S. person generally must provide the conversion agent with an applicable Form W-8, certifying that the holder is not a U.S. person and is not subject to U.S. federal income tax backup withholding. For a discussion of the material U.S. federal income tax considerations relating to backup withholding, see Material U.S. Federal Income Tax Considerations.

Determination of Validity

We will determine all questions as to the validity, form, eligibility (including time of receipt) and acceptance of any shares of Series A preferred stock surrendered for conversion pursuant to any of the procedures described above in our sole discretion, and this determination will be final and binding. We reserve the absolute right to reject any and all surrenders of any shares that we determine not to be in proper form or if our acceptance for conversion of, or payment of conversion consideration in respect of, such shares may, in our opinion or the opinion of our counsel, be unlawful. We also reserve the absolute right, in our sole discretion, to waive any of the conditions of the conversion offer or any defect or irregularity in any surrender with respect to any holder s shares, whether or not similar defects or irregularities are waived in the case of other holders. Our interpretation of the terms and conditions of the conversion offer and the documents delivered in connection therewith will be final and binding. Neither we, nor the conversion agent, the dealer manager, the information agent, nor any other person, will be under any duty to give notification of any defects or irregularities in surrenders or will incur any liability for failure to give any such notification. If we waive our right to reject a defective surrender, the holder will be entitled to the conversion consideration.

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Withdrawal Rights

You may withdraw your submission of shares of Series A preferred stock for conversion at any time before the conversion offer expires. In addition, you may withdraw any previously surrendered shares of Series A preferred stock that are not accepted for conversion by us after the expiration of 40 business days from November 9, 2005, if such shares have not been previously returned to you.

For a withdrawal to be effective, the conversion agent must receive a written or facsimile notice of withdrawal at its address listed on the back cover of this conversion offer prospectus. A facsimile transmission notice of withdrawal that is received prior to receipt of a surrender of shares sent by mail and postmarked prior to the date of the facsimile transmission of withdrawal will be treated as a withdrawn surrender. The notice of withdrawal must:

- specify the name of the person who surrendered the shares to be withdrawn;

- identify the shares to be withdrawn, including the number of shares and certificate number, or, in the case of shares surrendered by book-entry transfer, the name and number of the DTC account to be credited, and otherwise comply with the procedures of DTC and the letter of transmittal;

- be signed by the depositor in the same manner as the original signature on the letter of transmittal by which those shares were surrendered, including any required signature guarantee, or be accompanied by documents of transfer and properly completed irrevocable proxies sufficient to permit our transfer agent to register the transfer of those shares into the name of the depositor withdrawing the surrender; and

- if certificates for shares have been transmitted, specify the name in which shares are registered if different from that of the withdrawing holder.

If you have delivered or otherwise identified to the conversion agent the certificates for shares of Series A preferred stock, then, before the release of these certificates, you must also submit the serial numbers of the particular certificates to be withdrawn and a signed notice of withdrawal with the signatures guaranteed by an eligible guarantor institution, unless the holder is an eligible guarantor institution.

We will determine in our sole discretion all questions as to the validity, form and eligibility, including time of receipt, of notices of withdrawal. Our determination will be final and binding on all parties. Any shares so withdrawn will be deemed not to have been validly surrendered for purposes of the conversion offer. We will return any shares that have been surrendered but that are not converted for any reason to the holder, without cost, promptly after withdrawal, rejection of surrender or termination of the conversion offer. In the case of shares surrendered by book-entry transfer into the conversion agent s account at DTC, the shares will be credited to an account maintained with DTC for the shares. You may re-surrender properly withdrawn shares by following one of the procedures described under Procedures for Surrendering Shares of Series A Preferred Stock for Conversion at any time on or before the expiration date.

Conditions to the Conversion Offer

Financing Conditions

Notwithstanding any other provision of the conversion offer, our obligation to accept shares of Series A preferred stock surrendered for conversion and to pay the related conversion consideration, are subject to and conditioned upon our ability to obtain an amendment to our existing senior secured credit facility to permit us to effect the conversion offer. This amendment was required to complete the conversion offer because the terms of our senior secured credit facility prohibited us from paying cash upon the conversion of our Series A preferred stock. On November 23, 2005, we amended the terms of our senior secured credit facility to permit us to effect the conversion offer and to borrow sufficient funds to pay the cash portion of the conversion consideration and the costs and expenses of this conversion offer, and thus we have satisfied this financing condition.

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Our obligation to accept shares of Series A preferred stock surrendered for conversion and to pay the related conversion consideration was also conditioned upon our ability to borrow, before 5:00 p.m., New York City time, on the expiration date, on terms and conditions satisfactory to us, sufficient funds under this facility to pay the cash portion of the conversion consideration and the costs and expenses of this conversion offer. As a result of obtaining the amendment to our senior secured credit facility described above, this condition has also been satisfied.

General Conditions

Notwithstanding any other term of the conversion offer, we will not be required to accept for conversion or to convert shares of Series A preferred stock if we have not obtained all governmental regulatory approvals required to consummate the conversion offer. In addition to the other conditions described above, we will not be required to complete the conversion offer if:

- the registration statement of which this conversion offer prospectus forms a part has not been declared effective by the SEC;
- except as to holders who are or may be affiliates of us, the shares of common stock to be received will not be tradable by the holder without restriction under the Securities Act and without material restrictions under the blue sky or securities laws of substantially all of the states of the United States;
- the conversion offer, or the making of any conversion by a holder of shares, would violate any applicable law, regulation or interpretation of the staff of the SEC;
- any action or proceeding is instituted or threatened in any court or by or before any governmental, regulatory or administrative agency or instrumentality or by any other person in connection with the conversion offer which, in our judgment:
  - is, or is reasonably likely to be, materially adverse to our business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects; or
  - would or might prohibit, prevent, restrict or delay consummation of the conversion offer;
- an order, statute, rule, regulation, executive order, stay, decree, judgment or injunction shall have been proposed, enacted, entered, issued, promulgated, enforced or deemed applicable by any court or governmental, regulatory or administrative agency or instrumentality, that, in our sole judgment:
  - is, or is reasonably likely to be, materially adverse to our business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects; or
  - would or might prohibit, prevent, restrict or delay consummation of the conversion offer;
- there shall have occurred or be likely to occur any event affecting our business or financial affairs that, in our sole judgment, would or might prohibit, prevent, restrict or delay consummation of the conversion offer;
- there has occurred:
  - any general suspension of, or limitation on prices for, trading in securities in the U.S. securities or financial markets;
  - any significant adverse change in the price of the Series A preferred stock or the common stock;

a material impairment in the trading market for securities;

a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States or other financial markets;

any limitation that, in our reasonable judgment, might affect the extension of credit by banks or other lending institutions;

a commencement or escalation of war or armed hostilities or other national or international calamity directly or indirectly involving the United States; or

in the case of any of the foregoing in existence on the date of this conversion offer prospectus, a material acceleration or worsening thereof.

The conditions described in this section are for our sole benefit and we may assert them prior to the expiration date regardless of the circumstances giving rise to any condition. Subject to applicable law, we may waive these conditions in our discretion in whole or in part prior to the expiration date, except as to the financing conditions and the requirement that the registration statement be declared effective by the SEC, which conditions we will not waive. If we waive any waivable conditions, the waiver will apply to all holders of Series A preferred stock who submit their shares for conversion in the conversion offer and we will continue the conversion offer for at least five business days after the waiver. If we fail at any time to exercise any of the above rights, the failure will not be deemed a waiver of those rights, and those rights will be deemed ongoing rights which may be asserted at any time and from time to time.

We will not accept for conversion any shares of Series A preferred stock surrendered, and will not issue common stock in conversion for any surrendered shares of Series A preferred stock, if at that time a stop order is threatened or in effect with respect to the registration statement of which this conversion offer prospectus forms a part.

For conditions that are based upon the occurrence of an event, we will determine whether the event has in fact occurred. For conditions that require a legal conclusion or analysis, we may seek and rely upon the advice of our legal counsel to determine whether that condition has been satisfied. For conditions that are subject to our sole discretion or judgment, our management or board of directors (or a committee thereof) will make a good faith determination as to whether the condition is satisfied based upon an assessment of the facts, circumstances and other information known by us at the time the decision is to be made, and we may, but are not obligated to, seek the advice, approval or consent of any other person. At present, we have not made a decision as to what circumstances would lead us to waive any condition and any such waiver would depend on all of the facts and circumstances prevailing at the time of the waiver. Any determination made by us concerning the events described in this section will be final and binding upon all affected persons.

Resales of Common Stock Received Pursuant to the Conversion Offer

Assuming that the registration statement of which this conversion offer prospectus forms a part is declared effective by the SEC, common stock received by holders of Series A preferred stock pursuant to this conversion offer may be offered for resale, resold and otherwise transferred without further registration under the Securities Act and without delivery of a prospectus meeting the requirements of Section 10 of the Securities Act if the holder is not our affiliate within the meaning of Rule 144(a)(1) under the Securities Act. Any holder who is our affiliate at the time of the conversion must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resales, unless such sale or transfer is made pursuant to an exemption from such requirements and the requirements under applicable state securities laws.

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Consequences of Failure to Convert Series A Preferred Stock in the Conversion Offer

Holders who desire to convert their shares of Series A preferred stock into common stock in the conversion offer should allow sufficient time to ensure timely delivery. Neither we nor the conversion agent is under any duty to give notification of defects or irregularities with respect to the requests for conversion.

Shares of Series A preferred stock that are not converted or are submitted for conversion but not accepted will, following the consummation of the conversion offer, continue to be subject to the provisions in our amended and restated certificate of incorporation regarding the transfer and exchange of the shares of Series A preferred stock and the existing restrictions on transfer set forth in the legend on the shares of Series A preferred stock and in the offering memorandum, dated November 24, 2003, relating to the issuance of such shares. In general, shares of Series A preferred stock, unless registered under the Securities Act, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We are presently obligated to keep a registration statement under the Securities Act effective with respect to resales of the Series A preferred stock and shares of common stock underlying such stock. However, we are only required to keep such registration statement effective until the earlier of November 24, 2005 or the date on which all shares of Series A preferred stock and the common stock underlying such shares have been sold under such registration statement, and there is no guarantee that we will keep this registration statement effective either before or after such time.

Shares of Series A preferred stock that are not converted in the conversion offer will remain outstanding and continue to accrue dividends and will be entitled to the rights and benefits their holders have under the certificate of designations relating to the shares of Series A preferred stock. Holders of the Series A preferred stock that remain outstanding after consummation of the conversion offer will vote together as a single class for purposes of determining whether holders of the requisite percentage of the class have taken certain actions or exercised certain rights under the certificate of designations.

Accounting Treatment

We are offering to pay a cash premium to holders of our Series A preferred stock who elect to convert their shares of Series A preferred stock into shares of our common stock in the conversion offer. The difference between the fair value of the consideration transferred to holders of the Series A preferred stock that convert their shares in the conversion offer and the fair value of common stock issuable pursuant to the original conversion terms, will be subtracted from net income to arrive at net income available to common shareholders and will affect the calculation of earnings per common share in the current period. The fees and expenses we incur in connection with the conversion offer will be recorded as a reduction of shareholders equity.

Appraisal Rights

None of our stockholders will have any appraisal rights with respect to the conversion offer.

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MARKET FOR OUR COMMON STOCK AND SERIES A PREFERRED STOCK

Our common stock is listed on the New York Stock Exchange under the symbol BGC. Our Series A preferred stock is not traded or quoted on an established trading market, although a substantial majority of the shares of Series A preferred stock are traded over-the-counter, with the remainder of these shares being traded on the PORTAL[SM] system of The NASDAQ Stock Market, Inc. The following table sets forth the high and low sales price on the New York Stock Exchange and dividends declared per share of our common stock and the high and low bid prices on the over-the-counter market and dividends declared for the Series A preferred stock during the periods shown. The over-the-counter quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

	Common Stock			Series A Preferred Stock		
	High	**Low**	**Dividends**	**High**	**Low**	**Dividends**
Year Ended December 31, 2004:						
First Fiscal Quarter	$ 9.19	$ 6.87	$	$ 62.50	$ 45.00	$ 0.72
Second Fiscal Quarter	8.77	6.79		59.72	45.00	0.72
Third Fiscal Quarter	11.14	7.95		66.81	51.00	0.72
Fourth Fiscal Quarter	14.10	9.59		79.25	59.00	0.72
Year Ended December 31, 2005:						
First Fiscal Quarter	$ 13.86	$ 11.10		$ 78.00	$ 65.00	$ 0.72
Second Fiscal Quarter	15.10	11.41		83.00	66.00	0.72
Third Fiscal Quarter	17.25	14.20		92.00	80.00	0.72
Fourth Fiscal Quarter (through November 29, 2005)	17.90	14.66		94.88	87.38	0.72

On November 29, 2005, the closing sale price of our common stock, as reported by the New York Stock Exchange, was $17.28 per share. On that date, there were approximately 2,188 holders of record of our common stock. We believe that as of October 17, 2005, there were approximately 14,711 beneficial owners of our common stock.

On November 29, 2005, the average of the closing bid and asked price of the Series A preferred stock on the over-the-counter market was $94.38 per share. DTC is the sole holder of record of the Series A preferred stock. As of November 29, 2005, we believe there were approximately 130 beneficial owners of our Series A preferred stock.

We paid a $0.05 per share dividend on our common stock each quarter beginning in the fourth quarter of 1997 and through the third quarter of 2002. In October 2002, as a result of an amendment to our then existing credit facility, our board of directors suspended the payment of the quarterly cash dividends on our common stock. The future payment of dividends on our common stock is subject to the discretion of our board of directors, restrictions under our outstanding Series A preferred stock, restrictions under our senior secured credit facility and the indenture governing our senior notes and the requirements of Delaware General Corporation Law and will depend upon general business conditions, our financial performance and other factors our board of directors may consider relevant. We do not expect to pay cash dividends on our common stock in the foreseeable future.

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COMPARISON OF RIGHTS BETWEEN THE SERIES A PREFERRED STOCK AND OUR COMMON STOCK

The following describes the material differences between the rights of holders of the shares of Series A preferred stock and holders of shares of our common stock. While we believe that the description covers the material differences between the shares of Series A preferred stock and our common stock, this summary may not contain all of the information that is important to you. You should carefully read this entire conversion offer prospectus and the other documents we refer to and that are incorporated herein by reference for a more complete understanding of the differences between being a holder of shares of Series A preferred stock and a holder of shares of our common stock.

Governing Document

As a holder of Series A preferred stock, your rights currently are set forth in, and you may enforce your rights under, the Delaware General Corporation Law and our amended and restated certificate of incorporation and amended and restated by-laws, including the certificate of designations with respect to the Series A preferred stock. After completion of the conversion offer, holders of Series A preferred stock who receive shares of our common stock in the conversion offer will have their rights set forth in, and may enforce their rights under, the Delaware General Corporation Law and our amended and restated certificate of incorporation and amended and restated by-laws.

Dividends

Holders of Series A preferred stock are entitled to receive, when, and if declared by our board of directors out of funds legally available for payment, cumulative quarterly dividends, as described in the section of this conversion offer prospectus entitled Description of Our Series A Preferred Stock Dividends. Holders of shares of our common stock are entitled to receive ratable dividends as declared by our board of directors from time to time at its sole discretion, out of funds legally available for such purpose.

Liquidation Preference

In the event of our winding-up or dissolution, each holder of Series A preferred stock is entitled to receive and be paid out of our assets available for distribution to our stockholders, before any payment or distribution is made to holders of junior stock, including our common stock, a liquidation preference in the amount of $50.00 per share of Series A preferred stock, plus accumulated and unpaid dividends. In addition, the Series A preferred stock ranks senior to the common stock with respect to the payment of any dividends. Dividend payments to holders of common stock, if declared by our board of directors, will not be made until all required dividend payments are made to the holders of our outstanding preferred stock, including the Series A preferred stock.

Ranking

In any liquidation, dissolution or winding up of our company, our common stock would rank junior to all outstanding preferred stock, including the Series A preferred stock. As a result, holders of our common stock will not be entitled to receive any payment or other distribution of assets upon the liquidation or dissolution until after our obligations to our debt holders and holders of Series A preferred stock have been satisfied.

Conversion Rights

Each share of Series A preferred stock is convertible at the holder s option at any time into 4.998 shares of common stock, subject to certain adjustments as described under Description of Our Series A Preferred Stock Conversion Rights Adjustments to the Conversion Price. Holders of our shares of common stock have no conversion rights.

Mandatory Conversion

If fewer than 103,500 shares of the Series A preferred stock remain outstanding, we may, on or after November 24, 2008, cause all of such stock to be automatically converted upon the terms described under Description of Our Series A Preferred Stock Conversion at Our Option.

Redemption

We may not redeem any shares of the Series A preferred stock at any time before November 24, 2008. We will be obligated to redeem all outstanding shares of Series A preferred stock on November 24, 2013. The prices, terms and conditions of redemption are described under Description of Our Series A Preferred Stock Optional Redemption and Description of Our Series A Preferred Stock Mandatory Redemption. Holders of our shares of common stock have no redemption rights.

Listing

The Series A preferred stock was first issued on November 24, 2003 and is not listed or traded on an established trading market, although a substantial majority of the shares of Series A preferred stock are traded over-the-counter, with the remainder of these shares being traded on the PORTAL system of the National Association of Securities Dealers, Inc. Our common stock is listed and traded on the New York Stock Exchange under the symbol BGC.

Voting Rights

Holders of our Series A preferred stock are not entitled to vote on any matters except as required by law and as described under Description of Our Series A Preferred Stock Voting Rights. Holders of shares of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders, other than matters solely affecting any series of preference securities.

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USE OF PROCEEDS

We will not receive any cash proceeds from the conversion offer.

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2005:

- on an actual basis; and
- as adjusted to reflect the conversion offer described under the section entitled The Conversion Offer, as if the conversion offer had occurred as of September 30, 2005.

This table should be read in conjunction with Selected Historical Financial Information appearing elsewhere in this conversion offer prospectus and Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements, including all related notes, incorporated by reference in this conversion offer prospectus. See Incorporation of Certain Documents by Reference.

	As of September 30, 2005	
	Actual	**As Adjusted**
	(unaudited, in millions)	
Cash and cash equivalents	$ 51.3	$ 51.3
Debt(1):		
Senior secured credit facility(2)	55.4	73.0
Senior notes due 2010	285.0	285.0
Other debt	11.9	11.9
Total debt	$ 352.3	$ 369.9
Shareholders equity:		
Preferred stock, $0.01 par value; 25,000,000 shares authorized:		
Series A redeemable convertible preferred stock, $50.00 liquidation preference per share; 2,070,000 authorized; issued and outstanding shares: 2,069,907 actual; no shares as adjusted(3)	$ 103.5	$
Common stock, $0.01 par value; 75,000,000 shares authorized; issued and outstanding shares: 39,740,591 actual; 50,085,986 as adjusted (net of 4,968,755 treasury shares actual and as adjusted)(4)	0.4	0.5
Additional paid-in capital	148.5	250.9
Treasury stock	(52.2)	(52.2)
Retained earnings	107.4	90.8
Accumulated other comprehensive income	3.1	3.1
Other shareholders equity	(5.6)	(5.6)
Total shareholders equity	305.1	287.5
Total capitalization	$ 657.4	$ 657.4

(1) Debt does not include approximately $1.0 million of off-balance sheet debt related to the sale of accounts receivable by one of our international operations.

(2) Excludes $34.4 million of letters of credit outstanding under the senior secured credit facility.

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(3) The as adjusted amount assumes that all outstanding shares of Series A preferred stock are converted into common stock in connection with this conversion offer.

(4) Excludes an aggregate of 3.2 million shares of common stock issuable upon the exercise of outstanding stock options.

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS

The following table sets forth our consolidated ratio of earnings to combined fixed charges and preferred dividends for each of the periods indicated. The ratio of earnings to combined fixed charges and preferred dividends is the same as the ratio of earnings to fixed charges in the years ended December 31, 2000, 2001 and 2002 as we did not have any preferred stock outstanding in those periods.

For purposes of calculating the ratio of earnings to combined fixed charges and preferred dividends, earnings consist of pretax income from continuing operations before income taxes and combined fixed charges and preferred dividends. Combined fixed charges and preferred dividends include:

- interest expense, whether expensed or capitalized;
- amortization of debt issuance cost;
- the portion of rent expense representative of the interest factor; and
- the amount of pretax earnings required to cover preferred stock dividends and any accretion in the carrying value of the preferred stock.

	Year Ended December 31,					Nine Fiscal Months Ended September 30,
	2000	2001	2002	2003	2004	2005
Ratio of Earnings to Combined Fixed Charges and Preferred Dividends(1)		2.1x			1.2x	1.8x

(1) For the years ended December 31, 2000, 2002 and 2003, earnings were insufficient to cover combined fixed charges and preferred dividends by $28.9 million, $27.6 million and $2.1 million, respectively.

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SELECTED HISTORICAL FINANCIAL INFORMATION

The selected historical financial information for the years ended and as of December 31, 2000, 2001, 2002, 2003 and 2004 were derived from our audited consolidated financial statements. The selected historical financial information for the nine fiscal months ended October 1, 2004 and September 30, 2005 and as of September 30, 2005 were derived from unaudited consolidated financial statements which, in the opinion of our management, include all normal recurring adjustments necessary for a fair presentation of the results for the unaudited interim periods. The following selected historical financial information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes thereto that are incorporated by reference in this conversion offer prospectus to our Annual Report on Form 10-K, as amended, for the year ended December 31, 2004 and our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2005.

The unaudited pro forma financial information for the nine fiscal months ended and as of September 30, 2005 has been prepared to illustrate the estimated effect of the conversion on our unaudited financial information. The unaudited pro forma statement of operations data and balance sheet data set forth below give pro forma effect to the following transactions as if each had occurred as of January 1, 2005 and September 30, 2005, respectively:

- the conversion of 2,069,907 shares of Series A preferred stock into 10,345,395 shares of common stock pursuant to the conversion offer; and

- the payment of $17.6 million, representing the cash conversion consideration to be paid to holders of Series A preferred stock and the estimated fees and expenses related to the conversion offer, funded from additional borrowings under our senior secured credit facility.

We have included the aggregate cash conversion consideration of $16.6 million in our unaudited pro forma statement of operations data set forth below. The interest expense on the additional borrowings under our senior secured credit facility has been computed using our actual borrowing rate on that facility for the nine fiscal months ended September 30, 2005, and the income tax effect of such additional borrowings has been computed at our estimated effective tax rate. Furthermore, the historical payment of dividends on our Series A preferred stock for the nine fiscal months ended September 30, 2005 has been eliminated in the pro forma financial information.

The pro forma financial information below does not purport to be indicative of our results of operations or financial condition that would have actually been obtained had such transactions been completed as of the assumed date and for the period presented, or which may be obtained in the future. The pro forma adjustments described above are based upon available information and we have made certain assumptions that our management believes are reasonable. This pro forma financial information should be read together with our condensed consolidated financial statements and the notes thereto and the section of our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2005 entitled Management s Discussion and Analysis of Financial Condition and Results of Operations, each of which has been incorporated by reference into this conversion offer prospectus. See Where You Can Find More Information and Incorporation of Certain Documents by Reference.

In August 2000, we sold certain businesses acquired from BICC plc consisting primarily of the operations in the United Kingdom, Italy and Africa and a joint venture interest in Malaysia to Pirelli Cavi e Sistemi S.p.A. The financial data presented below contain those operations sold to Pirelli during 2000 up through the date of sale.

In September 2000, we acquired Telmag S.A. de C.V., a Mexico-based manufacturer of telecommunications cables. The financial data presented below include the results of operations of this business after the closing date.

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In March 2001, we sold our Pyrotenax business unit to Raychem HTS Canada, Inc. The results of operations of this business are included in the financial data presented below for the periods prior to the closing date.

In September 2001, we announced our decision to exit the consumer cordsets business. In October 2001, we sold substantially all of the manufacturing assets and inventory of our building wire business to Southwire Company. The results of operations of these businesses are included in the financial data presented below for the periods prior to the closing date. Beginning in the third quarter of 2001, we have reported the building wire and cordsets segment as discontinued operations for financial reporting purposes. Administrative expenses formerly allocated to this segment are now reported in the continuing operations segments. Prior periods have been restated to reflect this change.

	Year Ended December 31,					Nine Fiscal Months Ended		Pro Forma Nine Fiscal Months Ended
	2000(1)	2001(1)	2002	2003	2004	October 1, 2004	September 30, 2005	September 30, 2005
						(unaudited)	(unaudited)	(unaudited)
Statement of Operations Data:								
(in millions)								
Net sales:								
Energy	$ 733.6	$ 521.8	$ 516.0	$ 560.2	$ 705.7	$ 520.4	$ 622.2	$ 622.2
Industrial & specialty	796.7	537.6	499.4	542.4	734.3	561.6	650.7	650.7
Communications	631.8	592.0	438.5	435.8	530.7	403.4	490.4	490.4
Total net sales	2,162.1	1,651.4	1,453.9	1,538.4	1,970.7	1,485.4	1,763.3	1,763.3
Cost of sales	1,870.4	1,410.7	1,287.3	1,365.0	1,756.0	1,326.0	1,564.7	1,564.7
Gross profit	291.7	240.7	166.6	173.4	214.7	159.4	198.6	198.6
Selling, general and administrative expenses	257.6	136.4	150.9	127.7	158.2	115.9	129.1	129.1
Operating income	34.1	104.3	15.7	45.7	56.5	43.5	69.5	69.5
Other income (expense)		8.1		1.5	(1.2)	(0.9)		
Interest expense, net	(59.8)	(43.9)	(42.6)	(43.1)	(35.9)	(27.3)	(28.9)	(29.5)
Other financial costs	(3.3)	(10.4)	(1.1)	(6.0)				
Income (loss) before taxes	(29.0)	58.1	(28.0)	(1.9)	19.4	15.3	40.6	40.0
Income tax benefit (provision)	10.3	(20.6)	9.9	(2.9)	18.1	(4.6)	(15.6)	(15.4)

Income (loss) from continuing operations		(18.7)		37.5		(18.1)		(4.8)		37.5		10.7		25.0		24.6
Income (loss) from discontinued operations		(7.7)		(6.8)												
Income (loss) on disposal of discontinued operations				(32.7)		(5.9)				0.4						
Net income (loss)	$	(26.4)	$	(2.0)	$	(24.0)	$	(4.8)	$	37.9	$	10.7	$	25.0	$	24.6
Less: Series A preferred stock dividends								(0.6)		(6.0)		(4.5)		(4.5)		(16.6)
Net income (loss) applicable to common shareholders	$	(26.4)	$	(2.0)	$	(24.0)	$	(5.4)	$	31.9	$	6.2	$	20.5	$	8.0

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	Year Ended December 31,					Nine Fiscal Months Ended		Pro Forma Nine Fiscal Months Ended
	2000(1)	2001(1)	2002	2003	2004	October 1, 2004	September 30, 2005	September 30, 2005
						(unaudited)	(unaudited)	(unaudited)
Per Share Data:								
(in millions, except per share data)								
Earnings (loss) of continuing operations per common share	$ (0.56)	$ 1.14	$ (0.55)	$ (0.16)	$ 0.81	$ 0.16	$ 0.52	$ 0.16
Earnings (loss) of continuing operations per common share assuming dilution	$ (0.56)	$ 1.13	$ (0.55)	$ (0.16)	$ 0.75	$ 0.16	$ 0.49	$ 0.16
Earnings (loss) of discontinued operations per common share	$ (0.23)	$ (1.20)	$ (0.18)	$	$ 0.01			
Earnings (loss) of discontinued operations per common share assuming dilution	$ (0.23)	$ (1.19)	$ (0.18)	$	$ 0.01			
Earnings (loss) per common share	$ (0.79)	$ (0.06)	$ (0.73)	$ (0.16)	$ 0.82	$ 0.16	$ 0.52	$ 0.16
Earnings (loss) per common share assuming dilution	$ (0.79)	$ (0.06)	$ (0.73)	$ (0.16)	$ 0.75	$ 0.16	$ 0.49	$ 0.16
Weighted average shares outstanding	33.6	32.8	33.0	33.6	39.0	39.2	39.5	49.8
Weighted average shares outstanding assuming dilution	33.6	33.1	33.0	33.6	50.3	39.9	50.9	50.9
Dividends per common share	$ 0.20	$ 0.20	$ 0.15	$	$	$		
Other Data:								
(in millions, except ratio and metals data)								
Depreciation and amortization	$ 56.0	$ 35.0	$ 30.6	$ 33.4	$ 35.4	$ 27.3	$ 43.6	$ 43.6
Capital expenditures	$ (56.0)	$ (54.9)	$ (31.4)	$ (19.1)	$ (37.0)	$ (24.1)	$ (25.7)	$ (25.7)

Ratio of earnings to combined fixed charges and preferred dividends(2)		2.1x			1.2x	1.2x	1.8x	1.3x
Average daily COMEX price per pound of copper cathode	$ 0.84	$ 0.73	$ 0.72	$ 0.81	$ 1.29	$ 1.25	$ 1.57	$ 1.57
Average daily selling price per pound of aluminum rod	$ 0.75	$ 0.69	$ 0.65	$ 0.69	$ 0.85	$ 0.83	$ 0.90	$ 0.90

	December 31,					**September 30, 2005**	
	2000	**2001**	**2002**	**2003**	**2004**	**Actual**	**Pro Forma**
						(unaudited)	**(unaudited)**
Balance Sheet Data: (in millions, except per share data)							
Cash and cash equivalents	$ 21.2	$ 16.6	$ 29.1	$ 25.1	$ 36.4	$ 51.3	$ 51.3
Working capital(3)	375.3	169.9	150.8	236.6	298.0	300.5	300.5
Property, plant and equipment, net	379.4	320.9	323.3	333.3	356.0	328.1	328.1
Total assets	1,319.2	1,005.3	973.3	1,049.5	1,220.8	1,266.9	1,266.9
Total debt(4)	642.6	460.4	451.9	340.4	374.9	352.3	369.9
Net debt(4)(5)	621.4	443.8	422.8	315.3	338.5	301.0	318.6
Shareholders equity	128.5	104.9	60.9	240.1	301.4	305.1	287.5
Book value per share						7.69	5.74

(1) As of January 1, 2001, we changed our accounting method for non-North American metal inventories from the FIFO method to the LIFO method. The impact of the change was an increase in operating income of $4.1 million, or $0.08 of earnings per share, on both a basic and a diluted basis during 2001. As of January 1, 2000, we changed our accounting method for our North American non-metal inventories from the FIFO method to the LIFO method. The impact of the change was an increase in

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operating income of $6.4 million, or $0.12 of earnings per share, on both a basic and diluted basis, during 2000.

(2) For purposes of calculating the ratio of earnings to combined fixed charges and preferred dividends, earnings consist of income from continuing operations before income taxes and fixed charges. Fixed charges include: (i) interest expense, whether expensed or capitalized; (ii) amortization of debt issuance cost; (iii) the portion of rental expense representative of the interest factor; and (iv) the amount of pretax earnings required to cover preferred stock dividends and an accretion in the carrying value of the preferred stock. For the years ended December 31, 2000, 2002 and 2003, earnings were insufficient to cover fixed charges by $28.9 million, $27.6 million and $2.1 million, respectively.

(3) Working capital means current assets less current liabilities.

(4) Excludes off-balance sheet borrowings of $67.8 million at December 31, 2001, $48.5 million at December 31, 2002 and $1.0 million at September 30, 2005. There were no off-balance sheet borrowings as of December 31, 2000, 2003 and 2004.

(5) Net debt means our total debt less cash and cash equivalents.

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DESCRIPTION OF OUR SERIES A PREFERRED STOCK

The following section is a summary of the material provisions of the certificate of designations and does not restate the certificate of designations in its entirety. We urge you to read the certificate of designations with respect to our Series A preferred stock because it, and not this description, defines the rights as holders of the Series A preferred stock. Copies of the certificate of designations are available as set forth under Where You Can Find More Information.

As used in this description, references to we, us, our or General Cable mean General Cable Corporation and d not include any current or future subsidiary of General Cable Corporation.

General

Our amended and restated certificate of incorporation authorizes the issuance of up to 25,000,000 shares of preferred stock without the approval of the holders of our common stock, in one or more series, from time to time, with each such series to have such designation, powers, preferences and rights as may be determined by our board of directors. The Series A preferred stock constitutes a series of these shares of preferred stock.

The Series A preferred stock constitutes a single series consisting of 2,070,000 shares, of which 2,069,907 shares are outstanding as of November 29, 2005. The holders of the Series A preferred stock have no preemptive rights. The shares of Series A preferred stock were validly issued, fully paid and nonassessable.

Ranking

The Series A preferred stock ranks, with respect to dividend rights and rights upon liquidation, winding-up or dissolution:

- junior to all our existing and future liabilities, whether or not for borrowed money;
- junior to senior stock, which is each class or series of our capital stock the terms of which expressly provide that such class or series will rank senior to the Series A preferred stock;
- on a parity with parity stock, which is any other class or series of our capital stock that has terms which expressly provide that such class or series will rank on a parity with the Series A preferred stock;
- senior to junior stock, which is our common stock, and each other class or series of our capital stock that has terms which do not expressly provide that such class or series will rank senior to or on a parity with the Series A preferred stock; and
- effectively junior to all of our subsidiaries (i) existing and future liabilities and (ii) capital stock held by others.

Without the consent of the holders of at least two-thirds of the shares of Series A preferred stock outstanding, we will not be entitled to issue shares of or increase the authorized number of shares of any class or series of capital stock that ranks senior to the Series A preferred stock with respect to the payment of dividends and distributions upon liquidation, winding-up or dissolution, including, without limitation, any class or series of capital stock, other than parity stock or junior stock, that pays cumulative dividends.

Except as set forth in the preceding paragraph, we may, without the consent of the holders of the shares of Series A preferred stock, authorize, create (by way of reclassification or otherwise) or issue parity or junior stock or any obligation or security convertible or exchangeable into, or evidencing a right to purchase, shares of any class or series of parity or junior stock.

The terms junior stock, parity stock and senior stock include warrants, rights, calls or options exercisable for or convertible into that type of stock.

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Dividends

General

The holders of Series A preferred stock are entitled to receive dividends at the rate of 5.75% per annum on the liquidation preference per share of Series A preferred stock. The rights of the holders of Series A preferred stock to receive dividend payments is subject to the rights of any holders of senior stock and parity stock.

The dividend rate will increase under the circumstances described below under Unpaid Dividends and Registration Rights. All references to dividends or to a dividend rate shall be deemed to reflect such increase if such increase is applicable.

Holders of Series A preferred stock will not have any right to receive dividends that we may declare on our common stock. The right to receive dividends declared on our common stock will be realized only after conversion of such holder s shares of Series A preferred stock into shares of our common stock.

Dividend Payment Dates

Dividends are payable in arrears on February 24, May 24, August 24 and November 24 of each year. If any of those dates is not a business day, then dividends will be payable on the next succeeding business day. Dividends will accrue from the last dividend payment date. Dividends will be payable to holders of record as they appear in our stock records at the close of business on January 31, April 30, July 31 and October 31 of each year. Dividends payable on the Series A preferred stock for any period other than a full quarterly period will be computed on the basis of a 360-day year consisting of twelve 30-day months.

We are obligated to pay a dividend on the Series A preferred stock only when, as and if our board of directors or an authorized committee of our board of directors declares the dividend payable and we have assets that legally can be used to pay the dividend.

Form of Payment

Dividends are payable, at our option, in cash, in shares of our common stock or any combination thereof. In order to pay dividends in shares of our common stock, we must deliver to the transfer agent for the Series A preferred stock a number of shares of our common stock that, when sold by the transfer agent on the holders behalf, will result in net cash proceeds to be distributed to the holders of the Series A preferred stock in an amount equal to the cash dividends otherwise payable. To pay dividends in this manner, we must provide the transfer agent with a registration statement permitting the immediate sale of the shares of common stock in the public market. We cannot assure you that we will be able to timely file, cause to be declared effective or keep effective any such registration statement. In addition, in order to pay dividends in shares of our common stock, we may need to obtain the approval of our stockholders under the rules of The New York Stock Exchange. We will use all commercially reasonable efforts to obtain such approval if we determine that such approval is necessary. We cannot assure you that we will be able to obtain such approval from our stockholders.

Our senior secured credit facility and the indenture governing our senior notes limit our ability to pay cash dividends on shares of the Series A preferred stock. See Risk Factors Risks Related to the Conversion Offer Our ability to pay dividends on our preferred stock and our common stock is limited. If we are unable to pay dividends in cash on a dividend payment date because such payment is not then permitted by our credit facilities, the indenture with respect to our senior notes or any other agreement, or such payment would be contrary to applicable law or our amended and restated certificate of incorporation or amended and restated by-laws, then we will use our reasonable best efforts to file and cause to be declared effective the registration statement required to permit us to pay dividends in shares of our common stock.

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If we pay dividends in shares of our common stock by delivering them to the transfer agent, those shares will be owned beneficially by the holders of the Series A preferred stock upon delivery to the transfer agent, and the transfer agent will hold those shares and the net cash proceeds from the sale of those shares for the exclusive benefit of the holders.

Dividends Cumulative

Dividends on the Series A preferred stock will be cumulative. This means that if our board of directors or an authorized committee of our board of directors fails to declare a dividend to be payable on a dividend payment date, the dividend will accumulate on that dividend payment date until declared and paid or will be forfeited upon conversion (except under the circumstances described under Conversion Rights General).

Unpaid Dividends

If we do not pay dividends in full on the Series A preferred stock on more than six dividend payment dates, whether or not consecutive, the per annum dividend rate will be deemed to have increased by 2% on the date following the sixth such dividend payment date. Once all accrued and unpaid or accumulated dividends have been paid in full, the dividend rate will return to the rate in effect before such increase. If, following any such payment in full, we again do not pay dividends in full on any dividend payment date, the per annum dividend rate will be deemed to have increased by 2% on the date following the last dividend payment date through which all accrued and unpaid or accumulated dividends have been paid in full and will return to the rate in effect before such increase only after all accrued and unpaid or accumulated dividends through the latest dividend payment date have been paid in full.

Except as set forth in the preceding paragraph, we are not obligated to pay holders of the Series A preferred stock any interest or sum of money in lieu of interest on any dividend not paid on a dividend payment date or any other late payment. We are also not obligated to pay holders of the Series A preferred stock any dividend in excess of the full dividends on the Series A preferred stock that are payable as described above.

If our board of directors or an authorized committee of our board of directors does not declare a dividend for any dividend payment date, the board of directors or an authorized committee of our board of directors may declare and pay the dividend on any subsequent date, whether or not a dividend payment date. The persons entitled to receive the dividend in such case will be holders of the Series A preferred stock as they appear on our stock register on a date selected by the board of directors or an authorized committee of our board of directors. That date must not (a) precede the date our board of directors or an authorized committee of our board of directors declares the dividend payable and (b) be more than 60 days prior to that dividend payment date.

Payment Restrictions

If we do not pay a dividend on a dividend payment date, then, until all accumulated dividends have been declared and paid or declared and set apart for payment:

- we may not take any of the following actions with respect to any of our junior stock:
  - declare or pay any dividend or make any distribution of assets on any junior stock, except that we may pay dividends in shares of our junior stock and pay cash in lieu of fractional shares in connection with any such dividend; or
  - redeem, purchase or otherwise acquire any junior stock, except that (i) we may redeem, repurchase or otherwise acquire junior stock upon conversion or exchange of such junior stock for other junior stock and pay cash in lieu of fractional shares in connection with any such conversion or exchange and (ii) we may make repurchases of our capital stock deemed to occur upon the exercise of stock options if such capital stock represents a portion of the exercise price thereof and repurchases of capital stock

deemed to occur upon the withholding of a portion of the capital stock issued, granted or awarded to one of our directors, officers or employees to pay for the taxes payable by such director, officer or employee upon such issuance, grant or award in order to satisfy, in whole or in part, withholding tax requirements in connection with the exercise of such options, in accordance with the provisions of an option or rights plan or program of ours, in each case as in effect on the date the Series A preferred stock is first issued, or any other plan substantially similar thereto; and

we may not take any of the following actions with respect to any of our parity stock:

declare or pay any dividend or make any distribution of assets on any parity stock, except that we may pay dividends on parity stock provided that the total funds available to be paid be divided among the Series A preferred stock and such parity stock on a pro rata basis in proportion to the aggregate amount of dividends accrued and unpaid or accumulated thereon; or

we may not redeem, purchase or otherwise acquire any of our parity stock, except that we may redeem, purchase or otherwise acquire parity stock upon conversion or exchange of such parity stock for our junior stock or other parity stock and pay cash in lieu of fractional shares in connection with any such conversion or exchange, so long as, in the case of such other parity stock, (i) such other parity stock contains terms and conditions (including, without limitation, with respect to the payment of dividends, dividend rates, liquidation preferences, voting and representation rights, payment restrictions, antidilution rights, change of control rights, covenants, remedies and conversion and redemption rights) that are not materially less favorable, taken as a whole, to us or to the holders of our Series A preferred stock than those contained in the parity stock that is converted into or exchanged for such other parity stock, (ii) the aggregate amount of the liquidation preference of such other parity stock does not exceed the aggregate amount of the liquidation preference, plus accrued and unpaid or accumulated dividends, of the parity stock that is converted into or exchanged for such other parity stock and (iii) the aggregate number of shares of our common stock issuable upon conversion, redemption or exchange of such other parity stock does not exceed the aggregate number of shares of our common stock issuable upon conversion, redemption or exchange of the parity stock that is converted into or exchanged for such other parity stock.

Optional Redemption

We may not redeem any shares of Series A preferred stock at any time before November 24, 2008. At any time or from time to time thereafter, we will have the option to redeem all or any outstanding shares of Series A preferred stock, out of funds legally available for such payment, upon not less than 30 nor more than 60 days prior notice, in cash at the redemption prices specified below, plus an amount in cash equal to all accrued and unpaid or accumulated dividends from, and including, the immediately preceding dividend payment date to, but excluding, the redemption date, during the 12-month period commencing on November 24 of each of the years set forth below:

2008	$	51.4375
2009	$	51.1500
2010	$	50.8625
2011	$	50.5750
2012, until the day prior to mandatory redemption	$	50.2875

In the event of a partial redemption of the Series A preferred stock, the shares to be redeemed will be selected on a pro rata basis, except that we may redeem all shares of Series A preferred stock held

by any holder of fewer than 10 shares (or all shares of Series A preferred stock owned by any holder who would hold fewer than 10 shares as a result of such redemption), as determined by us.

Our senior secured credit facility prohibits us from redeeming the Series A preferred stock at our option so long as that facility is outstanding. The indenture for our senior notes limits our ability to redeem the Series A preferred stock, and future debt agreements may also contain restrictions or prohibitions.

Mandatory Redemption

We will be obligated to redeem all outstanding shares of Series A preferred stock on November 24, 2013, out of funds legally available for such payment, at a redemption price equal to the liquidation preference thereof, plus all accrued and unpaid or accumulated dividends.

Form of Payment of Mandatory Redemption Price

We may, at our option, elect to pay the redemption price in cash or in shares of our common stock at a discount of 5% from the market price of our common stock (*i.e.*, valued at 95% of the market price of our common stock), or any combination thereof. We may pay such redemption price, whether in cash or in shares of our common stock, only if we have funds legally available for such payment and may pay such redemption price in shares of our common stock only if such shares are eligible for immediate sale in the public market either (i) by non-affiliates of ours absent a registration statement or (ii) pursuant to a registration statement that has become effective.

We will be required to give notice to all holders and beneficial owners as required by applicable law, on a date not less than 10 business days prior to the redemption date stating among other things:

- whether we will pay the redemption price of the Series A preferred stock in cash or shares of our common stock or any combination thereof and specifying the percentages of each;
- if we elect to pay in shares of our common stock, the method of calculating the market price of such common stock, as described under General Provisions Concerning Mandatory Redemption with Shares of Common Stock below; and
- the procedures that must be followed in connection with the redemption.

General Provisions Concerning Mandatory Redemption with Shares of Common Stock

We will notify the holders of the Series A preferred stock upon the determination of the actual number of shares of our common stock deliverable upon any redemption of the Series A preferred stock no later than two business days prior to the redemption date.

Our right to redeem Series A preferred stock with shares of common stock is subject to our satisfying various conditions, including:

- the listing of such shares of common stock on the principal U.S. securities exchange on which our common stock is then listed or, if not so listed, on The NASDAQ National Market;
- the registration of the common stock under the Securities Act and the Exchange Act, if required; and
- any necessary qualification or registration under applicable state securities law or the availability of an exemption from such qualification and registration.

If such conditions are not satisfied with respect to a holder prior to the close of business on any redemption date, we will be required to pay the redemption price of such holder s shares of Series A preferred stock entirely in cash. We may not change the form or components or percentages of components of consideration to be paid for the shares of Series A preferred stock once we have given any

notice that we are required to give to holders of the Series A preferred stock, except as described in the first sentence of this paragraph.

The market price of our common stock means the average of the sale prices of our common stock for the five trading day period ending on the third business day prior to the redemption date (if the third business day prior to the redemption date is a trading day or, if not, then on the last trading day prior to the third business day), appropriately adjusted to take into account the occurrence, during the period commencing on the first of the trading days during the five trading day period and ending on the redemption date, of any event that would result in an adjustment to the conversion price of the Series A preferred stock, as described below under Conversion Rights Adjustments to the Conversion Price.

The sale price of our common stock on any trading day means the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average asked prices) on that trading day as reported in composite transactions for the principal U.S. securities exchange on which our common stock is traded or, if our common stock is not listed on a U.S. national or regional securities exchange, as reported by The NASDAQ National Market.

A trading day means each day on which the securities exchange or quotation system that is used to determine the sale price is open for trading or quotation.

Because the market price of our common stock is determined prior to the redemption date, holders of the Series A preferred stock bear the market risk with respect to the value of our common stock to be received from the date the market price is determined to the redemption date. We may pay the redemption price or any portion of the redemption price in shares of our common stock only if the information necessary to calculate the market price is publicly available.

General Provisions Concerning the Redemption of Series A Preferred Stock

Payment of the redemption price for shares of Series A preferred stock is conditioned upon book-entry transfer of the Series A preferred stock or physical delivery of certificates representing the Series A preferred stock, together with necessary endorsements, to the transfer agent at any time after delivery of the redemption notice. Payment of the redemption price for the Series A preferred stock will be made promptly following the later of the redemption date and the time of book-entry transfer of or physical delivery of the Series A preferred stock.

If DTC and the transfer agent hold money or securities sufficient to pay the redemption price of Series A preferred stock on the redemption date for shares delivered for redemption in accordance with the terms of the certificate of designations, then the dividends will cease to accrue. At such time, all rights as a holder of shares of Series A preferred stock shall terminate, other than the right to receive the redemption price upon delivery of certificates representing the Series A preferred stock.

Liquidation Preference

Upon our voluntary or involuntary liquidation, dissolution or winding-up, each holder of shares of Series A preferred stock will be entitled to payment, out of our assets legally available for distribution, of an amount equal to the liquidation preference per share of Series A preferred stock held by that holder, plus an amount equal to all accrued and unpaid and accumulated dividends on those shares to but excluding the date of liquidation, dissolution or winding-up, before any distribution is made on any junior stock, including our common stock. After payment in full of the liquidation preference and the amount equal to all accrued and unpaid and accumulated dividends to which holders of shares of Series A preferred stock are entitled, the holders will not be entitled to any further participation in any distribution of our assets. If, upon our voluntary or involuntary liquidation, dissolution or winding-up, the amounts payable with respect to shares of Series A preferred stock and all other parity stock are not paid in full, the holders of shares of Series A preferred stock and the holders of the parity stock will share equally and

ratably in any distribution of our assets in proportion to the full liquidation preference and the amount equal to all accrued and unpaid and accumulated dividends to which each such holder is entitled.

Neither the voluntary sale, conveyance, exchange or transfer, for cash, shares of stock, securities or other consideration, of all or substantially all of our property or assets nor our consolidation, merger or amalgamation with or into any other entity or the consolidation, merger or amalgamation of any other entity with or into us will be deemed to be our voluntary or involuntary liquidation, dissolution or winding-up.

Conversion Rights

General

Each share of Series A preferred stock is convertible at any time at the option of the holder, unless previously redeemed or repurchased, into fully paid and nonassessable shares of our common stock at a current conversion price of $10.004 per share, adjusted as provided under Adjustments to the Conversion Price. The number of shares of common stock deliverable upon conversion of a share of Series A preferred stock, commonly referred to as the conversion rate, is currently 4.998, which represents the liquidation preference divided by the current conversion price. The conversion rate will be adjusted as a result of any adjustment to the conversion price.

A holder of shares of Series A preferred stock may convert any or all of those shares by surrendering to us at our principal office or at the office of the transfer agent, as may be designated by our board of directors, the certificate or certificates for those shares of Series A preferred stock accompanied by a written notice stating that the holder elects to convert all or a specified whole number of those shares in accordance with the provisions of the certificate of designations and specifying the name or names in which the holder wishes the certificate or certificates for shares of common stock to be issued. In case the notice specifies a name or names other than that of the holder, the notice must be accompanied by payment of all transfer taxes payable upon the issuance of shares of common stock in that name or names. Other than those taxes, we will pay any documentary, stamp or similar issue or transfer taxes that may be payable in respect of any issuance or delivery of shares of common stock upon conversion of shares of the Series A preferred stock. As promptly as practicable after the surrender of that certificate or certificates and the receipt of the notice relating to the conversion and payment of all required transfer taxes, if any, or the demonstration to our satisfaction that those taxes have been paid, we will deliver or cause to be delivered (a) certificates representing the number of validly issued, fully paid and nonassessable full shares of our common stock to which the holder, or the holder s transferee, of shares of Series A preferred stock being converted will be entitled and (b) if less than the full number of shares of Series A preferred stock evidenced by the surrendered certificate or certificates is being converted, a new certificate or certificates, of like tenor, for the number of shares evidenced by the surrendered certificate or certificates less the number of shares being converted. This conversion will be deemed to have been made at the close of business on the date of giving the notice and of surrendering the certificate or certificates representing the shares of Series A preferred stock to be converted so that the rights of the holder thereof as to the shares being converted will cease except for the right to receive shares of common stock and accrued and unpaid dividends with respect to the shares of Series A preferred stock being converted, and the person entitled to receive the shares of common stock will be treated for all purposes as having become the record holder of those shares of common stock at that time.

If a holder of shares of Series A preferred stock exercises conversion rights (other than in connection with this conversion offer), upon delivery of the shares for conversion, those shares will cease to accrue dividends as of the end of the day immediately preceding the date of conversion. Except as set forth in the last sentence of this paragraph, holders of shares of Series A preferred stock who convert their shares into common stock (other than in connection with this conversion offer) will not be entitled to, nor will the conversion price or conversion rate be adjusted for, any accrued and unpaid or accumulated dividends. As a result of the foregoing, shares of Series A preferred stock surrendered for conversion during the period between the close of business on any dividend record date and the opening of business

on the corresponding dividend payment date (other than in connection with this conversion offer) must be accompanied by payment of an amount equal to the dividend declared and payable on such shares on such dividend payment date. Notwithstanding the foregoing, a holder of shares of Series A preferred stock whose shares are converted after we have given a notice of redemption will continue to be entitled to receive all accrued and unpaid and accumulated dividends, and those dividends will be payable by us as and when, those dividends are paid to any holders or, if none, on the date which would have been the next succeeding dividend payment date had there been any holders or at a later time when we believe we have adequate available capital under applicable law to make such a payment.

Notwithstanding the foregoing, any holder of shares of Series A preferred stock who validly surrendered such shares for conversion in the conversion offer (where such shares were held by such holder as of October 31, 2005) will retain the right to receive a cash payment of the dividend on the shares of Series A preferred stock we declared and will pay with respect to the November 24, 2005 dividend payment date.

In case any shares of Series A preferred stock are to be redeemed, the right to convert those shares of Series A preferred stock will terminate at the close of business on the business day immediately preceding the date fixed for redemption unless we default in the payment of the redemption price of those shares.

We will at all times reserve and keep available, free from preemptive rights, for issuance upon the conversion of shares of Series A preferred stock a number of our authorized but unissued shares of common stock that will from time to time be sufficient to permit the conversion of all outstanding shares of Series A preferred stock. Before the delivery of any securities that we will be obligated to deliver upon conversion of the Series A preferred stock, we will comply with all applicable federal and state laws and regulations which require action to be taken by us. All shares of common stock delivered upon conversion of the Series A preferred stock will upon delivery be duly and validly issued and fully paid and nonassessable, free of all liens and charges and not subject to any preemptive rights.

Conversion at Our Option

If fewer than 103,500 shares of Series A preferred stock remain outstanding, we may, at any time on or after November 24, 2008, at our option, cause all, but not less than all, of such Series A preferred stock to be automatically converted into that number of shares of common stock equal to the liquidation preference thereof plus all accrued and unpaid or accumulated dividends divided by the lesser of (i) the conversion price and (ii) the market price of our common stock. We will notify each of the holders of the Series A preferred stock by mail of such a conversion pursuant to this paragraph. Such notice shall specify the date of such conversion pursuant to this paragraph, which will not be less than 30 days nor more than 60 days after the date of such notice.

Adjustments to the Conversion Price

The conversion price is subject to adjustment from time to time as follows:

(1) *Stock splits and combinations.* In case we, at any time or from time to time after the issuance date of the shares of Series A preferred stock:

- subdivide or split the outstanding shares of our common stock;
- combine or reclassify the outstanding shares of our common stock into a smaller number of shares; or
- issue by reclassification of the shares of our common stock any shares of our capital stock,

then, and in each such case, the conversion price in effect immediately prior to that event or the record date therefor, whichever is earlier, will be adjusted so that the holder of any shares of Series A preferred stock thereafter surrendered for conversion will be entitled to receive

the number of shares of our common stock or of our other securities which the holder would have owned or have been entitled to receive after the occurrence of any of the events described above had those shares of Series A preferred stock been surrendered for conversion immediately before the occurrence of that event or the record date therefor, whichever is earlier.

(2) *Stock dividends in common stock.* In case we, at any time or from time to time after the issuance date of the Series A preferred stock, pay a dividend or make a distribution in shares of our common stock to all of the holders of our common stock, other than dividends or distributions of shares of common stock or other securities with respect to which adjustments are provided in paragraph (1) above, the conversion price will be adjusted by multiplying:

the conversion price immediately prior to the record date fixed for the determination of stockholders entitled to receive the dividend or distribution by

a fraction, the numerator of which will be the number of shares of common stock outstanding at the close of business on that record date and the denominator of which will be the sum of that number of shares and the total number of shares issued in that dividend or distribution.

(3) *Issuance of rights or warrants.* In case we issue to all holders of our common stock rights or warrants entitling those holders to subscribe for or purchase our common stock at a price per share less than the current market price, the conversion price in effect immediately before the close of business on the record date fixed for determination of stockholders entitled to receive those rights or warrants will be decreased by multiplying:

the conversion price by

a fraction, the numerator of which is the sum of the number of shares of our common stock outstanding at the close of business on that record date and the number of shares of common stock that the aggregate offering price of the total number of shares of our common stock offered for subscription or purchase would purchase at the current market price and the denominator of which is the sum of the number of shares of common stock outstanding at the close of business on that record date and the number of additional shares of our common stock so offered for subscription or purchase.

For purposes of this paragraph (3), the issuance of rights or warrants to subscribe for or purchase securities convertible into shares of our common stock will be deemed to be the issuance of rights or warrants to purchase shares of our common stock issuable upon conversion of those securities at an aggregate offering price equal to the sum of the aggregate offering price of those securities and the minimum aggregate amount, if any, payable upon exercise or conversion of those securities into shares of our common stock. This adjustment will be made successively whenever any such event occurs. The conversion rate will be adjusted back to the extent the rights are not subscribed for or purchased prior to their expiration or warrants are not exercised prior to their expiration. For purposes of this paragraph, the current market price of our common stock means the average of the closing sale prices of our common stock for the five consecutive trading days selected by our board of directors beginning not more than 10 trading days before, and ending not later than the date immediately preceding, the record date for the relevant event.

(4) *Distribution of indebtedness, securities or assets.* In case we distribute to all holders of our common stock, whether by dividend or in a merger, amalgamation or consolidation or otherwise, evidences of indebtedness, shares of capital stock of any class or series, other securities, cash or assets (other than common stock, rights or warrants referred to in paragraph (3) above, a dividend or distribution payable exclusively in cash, shares of capital stock or similar equity interests in the case of a spin-off, as described in the next succeeding

paragraph, and other than as a result of a fundamental change described in paragraph below), the conversion price in effect immediately before the close of business on the record date fixed for determination of stockholders entitled to receive that distribution will be decreased by multiplying:

- the conversion price by
- a fraction, the numerator of which is the current market price of our common stock and the denominator of which is the current market price of our common stock plus the fair market value, as determined by our board of directors, whose determination in good faith will be, conclusive, of the portion of those evidences of indebtedness, shares of capital stock, other securities, cash and assets so distributed applicable to one share of common stock.

This adjustment will be made successively whenever any such event occurs. For purposes of this paragraph, current market price of our common stock means the average of the closing sale prices of our common stock for the first 10 trading days from, and including, the first day that the common stock trades after such distribution has occurred.

In respect of a dividend or other distribution of shares of capital stock of any class or series, or similar equity interests, of or relating to a subsidiary or other business unit, which we refer to as a spin-off, the conversion price in effect immediately before the close of business on the record date fixed for determination of stockholders entitled to receive that distribution will be decreased by multiplying:

- the conversion price by
- a fraction, the numerator of which is the current market price of our common stock and the denominator of which is the current market price of our common stock plus the fair market value, determined as described below, of the portion of those shares of capital stock or similar equity interests so distributed applicable to one share of common stock.

The adjustment to the conversion price under the preceding paragraph will occur at the earlier of:

- the 10th trading day from, and including, the completion date of the spin-off and
- the date of the completion of the initial public offering of the securities being distributed in the spin-off, if that initial public offering is effected simultaneously with the spin-off.

For purposes of this section, initial public offering means the first time securities of the same class or type as the securities being distributed in the spin-off are bona fide offered to the public for cash. In the event of a spin-off that is not effected simultaneously with an initial public offering of the securities being distributed in the spin-off, the fair market value of the securities to be distributed to holders of our common stock means the average of the closing sale prices of those securities over the first 10 trading days after the completion date of the spin-off. Also, for purposes of a spin-off, the current market price of our common stock means the average of the closing sale prices of our common stock over the first 10 trading days after the completion date of the spin-off.

If, however, an initial public offering of the securities being distributed in the spin-off is to be effected simultaneously with the spin-off, the fair market value of the securities being distributed in the spin-off means the initial public offering price, while the current market price of our common stock means the closing sale price of our common stock on the trading day on which the initial public offering price of the securities being distributed in the spin-off is determined.

(5) *Fundamental changes.* For purposes of this paragraph (5), the term fundamental change means any transaction or event, including any merger, consolidation, sale of assets, tender or exchange offer, reclassification, compulsory share exchange or liquidation, in which all or substantially all outstanding shares of our common stock are converted into or exchanged for stock, other securities, cash or assets. If a fundamental change occurs, the holder of each share of the Series A preferred stock outstanding immediately before that fundamental change occurred that remains outstanding after the fundamental change will have the right upon any subsequent conversion to receive, out of funds legally available, to the extent required by applicable law, the kind and amount of stock, other securities, cash and assets that the holder would have received if that share had been converted immediately prior to the fundamental change.

(6) *Self-tender.* In case we or any of our subsidiaries engages in a tender or exchange offer for all or any portion of our common stock that will expire, and such tender or exchange offer, as amended upon the expiration thereof, will require the payment to stockholders of consideration per share of our common stock having a fair market value, as determined by the board of directors, whose determination in good faith will be conclusive, that, as of the last time tenders or exchanges may be made pursuant to such tender or exchange offer, as such time may be amended (for purposes of this paragraph (6) only, the expiration time), exceeds the closing sale price per share of common stock as of the trading day next succeeding the expiration time, the conversion price shall be decreased so that it will equal the price determined by multiplying the conversion price in effect immediately prior to the expiration time by a fraction, the numerator of which will be the number of shares of common stock outstanding, including any tendered or exchanged shares, at the expiration time multiplied by the closing sale price per share of our common stock as of the trading day next succeeding the expiration time and the denominator of which will be the sum of:

the fair market value, determined as described above, of the aggregate consideration payable to stockholders based on the acceptance, up to any maximum specified in the terms of the tender or exchange offer, of all shares of common stock validly tendered or exchanged and not withdrawn as of the expiration time, the shares of common stock deemed so accepted, up to any such maximum, being referred to as the purchased shares; and

the product of the number of shares of common stock outstanding, less any purchased shares, at the expiration time and the closing sale price per share of common stock as of the trading day next succeeding the expiration time;

such decrease to become effective as of the opening of business on the trading day next succeeding the expiration time. In the event that we are obligated to purchase shares of common stock pursuant to any such tender or exchange offer, but we are permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the conversion price will again be adjusted to be the conversion price that would then be in effect if such tender or exchange offer had not been made.

(7) *Cash dividend or distribution.* In case we pay a dividend or make a distribution in cash on our common stock, the conversion price in effect immediately before the close of business on the day that the common stock trades ex-distribution will be adjusted upon conversion by multiplying:

the conversion price by

a fraction, the numerator of which will be the current market price of our common stock and the denominator of which is the current market price of our common stock plus the amount per share of such dividend or distribution.

For the purpose of this paragraph, the current market price of our common stock means the average of the closing sale prices of our common stock for the period of five consecutive trading days after the common stock trades ex-distribution.

Notwithstanding the foregoing, we will not be required to give effect to any adjustment in the conversion price unless and until the net effect of one or more adjustments, each of which will be carried forward until counted toward adjustment, will have resulted in a change of the conversion price by at least 1%, and when the cumulative net effect of more than one adjustment so determined will be to change the conversion price by at least 1%, that change in the conversion price will be given effect.

In the event that, at any time as a result of the provisions of this section, the holders of shares of the Series A preferred stock upon subsequent conversion become entitled to receive any shares of our capital stock other than common stock, the number of those other shares so receivable upon conversion of shares of the Series A preferred stock will thereafter be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions contained in this section.

There will be no adjustment to the conversion price in the case of the issuance of any shares of our stock in a merger, reorganization, acquisition, reclassification, recapitalization or other similar transaction except as provided in this section.

We may, from time to time, reduce the conversion price by any amount for any period of time if the period is at least 20 days or any longer period required by law and if the reduction is irrevocable during the period, but the conversion price may not be less than the par value of our common stock. In any case in which this section requires that an adjustment as a result of any event become effective from and after a record date, we may elect to defer until after the occurrence of that event (a) issuing to the holder of any shares of the Series A preferred stock converted after that record date and before the occurrence of that event the additional shares of common stock issuable upon that conversion over and above the shares issuable on the basis of the conversion price in effect immediately before adjustment and (b) paying to that holder any amount in cash in lieu of a fractional share of common stock.

We will be required, as soon as practicable following the occurrence of an event that requires or permits an adjustment in the conversion price, to provide written notice to the holders of shares of Series A preferred stock of the occurrence of that event. We will also be required to deliver a statement setting forth in reasonable detail the method by which the adjustment to the conversion price was determined and setting forth the revised conversion price.

No fractional shares of common stock will be issued upon conversion of the Series A preferred stock. In lieu of any fractional share otherwise issuable in respect of the aggregate number of Series A preferred stock of any holder which are converted upon conversion at our option or any conversion at the option of holders, that holder will be entitled to receive an amount in cash equal to the same fraction of the closing price of shares of our common stock determined as of the second trading day immediately preceding the effective date of conversion.

Our board of directors will have the power to resolve any ambiguity or, subject to applicable law, correct any error in this section, and its action in so doing will be final and conclusive.

Voting Rights

Holders of the Series A preferred stock are not entitled to any voting rights except as required by law and as set forth below.

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So long as any shares of Series A preferred stock remain outstanding, we shall not, without the consent of the holders of at least two-thirds of the shares of Series A preferred stock outstanding at the time:

issue shares of or increase the authorized number of shares of any senior stock; or

amend our amended and restated certificate of incorporation or the resolutions contained in the certificate of designations, whether by merger, consolidation or otherwise, if the amendment would alter or change any power, preference or special right of the outstanding Series A preferred stock in any manner materially adverse to the interests of the holders thereof.

Notwithstanding the foregoing, any increase in the authorized number of shares of common stock or Series A preferred stock or the authorization and issuance of junior stock or other parity stock, including those with voting or redemption rights that are different than the voting or redemption rights of the Series A preferred stock, shall not be deemed to be an amendment that alters or changes such powers, preferences or special rights in any manner materially adverse to the interests of the holders of the Series A preferred stock.

Any increase, decrease or change in the par value of any class or series of capital stock, including the Series A preferred stock, will not be deemed to be an amendment that alters or changes the powers, preferences and special rights of the shares of Series A preferred stock in any manner materially adverse to the interests of the holders of the Series A preferred stock.

If and whenever six full quarterly dividends, whether or not consecutive, payable on the Series A preferred stock are not paid, the number of directors constituting our board of directors will be increased by two and the holders of the Series A preferred stock, voting together as a single class, will be entitled to elect those additional directors. In the event of such a non-payment, any holder of the Series A preferred stock may request that we call a special meeting of the holders of Series A preferred stock for the purpose of electing the additional directors and we must call such a meeting within 20 days of any request. If we fail to call such a meeting upon request, then any holder of Series A preferred stock can call such a meeting. If all accumulated dividends on the Series A preferred stock have been paid in full and dividends for the current quarterly dividend period have been paid, the holders of our Series A preferred stock will no longer have the right to vote on directors and the term of office of each director so elected will terminate and the number of our directors will, without further action, be reduced by two.

In any case where the holders of our Series A preferred stock are entitled to vote, each holder of our Series A preferred stock will be entitled to one vote for each share of Series A preferred stock.

Change of Control Put

For purposes of this section, change of control of our company means the occurrence of any of the following:

(1) any person or group (as such terms are used, in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to have beneficial ownership of all shares that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of voting stock representing 50% or more of the total voting power of all of our outstanding voting stock; or

(2) we consolidate with, or merge with or into, another person (other than a wholly owned subsidiary) or we and/or one or more of our subsidiaries sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of our assets (determined on a consolidated basis) to any person (other than to ourselves or a wholly owned subsidiary), other than any such transaction where immediately after such transaction the person or persons that beneficially owned (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) immediately prior to such

transaction, directly or indirectly, voting stock representing a majority of the total voting power of all our outstanding voting stock beneficially own or owns (as so determined), directly or indirectly, voting stock representing a majority of the total voting power of the outstanding voting stock of the surviving or transferee person; or

(3) during any consecutive two year period, the Continuing Directors (as hereinafter defined) cease for any reason to constitute a majority of our board of directors; or

(4) we or our stockholders adopt a plan of liquidation or dissolution.

Continuing Directors means, as of any date of determination, any member of our board of directors who was (1) a member of such board of directors on the date of original issuance of the Series A preferred stock or (2) nominated for election or elected to such board of directors with the approval of a majority of the Continuing Directors who were members of such board at the time of such nomination or election.

If we undergo a change of control, each holder of shares of Series A preferred stock that remain outstanding after the change of control will have the right to require us to purchase, out of legally available funds, any outstanding shares of the holder s Series A preferred stock at a purchase price per share equal to 100% of the liquidation preference of those shares, plus all accrued and unpaid and accumulated dividends, if any, to the date of purchase. This right of holders will be subject to our obligation to repay or repurchase any indebtedness or Series A preferred stock required in connection with a change of control and to any contractual restrictions then contained in our indebtedness. Our secured credit facilities prohibit us from paying, and the indenture governing our senior notes restricts our ability to pay, the purchase price of the Series A preferred stock in cash. When we have satisfied these obligations, we will so purchase all shares tendered upon a change of control.

The purchase price is payable, at our option, in cash or in shares of our common stock at a discount of 5% from the market price of our common stock (*i.e.*, valued at 95% of the market price of our common stock), or any combination thereof. If we pay for shares of the Series A preferred stock in common stock, no fractional shares of common stock will be issued; instead, we will round the applicable number of shares up to the nearest whole number of shares. We may pay such purchase price, whether in cash or in shares of our common stock, only if we have funds legally available for such payment and may pay such purchase price in shares of our common stock only if such shares are eligible for immediate sale in the public market either (i) by non-affiliates of ours absent a registration statement or (ii) pursuant to a registration statement that has become effective.

The market price of our common stock means the average of the sale prices of our common stock for the five trading day period ending on the third business day prior to the redemption date (if the third business day prior to the redemption date is a trading day or, if not, then on the last trading day prior to the third business day), appropriately adjusted to take into account the occurrence, during the period commencing on the first of the trading days during the five trading day period and ending on the redemption date, of any event that would result in an adjustment to the conversion price of the Series A preferred stock, as described under Conversion Price Adjustments to the Conversion Price.

Holders of the Series A preferred stock will not have the foregoing put right if:

the sale price per share of our common stock for any five trading days within the period of 10 consecutive trading days ending immediately after the later of the change of control or the public announcement thereof (in the case of a change of control under paragraph (1) above) or the period of 10 consecutive trading days ending immediately before the change of control (in the case of a change of control under paragraph (2), (3) or (4) above) shall equal or exceed 105% of the conversion price of the Series A preferred stock immediately after the later of the change of control and the public announcement thereof, or

100% of the consideration in the change of control transaction consists of shares of capital stock traded on a U.S. national securities exchange or quoted on The NASDAQ National

Market, and as a result of the transaction, the Series A preferred stock becomes convertible solely into this capital stock.

For purposes of the above paragraphs:

- the term capital stock of any person means any and all shares, interests, participations or other equivalents however designated of corporate stock or other equity participations, including partnership interests, whether general or limited, of such person and any rights (other than debt securities convertible or exchangeable into an equity interest), warrants or options to acquire an equity interest in such person; and

- the term voting stock of any person means capital stock of such person which ordinarily has voting power for the election of directors, or persons performing similar functions, of such person, whether at all times or only for so long as no senior class of securities has such voting power by reason of any contingency.

Within 30 days following any change of control, we will mail a notice by first class mail to each holder s registered address describing the transaction or transactions that constitute the change of control and offering to purchase that holder s Series A preferred stock on the date specified in that notice, which date will be no earlier than 30 days and no later than 60 days from the date the notice is mailed. Such notice will, among other things, state:

- whether we will pay the purchase price of the Series A preferred stock in cash or shares;

- if we elect to pay any portion of the purchase price in common stock, the amount of such portion and the method of calculating the number of shares of common stock; and

- the instructions determined by us, consistent with this section, that a holder must follow in order to have its Series A preferred stock purchased.

Because the valuation of our common stock is determined prior to the purchase date, holders bear the market risk with respect to the value of the common stock to be received from the date such market price is determined to the purchase date. Upon determination of the actual number of shares of common stock to be issued for each share of Series A preferred stock in accordance with the foregoing provisions, we will promptly provide the holders of the Series A preferred stock with this information and will issue a press release and publish such information on our website.

We intend to comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent those laws and regulations are applicable, in connection with the purchase of Series A preferred stock as a result of a change of control. To the extent that the provisions of any securities laws or regulations conflict with any of the provisions of this section, we will comply with the applicable securities laws and regulations and will be deemed not to have breached our obligations under this section.

On the date scheduled for payment of the shares of Series A preferred stock, we will, to the extent lawful:

- purchase all shares of Series A preferred stock properly tendered;

- deposit with (i) DTC, with respect to shares held by DTC or the agent, or (ii) the transfer agent, with respect to shares held in certificated form, as applicable, an amount equal to the purchase price of the shares of Series A preferred stock so tendered; and

- deliver or cause to be delivered to DTC or the transfer agent shares of Series A preferred stock so accepted together with an officers certificate stating the aggregate liquidation preference of the shares of Series A preferred stock being purchased by us.

DTC or the transfer agent, as applicable, will promptly mail or deliver to each holder of shares of Series A preferred stock so tendered the applicable payment for those shares of Series A preferred stock, and the transfer agent will promptly countersign and mail or deliver, or cause to be transferred by book-

entry, to each holder new shares of Series A preferred stock equal in liquidation preference to any unpurchased portion of the shares of Series A preferred stock surrendered, if any. We will publicly announce the results of our offer on or as soon as practicable after the purchase date for the purchase of shares of Series A preferred stock in connection with a change of control of our company.

We will not be required to purchase any shares of Series A preferred stock upon the occurrence of a change of control if a third party makes an offer to purchase the Series A preferred stock in the manner, at the price, at the times and otherwise in compliance with the requirements described in this section and purchases all shares of Series A preferred stock validly tendered and not withdrawn.

Legal Availability of Assets

Under Delaware law, we may pay dividends on or redeem or repurchase the Series A preferred stock, whether in cash, in shares of our common stock or in a combination thereof, only if we have legally available assets in an amount at least equal to the amount of the relevant payment.

Legally available assets means the amount of surplus. If there is no surplus, legally available assets also means, in the case of a dividend, the amount of our net profits for the fiscal year in which the payment occurs and/or the preceding fiscal year. Our surplus is the amount by which our total assets exceed the sum of:

- our total liabilities, including our contingent liabilities; and
- the amount of our capital.

When the need to make a determination of legally available assets arises, the amount of our total assets and liabilities and the amount of our capital will be determined by our board of directors in accordance with Delaware law.

As of September 30, 2005, the amount of our surplus was $201.2 million.

Registration Rights

On November 24, 2003, we entered into a registration rights agreement with the initial purchasers of the Series A preferred stock. Under the registration rights agreement, we agreed to use our reasonable best efforts to:

- file, on or before February 22, 2004, a shelf registration statement with the SEC on the appropriate form under the Securities Act to cover resales of the shares of Series A preferred stock and of common stock issued upon conversion of the shares of Series A preferred stock;
- cause that registration statement to be declared effective, subject to some exceptions, on or before May 22, 2004; and
- subject to certain black-out periods not to exceed 90 days in the aggregate in any consecutive 365-day period, use our reasonable best efforts to cause that registration statement to remain effective, subject to some exceptions, until the earlier of:

(1) November 24, 2005; and

(2) the date on which all shares of Series A preferred stock or common stock covered by that registration statement have been sold under that registration statement.

We filed the registration statement discussed in this section with the SEC, and it was declared effective by the required date. Our obligation to keep this registration statement effective ended as of November 24, 2005.

Holders of shares of Series A preferred stock registrable under the registration rights agreement are required to deliver certain information to be used in connection with the shelf registration statement

within the time periods indicated in the registration rights agreement in order to have their shares of Series A preferred stock or common stock into which the shares of Series A preferred stock may be converted included in the shelf registration statement.

The certificate of designations for the Series A preferred stock provides that if the shelf registration statement ceases to be effective or usable in connection with resales of shares of Series A preferred stock and common stock during the periods specified in the registration rights agreement we will refer to that event as a registration default then we will pay to each holder of shares of Series A preferred stock registrable under the registration rights agreement, with respect to the first 90-day period immediately following the occurrence of a registration default, additional dividends on the Series A preferred stock computed by increasing the applicable dividend rate for the relevant period by 0.25% per year, which we will refer to as additional dividends. The applicable dividend rate will increase by an additional 0.25% per year with respect to any subsequent 90-day period, but in no event will the additional dividend rate exceed 1.00% per year in the aggregate regardless of the number of registration defaults, until all registration defaults have been cured. If, after the cure of all registration defaults then in effect, there is a subsequent registration default, the additional dividend rate for that subsequent registration default will initially be 0.25%, regardless of the additional dividend rate in effect with respect to any prior registration default at the time of the cure of that registration default and will increase as set forth in the preceding sentence. An amount equal to all accrued additional dividends will be payable to the holders entitled to those dividends, in the manner provided for the payment or accretion of dividends in the certificate of designations.

This is a summary of some important provisions of the registration rights agreement. You may request a copy of the registration rights agreement by contacting us at our principal executive offices. See Where You Can Find More Information.

Transfer Agent

The transfer agent, registrar, dividend disbursing agent and redemption agent for our shares of Series A preferred stock is Mellon Investor Services LLC. Mellon Investor Services LLC is also the transfer agent and registrar for our common stock.

Book-Entry, Delivery and Form

The shares of Series A preferred stock were issued in the form of global certificates held in book-entry form. DTC or its nominee will be the sole registered holder of the Series A preferred stock. Owners of beneficial interests in the Series A preferred stock represented by the global securities will hold their interests pursuant to the procedures and practices of DTC. As a result, beneficial interests in any such securities will be shown on, and transfers will be effected only through, records maintained by DTC and its direct and indirect participants and any such interest may not be exchanged for certificated securities, except in limited circumstances. Owners of beneficial interests must exercise any rights in respect of their interests, including any right to convert or require repurchase of their interests in the Series A preferred stock, in accordance with the procedures and practices of DTC. Beneficial owners will not be holders and will not be entitled to any rights provided to the holders of the Series A preferred stock under the global securities or the certificate of designations. Our company and any of our agents may treat DTC as the sole holder and registered owner of the global securities.

DTC has previously advised us as follows: DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC facilitates the settlement of transactions among its participants through electronic computerized book-entry changes in participants accounts, eliminating the need for physical movement of securities certificates. DTC s participants include securities brokers and dealers, banks, trust companies, clearing corporations and other organizations, some of whom and/or their representatives own DTC. Access to DTC s book-entry system is also available to others, such as banks, brokers, dealers and

trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. The rules applicable to the depositary and its participants are on file with the SEC.

The depositary is the only registered holder of the shares of Series A preferred stock.

Shares of Series A preferred stock that are issued as described below under Certificated Series A Preferred Stock will be issued in definitive form. Upon the transfer of Series A preferred stock in definitive form, such Series A preferred stock will, unless the global securities have previously been exchanged for Series A preferred stock in definitive form, be exchanged for an interest in the global securities representing the liquidation preference of Series A preferred stock being transferred.

Investors who purchased Series A preferred stock in offshore transactions in reliance on Regulation S under the Securities Act may hold their interests in the global certificate directly through Euroclear Bank S.A./N.V., as operator of the Euroclear System, or Euroclear, and Clearstream Banking, société anonyme, or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream will hold interests in the global certificate on behalf of their participants through their respective depositories, which in turn will hold such interests in the global certificate in the depositories names on the books of the depositary.

Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures. If a holder requires physical delivery of a definitive certificate for any reason, including to sell certificates to persons in jurisdictions that require such delivery of such certificates or to pledge such certificates, such holder must transfer its interest in the global certificate in accordance with the normal procedures of the depositary and the procedures set forth in the certificate of designations.

Cross-market transfers between the depositary, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in the depositary in accordance with the depositary rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the global certificate in the depositary, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to the depositary. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in the global certificate from a depositary participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the depositary settlement date, and such credit or any interests in the global certificate settled during such processing day will be reported to the relevant Euroclear or Clearstream participant on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in the global certificate by or through a Euroclear or Clearstream participant to a depositary participant will be received with value on the depositary settlement date, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in the depositary.

A beneficial owner of book-entry shares of Series A preferred stock represented by a global certificate may exchange the shares for definitive, certificated shares of Series A preferred stock only if the conditions for such an exchange, as described under Certificated Series A Preferred Stock, are met.

In this conversion offer prospectus, references to actions taken by holders of shares of Series A preferred stock will mean actions taken by the depositary upon instructions from its participants, and references to payments and notices of redemption to holders of shares of Series A preferred stock will

mean payments and notices of redemption to the depositary as the registered holder of the shares of Series A preferred stock for distribution to participants in accordance with the depositary s procedures.

In order to ensure that the depositary s nominee will timely exercise a right conferred by the Series A preferred stock, the beneficial owner of that Series A preferred stock must instruct the broker or other direct or indirect participant through which it holds an interest in that Series A preferred stock to notify the depositary of its desire to exercise that right. Different firms have different deadlines for accepting instructions from their customers. Each beneficial owner should consult the broker or other direct or indirect participant through which it holds an interest in the Series A preferred stock in order to ascertain the deadline for ensuring that timely notice will be delivered to the depositary.

We will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the book-entry securities or for maintaining, supervising or reviewing any records relating to beneficial ownership interests.

The depositary may discontinue providing its services as securities depositary at any time by giving reasonable notice. Under those circumstances, in the event that a successor securities depositary is not appointed, share certificates are required to be printed and delivered. Additionally, we may decide to discontinue use of the system of book-entry transfers through the depositary or any successor depositary with respect to the shares of Series A preferred stock. In that event, certificates for the shares will be printed and delivered.

Certificated Series A Preferred Stock

The Series A preferred stock represented by the global securities is exchangeable for certificated Series A preferred stock in definitive form of like tenor to such Series A preferred stock if:

- the depositary notifies us that it is unwilling or unable to continue as depositary for the global securities or if at any time the depositary ceases to be a clearing agency registered under the Exchange Act and, in either case, a successor depositary is not appointed by us within 90 days after the date of such notice; or

- we in our sole discretion at any time determine to discontinue use of the system of book-entry transfer through DTC (or any successor depositary).

Any Series A preferred stock that becomes exchangeable pursuant to the preceding sentence will be exchangeable for certificated Series A preferred stock issuable in authorized denominations and registered in such names as the depositary shall direct. Subject to the foregoing, the global securities are not exchangeable, except for global securities of the same aggregate liquidation preferences to be registered in the name of the depositary or its nominee. In addition, such certificates will bear the legend contained in the certificate of designations for the Series A preferred stock (unless we determine otherwise in accordance with applicable law) subject, with respect to such Series A preferred stock, to the provisions of such legend.

DESCRIPTION OF CAPITAL STOCK

Authorized Capital Stock

Our authorized capital stock consists of 75,000,000 shares of common stock, $0.01 par value per share, and 25,000,000 shares of preferred stock, $0.01 par value per share, of which 2,070,000 shares were designated as Series A preferred stock. As of November 29, 2005, there were 39,730,648 shares of common stock outstanding held of record by approximately 2,188 stockholders. As of November 29, 2005, there were 2,069,907 shares of Series A preferred stock outstanding held of record by one stockholder. The following description of our capital stock and provisions of our amended and restated certificate of incorporation and amended and restated by-laws are only summaries, and we encourage you to review complete copies of our amended and restated certificate of incorporation and amended and restated by-laws, which we have filed previously with the SEC. See Incorporation of Certain Documents by Reference and Where You Can Find More Information.

Common Stock

Holders of our common stock are entitled to receive, as, when and if declared by our board of directors, dividends and other distributions in cash, stock or property from our assets or funds legally available for those purposes subject to any dividend preferences that may be attributable to preferred stock, if any. Holders of common stock are entitled to one vote for each share held of record on all matters on which stockholders may vote. Holders of common stock are not entitled to cumulative voting for the election of directors. There are no preemptive, conversion, redemption or sinking fund provisions applicable to our common stock. All outstanding shares of common stock are fully paid and non-assessable. In the event of our liquidation, dissolution or winding up, holders of common stock are entitled to share ratably in the assets available for distribution, subject to any prior rights of any holders of preferred stock, if any, then outstanding.

Preferred Stock

Our amended and restated certificate of incorporation authorizes our board of directors, without any vote or action by the holders of common stock, to issue up to 25,000,000 shares of preferred stock from time to time in one or more series. Our board of directors is authorized to determine the number of shares and designation of any additional series of preferred stock and the dividend rights, dividend rate, conversion rights and terms, voting rights, redemption rights and terms, liquidation preferences, sinking fund terms and other rights, preferences, privileges and restrictions of any series of preferred stock. Issuances of preferred stock would be subject to the applicable rules of the New York Stock Exchange or other organizations whose systems the preferred stock may then be quoted or listed. Depending upon the terms of preferred stock established by our board of directors, any or all series of preferred stock could have preferences over the common stock with respect to dividends and other distributions and upon liquidation. Issuance of any such shares with voting powers, or issuance of additional shares of common stock, would dilute the voting power of the outstanding common stock.

Number of Directors; Removal; Vacancies

The amended and restated certificate of incorporation and the amended and restated by-laws provide that the number of directors shall not be less than three nor more than nine and shall be determined from time to time exclusively by a vote of a majority of our board of directors then in office. The amended and restated certificate of incorporation also provides that our board of directors shall have the exclusive right to fill vacancies, including vacancies created by expansion of our board of directors. Furthermore, except as may be provided in a resolution or resolutions of our board of directors providing for any class or series of preferred stock with respect to any directors elected by the holders of such class or series, directors may be removed by our stockholders only for cause and only by the affirmative vote of at least $66^{2}/3$% of the voting power of all of the shares of our capital stock then entitled to vote generally in the election of directors, voting together as a single class. These provisions, in conjunction with the

provision of the amended and restated certificate of incorporation authorizing our board of directors to fill vacant directorships, could prevent stockholders from removing incumbent directors without cause and filling the resulting vacancies with their own nominees.

No Stockholder Action by Written Consent; Special Meetings

The amended and restated certificate of incorporation provides that, except as may be provided in a resolution or resolutions of our board of directors providing for any class or series of preferred stock, stockholder action can be taken only at an annual or special meeting of stockholders and cannot be taken by written consent in lieu of a meeting. The amended and restated certificate of incorporation also provides that special meetings of the stockholders can only be called pursuant to a resolution approved by a majority of our board of directors then in office. Stockholders are not permitted to call a special meeting of stockholders.

Advance Notice for Raising Business or Making Nominations at Meetings

The amended and restated by-laws establish an advance notice procedure for stockholder proposals to be brought before a meeting of our stockholders and for nominations by stockholders of candidates for election as directors at an annual meeting or a special meeting at which directors are to be elected. Subject to any other applicable requirements, including, without limitation, Rule 14a-8 under the Exchange Act, only such business may be conducted at a meeting of stockholders as has been brought before the meeting by, or at the direction of, our board of directors, or by a stockholder who has given to our secretary timely written notice, in proper form, of the stockholder s intention to bring that business before the meeting. The presiding officer at such meeting has the authority to make such determinations. Only persons who are nominated by, or at the direction of, our board of directors, or who are nominated by a stockholder who has given timely written notice, in proper form, to the Secretary prior to a meeting at which directors are to be elected will be eligible for election as directors.

To be timely, notice of nominations or other business to be brought before an annual meeting must be received by our secretary at the principal executive office no later than 60 days prior to the date of such annual meeting. Similarly, notice of nominations or other business to be brought before a special meeting must be delivered to our Secretary at the principal executive office no later than the close of business on the 15th day following the day on which notice of the date of a special meeting of stockholders was given. The notice of any nomination for election as a director must set forth the name, date of birth, business and residence address of the person or persons to be nominated; the business experience during the past five years of such person or persons; whether such person or persons are or have ever been at any time directors, officers or owners of 5% or more of any class of capital stock, partnership interest or other equity interest of any corporation, partnership or other entity; any directorships held by such person or persons in any company with a class of securities registered pursuant to Section 12 of the Exchange Act or subject to the requirements of Section 15(d) of such Act or any company registered as an investment company under the Investment Company Act of 1940, as amended; and whether, in the last five years, such person or persons are or have been convicted in a criminal proceeding or have been subject to a judgment, order, finding or decree of any federal, state or other governmental entity, concerning any violation of federal, state or other law, or any proceeding in bankruptcy, which conviction, order, finding, decree or proceeding may be material to an evaluation of the ability or integrity of the nominee; and, the consent of each such person to be named in a proxy statement as a nominee and to serve as a director if elected. The person submitting the notice of nomination, and any person acting in concert with such person, must provide their names and business addresses, the name and address under which they appear on our books (if they so appear), and the class and number of shares of our capital stock that are beneficially owned by them.

Amendments to Amended and Restated By-Laws

The amended and restated certificate of incorporation provides that our board of directors or the holders of at least $66^{2}/3\%$ of the voting power of all shares of our capital stock then entitled to vote

generally in the election of directors, voting together as a single class, have the power to amend or repeal our amended and restated by-laws.

Amendment of the Amended and Restated Certificate of Incorporation

Any proposal to amend, alter, change or repeal any provision of the amended and restated certificate of incorporation, except as may be provided in a resolution or resolutions of our board of directors providing for any class or series of preferred stock and which relate to such class or series of preferred stock, requires approval by the affirmative vote of both a majority of the members of our board of directors then in office and a majority vote of the voting power of all of the shares of our capital stock entitled to vote generally in the election of directors, voting together as a single class. Notwithstanding the foregoing, any proposal to amend, alter, change or repeal the provisions of the amended and restated certificate of incorporation relating to (i) the classification of our board of directors, (ii) removal of directors, (iii) the prohibition of stockholder action by written consent or stockholder calls for special meetings, (iv) amendment of amended and restated by-laws, or (v) amendment of the amended and restated certificate of incorporation, requires approval by the affirmative vote of 66^{2}/3% of the voting power of all of the shares of our capital stock entitled to vote generally in the election of directors, voting together as a single class.

Preferred Stock and Additional Common Stock

Under the amended and restated certificate of incorporation, our board of directors has the authority to provide by board resolution for the issuance of shares of one or more series of preferred stock. Our board of directors is authorized to fix by resolution the terms and conditions of each such other series. We believe that the availability of our preferred stock, in each case issuable in series, and additional shares of common stock could facilitate certain financings and acquisitions and provide a means for meeting other corporate needs which might arise. The authorized shares of our preferred stock, as well as authorized but unissued shares of common stock will be available for issuance without further action by our stockholders, unless stockholder action is required by applicable law or the rules of any stock exchange on which any series of our capital stock may then be listed.

These provisions give our board of directors the power to approve the issuance of a series of preferred stock, or an additional series of common stock, that could, depending on its terms, either impede or facilitate the completion of a merger, tender offer or other takeover attempt. For example, the issuance of new shares of preferred stock might impede a business combination if the terms of those shares include voting rights which would enable a holder to block business combinations; the issuance of new shares might facilitate a business combination if those shares have general voting rights sufficient to cause an applicable percentage vote requirement to be satisfied.

Delaware Business Combination Statute

Certain provisions in our amended and restated certificate of incorporation and amended and restated by-laws and of Delaware law could make it harder for someone to acquire us through a tender offer, proxy contest or otherwise. We are governed by the provisions of Section 203 of the Delaware General Corporation Law, which defines a person who owns (or within three years, did own) 15% or more of a company s voting stock as an interested stockholder. Section 203 prohibits a public Delaware corporation from engaging in a business combination with an interested stockholder for a period commencing three years from the date in which the person became an interested stockholder, unless:

- the board of directors approved the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owns at least 85% of the voting stock of

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the corporation (excluding shares owned by officers, directors, or certain employee stock purchase plans); or

at or subsequent to the time the transaction is approved by the board of directors, there is an affirmative vote of at least $66^{2}/3$% of the outstanding voting stock approving the transaction.

Section 203 could prohibit or delay mergers or other takeover attempts against us, and accordingly, may discourage attempts to acquire us through a tender offer, proxy contest or otherwise.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock and our Series A preferred stock is Mellon Investor Services LLC.

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MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

Except as otherwise set forth in this section, the following discussion sets forth the opinion of Blank Rome LLP, our legal counsel, regarding the material U.S. federal income tax considerations of a conversion of Series A preferred stock into common stock and the receipt of a cash premium, all pursuant to the terms and conditions of the conversion offer. In this section, we refer to such a conversion in the conversion offer as an exchange, which is the likely treatment of such a conversion for U.S. federal income tax purposes.

This discussion is based upon the provisions of the Code, the final, temporary and proposed Treasury Regulations promulgated thereunder, and administrative pronouncements and rulings and judicial decisions, as they currently exist as of the effective date of the registration statement of which this conversion offer prospectus forms a part, all of which are subject to change (possibly with retroactive effect) or different interpretations.

This discussion does not purport to address all aspects of U.S. federal income taxation that may be relevant to a stockholder s decision to convert the Series A preferred stock into common stock and cash, nor, except as expressly provided below, any tax considerations arising under other federal tax laws (for example, estate and gift tax) or under the laws of any state, local or foreign jurisdiction. This discussion is not intended to be applicable to special categories of stockholders, such as dealers in securities, banks, insurance companies, real estate investment trusts, regulated investment companies, tax-exempt organizations, U.S. expatriates, persons that hold the Series A preferred stock as part of a straddle or exchange transaction, partnerships or other pass-through entities that purchase, own or dispose of our Series A preferred stock, and holders subject to the alternative minimum tax. In addition, this discussion is limited to persons who hold the Series A preferred stock as a capital asset (generally property held for investment) within the meaning of Section 1221 of the Code.

You are urged to consult your tax advisor as to the particular tax considerations of the exchange of the Series A preferred stock for common stock and cash, including the application and effect of U.S. federal, state, local and foreign tax laws.

As used herein, the term U.S. Holder means a beneficial owner of our Series A preferred stock that for U.S. federal income tax purposes is any of the following:

- an individual who is a citizen or resident of the United States;

- a corporation or other entity treated as a corporation created or organized in or under the laws of the United States or of any political subdivision of or in the United States;

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

- a trust that either is subject to the supervision of a court within the United States and which has one or more U.S. persons with authority to control all substantial decisions, or has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

A Foreign Holder is a beneficial owner of our Series A preferred stock that is not a U.S. Holder.

If a partnership (including a limited liability company for which no election to be treated as a corporation for U.S. federal income tax purposes is in effect) holds Series A preferred stock, the tax treatment of the partner will generally depend upon the status of the partner and the activities of the partnership.

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Tax Considerations of U.S. Holders

Cash Received for Accrued but Unpaid Dividends

Any cash received in satisfaction of accrued but unpaid dividends will be treated as a distribution with respect to the Series A preferred stock. The cash received in satisfaction of the accrued but unpaid dividends will be characterized as dividend income to the extent paid out of our current or accumulated earnings and profits (as determined for federal income tax purposes).

Dividend income will be includible in a U.S. Holder s gross income on the day received by the U.S. Holder. Under current legislation, which is scheduled to expire with respect to taxable years ending after December 31, 2008, this income will generally be taxed to a U.S. Holder (if the U.S. Holder is a non-corporate taxpayer) at the rates applicable to long-term capital gains rates, provided that minimum holding period and other requirements are satisfied. Corporate U.S. Holders may be entitled to a dividends received deduction with respect to distributions treated as dividend income for U.S. federal income tax purposes, subject to limitations and conditions.

Distributions to a U.S. Holder in excess of our current or accumulated earnings and profits will be treated first as a return of capital that reduces the U.S. Holder s tax basis in the Series A preferred stock, and then as gain from the sale or exchange of the Series A preferred stock. The gain will be capital gain provided that the U.S. Holder held the Series A preferred stock as a capital asset at the time of the exchange.

Consideration Received Pursuant to the Exchange Other than Accrued Dividends

In the absence of any direct legal authority on point, it is the opinion of Blank Rome that the receipt of common stock and cash (including cash received in exchange for fractional shares but other than cash received in respect of accrued but unpaid dividends as discussed above) in exchange for Series A preferred stock should constitute a recapitalization for U.S. federal income tax purposes. Accordingly, a U.S. Holder of Series A preferred stock will recognize gain up to the amount of cash (including cash received in exchange for fractional shares but other than cash received in respect of accrued but unpaid dividends) received if the sum of the fair market value of the common stock and the cash (including cash received in exchange for fractional shares but other than cash received in respect of accrued but unpaid dividends) exceeds the U.S. Holder s adjusted tax basis in the Series A preferred stock. However, if the sum of the fair market value of the common stock and the cash (including cash received in exchange for fractional shares but other than cash received in respect of accrued but unpaid dividends) is less than the U.S. Holder s adjusted basis in the Series A preferred stock, no loss will be recognized at the time of the exchange. Additionally, a U.S. Holder will take an adjusted basis in the common stock received in the exchange equal to its adjusted basis in the Series A preferred stock, less the amount of any cash (other than cash received in respect of accrued but unpaid dividends) received in the exchange and increased by the amount of gain recognized in the exchange (other than dividend income on accrued but unpaid dividends), if any. A U.S. Holder also will include the period during which it held the Series A preferred stock for purposes of determining its holding period for the common stock.

If gain, as described in the preceding paragraph, is recognized by a U.S. Holder, the gain will be treated either as:

- a dividend to the extent of a U.S. Holder s ratable share of our earnings and profits; or
- gain from the sale or exchange of stock.

To determine whether the gain recognized is properly treated as a dividend or as gain from a sale or exchange, the exchange should be tested as though each U.S. Holder of Series A preferred stock solely received common stock and then we immediately redeemed a portion of those shares for cash (including

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any cash received in exchange for fractional shares of our common stock). Under this test, the cash would be taxed as a dividend unless the deemed redemption meets one of the following exceptions:

- the deemed redemption results in a complete termination of a U.S. Holder s interest in our stock;
- the deemed redemption is substantially disproportionate with respect to a U.S. Holder; or
- the deemed redemption is not essentially equivalent to a dividend.

In determining whether any of these three exceptions have been met, the common stock owned by a U.S. Holder directly or indirectly through the attribution rules of Section 302(c) of the Code must be taken into account. If any of these three exceptions are met, then any gain recognized from the exchange should be treated as gain from the sale or exchange of stock. This gain would be taxable as capital gain if the Series A preferred stock was held as a capital asset.

A redemption terminates a U.S. Holder s interest in our stock if, after and as a result of the exchange, the U.S. Holder no longer has any interest in our stock, taking into account the attribution rules discussed above.

A redemption is substantially disproportionate with respect to a U.S. Holder if the U.S. Holder owns less than 50% of the our voting stock after the exchange and both of the following two tests are met:

- (a) the ratio of the voting stock owned by the U.S. Holder, directly or by attribution under the rules discussed above, immediately after the exchange to all of our voting stock is less than 80% of (b) the ratio of the voting stock owned by the U.S. Holder immediately before the exchange to all of our voting stock; and
- there is a similar reduction in the percentage ownership that a U.S. Holder owns in our common stock.

Whether a redemption is not essentially equivalent to a dividend with respect to a U.S. Holder depends upon the U.S. Holder s particular circumstances. The U.S. Supreme Court has ruled that a redemption is not essentially equivalent to a dividend if the U.S. Holder has had a meaningful reduction in its percentage interest in the issuer. The Internal Revenue Service has ruled that, where the issuer is publicly held and the U.S. Holder is a minority stockholder whose stock interest is relatively minimal and who exercises no control over the issuer, there has been a meaningful reduction if the U.S. Holder has reduced its percentage interest in the issuer.

All U.S. Holders should consult their tax advisors to determine the proper tax treatment of cash received in the exchange, because alternative characterizations could apply. In particular, the entire cash payment could be treated as a dividend based on an evaluation of the totality of the circumstances prior to and subsequent to the exchange, and U.S. Holders should consult their tax advisors as to the proper characterization.

the acquisition of Acadian Gas in 2001 for $243.7 million.

Shell is also a partner with us in our Gulf of Mexico natural gas pipeline investments. We also lease from Shell its 45.4% interest in our Splitter I propylene fractionation facility.

For additional information regarding our relationship with Shell, please read Item 13 of this annual report.

OTHER ITEMS

Uncertainties regarding our investment in facilities that produce MTBE

We have a 66.7% ownership interest in BEF, which owns a facility currently producing MTBE. At December 31, 2003, the value of our underlying equity in BEF was $49.2 million. The production of MTBE is

primarily driven by oxygenated fuel programs enacted under the federal Clean Air Act Amendments of 1990. In recent years, MTBE has been detected in water supplies. The major source of ground water contamination appears to be leaks from underground storage tanks. As a result of environmental concerns, several states have enacted legislation to ban or significantly limit the use of MTBE in motor gasoline within their jurisdictions. In addition, federal legislation has been drafted to ban MTBE and replace the oxygenate with renewable fuels such as ethanol.

A number of lawsuits have been filed by municipalities and other water suppliers against a number of manufacturers of reformulated gasoline containing MTBE, although generally such suits have not named manufacturers of MTBE as defendants, and there have been no such lawsuits filed against BEF. It is possible, however, that MTBE manufacturers such as BEF could ultimately be added as defendants in such lawsuits or in new lawsuits. While we believe that we currently have adequate insurance to cover any adverse consequences resulting from our production of MTBE, we have been informed by our insurance carrier that upon renewal of our policy in April 2004, MTBE related claims may be excluded from the scope of our insurance coverage. For additional information regarding the impact of environmental regulation on BEF, please read *Business and Properties Regulation and Environmental Matters Impact of the Clean Air Act s oxygenated fuels programs on our BEF investment* included under Items 1 and 2 of this annual report.

As a result of these developments, we are currently in the process of modifying the facility to also produce iso-octane, a motor gasoline octane enhancement additive derived from isobutane. We expect iso-octane to be in demand by refiners to replace the amount of octane that is lost as a result of MTBE being eliminated as a motor gasoline blendstock. The modification project is expected to be completed during the third quarter of 2004 at a total cost of approximately $30 million. The facility will continue to produce MTBE as market conditions warrant and will be capable of producing either MTBE or iso-octane once the plant modifications are complete. Depending on the outcome of various factors (including pending federal legislation) the facility may be further modified in the future to produce alkylate.

Conversion of EPCO Subordinated Units to Common Units

On May 1, 2003, 10,704,936 of EPCO s subordinated units converted to common units as a result of our satisfying certain financial tests. The remaining 21,409,872 subordinated units converted to common units on August 1, 2003. These conversions have no impact upon our earnings per unit or distributions since subordinated units are already included in both the basic and fully diluted earnings per unit calculations and are distribution bearing.

Conversion of Shell Special Units to Common Units

On August 1, 2003, the last 10,000,000 of Shell s non-distribution bearing special units converted to common units. The conversion impacted basic earnings per unit beginning in the third quarter of 2003. These units were already included in our fully diluted earnings per unit computations. Since common units are distribution bearing, our limited partner cash distributions to Shell increased beginning with the distribution we made in November 2003.

Facility and sensitive infrastructure security matters

Following the 2001 terrorist attacks in the United States, we instituted a review of security measures and practices and emergency response capabilities for all facilities and sensitive infrastructure. In connection with this activity, we have participated in security coordination efforts with law enforcement and public safety authorities, industry mutual-aid groups and regulatory agencies. As a result of these steps, we believe that our security measures, techniques and equipment have been enhanced as appropriate on a location-by-location basis. Further evaluation will be ongoing, with additional measures to be taken as specific governmental alerts, additional information about improving security and new facts come to our attention.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to financial market risks, including changes in commodity prices and interest rates. We may use financial instruments (i.e., futures, forwards, swaps, options, and other financial instruments with similar characteristics) to mitigate the risks of certain identifiable and anticipated transactions, primarily within our NGL Pipelines & Services segment. In general, the types of risks we attempt to hedge are those relating to the variability of future earnings and cash flows caused by changes in commodity prices and interest rates. As a matter of policy, we do not use financial instruments for speculative (or trading) purposes. For additional information regarding our financial instruments, please read Note 18 of the Notes to Consolidated Financial Statements included under Item 8 of this annual report.

Commodity price risk

The prices of natural gas, NGLs, petrochemical products and MTBE are subject to fluctuations in response to changes in supply, market uncertainty and a variety of additional factors that are beyond our control. In order to manage the risks associated with our NGL Pipelines & Services segment activities, we may enter into various commodity financial instruments. The primary purpose of these risk management activities is to hedge our exposure to price risks associated with natural gas, NGL production and inventories, firm commitments and certain anticipated transactions. The commodity financial instruments we utilize may be settled in cash or with another financial instrument.

We do not hedge our exposure related to MTBE price risks. In addition, we generally do not hedge risks associated with the petrochemical marketing activities that are part of our Petrochemical Services segment. In our Onshore Natural Gas Pipelines & Services segment, we utilize a limited number of commodity financial instruments to manage the price Acadian Gas charges certain of its customers for natural gas. Lastly, due to the nature of the transactions, we do not employ commodity financial instruments in our fee-based marketing business accounted for in the NGL Pipelines & Services segment.

We have adopted a policy to govern our use of commodity financial instruments to manage the risks of our natural gas and NGL businesses. The objective of this policy is to assist us in achieving our profitability goals while maintaining a portfolio with an acceptable level of risk, defined as remaining within the position limits established by our General Partner. We enter into risk management transactions to manage price risk, basis risk, physical risk or other risks related to our commodity positions on both a short-term (less than 30 days) and long-term basis, not to exceed 24 months. The General Partner oversees our strategies associated with physical and financial risks (such as those mentioned previously), approves specific activities subject to the policy (including authorized products, instruments and markets) and establishes specific guidelines and procedures for implementing and ensuring compliance with the policy.

Our commodity financial instruments may not qualify for hedge accounting treatment under the specific guidelines of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, because of ineffectiveness. A financial instrument is generally regarded as effective when changes in its fair value almost fully offset changes in the fair value of the hedged item throughout the term of the instrument. Due to the complex nature of risks we attempt to hedge, our commodity financial instruments have generally not qualified as effective hedges under SFAS No. 133, with the result being that changes in the fair value of these positions being recorded on the balance sheet and in earnings through mark-to-market accounting. Mark-to-market accounting results in a degree of non-cash earnings volatility that is dependent upon changes in the commodity prices underlying these financial instruments. Even though these financial instruments may not qualify for hedge accounting treatment under SFAS No. 133, we view such contracts as hedges since this was the intent when we entered into such positions. Upon entering into such positions, our expectation is that the economic performance of these instruments will mitigate (or offset) the commodity risk being addressed. The specific accounting for these contracts, however, is consistent with the requirements of SFAS No. 133.

We assess the risk of our commodity financial instrument portfolio using a sensitivity analysis model. The sensitivity analysis performed on this portfolio measures the potential income or loss (e.g., the change in fair value of the portfolio) based upon a hypothetical 10% movement in the underlying quoted market prices of the commodity financial instruments outstanding at the dates noted within the following table. In general, the quoted market prices

used in the model are from those actively quoted on commodity exchanges (i.e., NYMEX) for instruments of similar duration. In those rare instances where prices are not actively quoted, we employ regression analysis techniques possessing strong correlation factors.

The sensitivity analysis model takes into account the following primary factors and assumptions:

- the current quoted market price of natural gas;
- the current quoted market price of NGLs;
- changes in the composition of commodities hedged (i.e., the mix between natural gas and related NGLs); fluctuations in the overall volume of commodities hedged (for both natural gas and related NGL hedges outstanding);
- market interest rates, which are used in determining the present value; and
- a liquid market for such financial instruments.

An increase in fair value of the commodity financial instruments (based upon the factors and assumptions noted above) approximates the income that would be recognized if all of the commodity financial instruments were settled at the dates noted within the table. Conversely, a decrease in fair value of the commodity financial instruments would result in the recording of a loss.

The sensitivity analysis model does not include the impact that the same hypothetical price movement would have on the hedged commodity positions to which they relate. Therefore, the impact on the fair value of the commodity financial instruments of a change in commodity prices would be offset by a corresponding gain or loss on the hedged commodity positions, assuming:

- the commodity financial instruments function effectively as hedges of the underlying risk;
- the commodity financial instruments are not closed out in advance of their expected term; and
- as applicable, anticipated underlying transactions settle as expected.

We routinely review our outstanding financial instruments in light of current market conditions. If market conditions warrant, some financial instruments may be closed out in advance of their contractual settlement dates thus realizing income or loss depending on the specific exposure. When this occurs, we may enter into a new commodity financial instrument to reestablish the economic hedge to which the closed instrument relates.

The following table shows the effect of hypothetical price movements on the fair value (FV) of our commodity financial instrument portfolio and the related potential impact on our earnings (IE) at the dates indicated (dollars in thousands):

Scenario	Resulting classification	At 12/31/02	At 12/31/03	At 02/20/04
FV assuming no change in quoted market prices	Asset (Liability)	$ (26)	$ 4	$ 2
FV assuming 10% increase in quoted market prices	Asset (Liability)	$ (26)	$ 4	$ 2
IE assuming 10% increase in quoted market prices	Income (Loss)	$ -	$ -	$ -
FV assuming 10% decrease in quoted market prices	Asset (Liability)	$ (26)	$ 4	$ 2
IE assuming 10% decrease in quoted market prices	Income (Loss)	$ -	$ -	$ -

During 2003, we recognized a loss of $0.6 million from our commodity hedging activities that was recorded as an increase in our operating costs and expenses in the Statements of Consolidated Operations. Of the loss recognized in 2003, $0.8 million is related to commodity hedging activities associated with natural gas purchases within the Pipeline segment offset by a $0.2 million gain from commodity hedging activities associated with the hedging of NGL production within the NGL Pipelines & Services segment.

During 2002, we recognized a loss of $51.3 million from our commodity hedging activities that was recorded as an increase in our operating costs and expenses in the Statements of Consolidated Operations. Of the loss recognized in 2002, $5.6 million was related to non-cash mark-to-market income recorded on open positions at December 31, 2001. Due to commodity hedging losses we incurred during the first quarter of 2002, we exited most of our positions. For additional information regarding our NGL Pipelines & Services segment s results for 2002, please read *Management s Discussion and Analysis of Financial Condition and Results of Operations Our results of operations Year ended December 31, 2003 compared to year ended December 31, 2002* included under Item 7 of this annual report. At end of 2003 and 2002, we had a limited number of commodity financial instruments outstanding. The fair value of the portfolio at February 20, 2004 was a nominal asset amount and was again comprised of a limited number of positions.

Product purchase commitments. We have long and short-term purchase commitments for NGLs, petrochemicals and natural gas with several suppliers. The purchase prices that we are obligated to pay under these contracts are based on market prices at the time we take delivery of the volumes. For additional information regarding these commitments, please read *Management s Discussion and Analysis of Financial Condition and Results of Operations Our Contractual Obligations* included under Item 7 of this annual report.

Interest rate risk

Our interest rate exposure results from variable-interest rate borrowings and fixed-interest rate borrowings. We assess the cash flow risk related to interest rates by identifying and measuring changes in our interest rate exposures that may impact future cash flows and evaluating hedging opportunities to manage these risks. We use analytical techniques to measure our exposure to fluctuations in interest rates, including cash flow sensitivity analysis to estimate the expected impact of changes in interest rates on our future cash flows. The General Partner oversees the strategies associated with these financial risks and approves instruments that are appropriate for our requirements.

Interest rate swaps. At December 31, 2002, we had one interest rate swap outstanding having a notional amount of $54 million that was terminated on March 1, 2003 at the election of the counterparty. Upon the termination, we received $1.6 million associated with the final settlement of this swap. The fair value of this swap at December 31, 2002 was $1.6 million. There was no earnings impact from the termination of this swap.

On January 8, 2004, we entered into three interest rate swaps under which we agreed to pay variable rates of interest to mitigate the changes in fair value of fixed rate debt as shown below:

Hedged Fixed-Rate Debt	Effective Date	Termination Date	Notional Amount
Senior Notes D, 7.50% fixed-rate	1/12/04	2/01/2011	$50 Million
Senior Notes C, 6.375% fixed-rate	1/12/04	2/01/2013	$100 Million
Senior Notes C, 6.375% fixed-rate	1/12/04	2/01/2013	$100 Million

We have designated these swaps as fair value hedges. The swap agreements have a combine notional amount of $250 million and match the maturity of the underlying debt being hedged. Under the swap agreements, we pay to the counterparty a floating LIBOR-based interest rate (plus an applicable margin) and receive back from the counterparty a fixed-rate payment equivalent to rate being charged us under the debt being hedged, all based on the notional amounts stated in each swap agreement.

The following table shows the effect of hypothetical price movements on the fair value (FV) of our interest rate swap portfolio and potential change in the fair value of the debt. Income is not affected by changes in the fair value of the swap. However, the swap effectively converted the hedged portion of the fixed rate debt to a floating rate debt. Therefore, interest expense (and related cash flow) will increase or decrease with the change in the periodic reset rate associated with the respective interest rate swaps. The reset rate is the agreed upon index rate published for the first day of the six-month interest calculation period.

Scenario	Resulting Classification	At 2/20/04	Change in Fair Value of Debt
FV assuming no change in underlying interest rates	Asset (Liability)	$ 978	$ -
FV assuming 10% increase in underlying interest rates	Asset (Liability)	$(7,831)	$(8,809)
FV assuming 10% decrease in underlying interest rates	Asset (Liability)	$ 9,787	$ 8,809

Treasury Locks. During the fourth quarter of 2002, we entered into seven treasury lock transactions with original maturities of either January 31, 2003 or April 15, 2003. A treasury lock is a specialized agreement that fixes the price (or yield) on a specific U.S. treasury security for an established period of time. The purpose of these transactions was to hedge the underlying treasury interest rate associated with our anticipated issuance of debt in early 2003 to partially refinance the Mid-America and Seminole acquisitions. Our treasury lock transactions were accounted for as cash flow hedges under SFAS No. 133. The notional amounts of these transactions totaled $550 million, with a total treasury lock rate of approximately 4%.

We elected to settle all of the treasury locks in early February 2003 in connection with our issuance of Senior Notes C and D. For additional information regarding Senior Notes C and D, please read *Management s Discussion and Analysis of Financial Condition and Results of Operations Our liquidity and capital resource Our debt obligations* included under Item 7 of this annual report. The settlement of the treasury locks resulted in our receipt of $5.4 million of cash. The $5.4 million is being amortized into income as a reduction of interest expense over a 10-year period. The amortization period is based on the terms of the anticipated transaction as required by SFAS No. 133.

The fair value of these instruments at December 31, 2002 was a current liability of $3.8 million offset by a current asset of $0.2 million. The $3.6 million net liability was recorded as a component of comprehensive income on that date, with no impact to current earnings. With the settlement of the treasury locks, the $3.6 million net liability was reclassified out of accumulated other comprehensive income in Partners Equity to offset the current asset and liabilities we recorded at December 31, 2002, with no impact to earnings. For additional information regarding our treasury lock transactions, see Note 18 of the Notes to Consolidated Financial Statements included under Item 8 of this annual report.

SECTION 3 REVISED AUDITED CONSOLIDATED FINANCIAL STATEMENTS
Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Enterprise Products GP, LLC
(the General Partner of EnterpriseProducts Partners L.P.):

We have audited the accompanying consolidated balance sheets of Enterprise Products Partners L.P. and subsidiaries (the Company) as of December 31, 2003 and 2002, and the related statements of consolidated operations and comprehensive income, consolidated cash flows and consolidated partners equity for each of the three years in the period ended December 31, 2003. Our audits also included the consolidated financial statement schedule of the Company included on page 137. These consolidated financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2003 and 2002, and the results of its consolidated operations and its consolidated cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

The Company changed its method of accounting for goodwill in 2002 and for derivative financial instruments in 2001. These changes are discussed in Notes 8 and 1, respectively, to the consolidated financial statements.

/s/ Deloitte & Touche LLP
Houston, Texas
March 9, 2004
(November 9, 2004 as to Note 20 for the change in reportable segments)

ENTERPRISE PRODUCTS PARTNERS L.P.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	December 31,	
	2003	2002
ASSETS		
Current Assets		
Cash and cash equivalents (includes restricted cash of $13,851 at December 31, 2003 and $8,751 at December 31, 2002)	$ 44,317	$ 22,568
Accounts and notes receivable - trade, net of allowance for doubtful accounts of $20,423 at December 31, 2003 and $21,196 at December 31, 2002	462,198	399,187
Accounts receivable - affiliates	347	228
Inventories	150,161	167,369
Prepaid and other current assets	30,160	48,216
Total current assets	687,183	637,568
Property, Plant and Equipment, Net	2,963,505	2,810,839
Investments in and Advances to Unconsolidated Affiliates	767,759	396,993
Intangible Assets, net of accumulated amortization of $40,371 at December 31, 2003 and $25,546 at December 31, 2002	268,893	277,661
Goodwill	82,427	81,547
Deferred Tax Asset	10,437	15,846
Long-Term Receivables	5,454	
Other Assets	17,156	9,818
Total	$ 4,802,814	$ 4,230,272
LIABILITIES AND PARTNERS EQUITY		
Current Liabilities		
Current maturities of debt	$ 240,000	$ 15,000
Accounts payable - trade	68,384	67,283
Accounts payable - affiliates	38,045	40,772
Accrued gas payables	622,982	489,562
Accrued expenses	24,695	35,760
Accrued interest	45,350	30,338
Other current liabilities	57,420	42,641
Total current liabilities	1,096,876	721,356
Long-Term Debt	1,899,548	2,231,463
Other Long-Term Liabilities	14,081	7,666
Minority Interest	86,356	68,883
Commitments and Contingencies		
Partners Equity		
Common units (213,366,760 units outstanding at December 31, 2003 and 141,694,766 at December 31, 2002)	1,582,951	949,835
Subordinated units (32,114,804 units outstanding at December 31, 2002)		116,288
Class A special units (10,000,000 units outstanding at December 31, 2002)		143,926
Class B special units (4,413,549 units outstanding at December 31, 2003)	100,182	
Treasury units acquired by Trust, at cost (798,313 units outstanding at December 31, 2003 and 859,200 Units at December 31, 2002)	(16,519)	(17,808)
General Partner	34,349	12,223
Accumulated Other Comprehensive Income (Loss)	4,990	(3,560)
Total Partners Equity	1,705,953	1,200,904

	December 31,	
Total	$ 4,802,814	$ 4,230,272

See Notes to Consolidated Financial Statements

ENTERPRISE PRODUCTS PARTNERS L.P.
STATEMENTS OF CONSOLIDATED OPERATIONS
AND COMPREHENSIVE INCOME
(Dollars in thousands, except per unit amounts)

	For Year Ended December 31,		
	2003	**2002**	**2001**
REVENUES			
Third parties	$ 4,782,206	$ 3,102,066	$ 2,641,913
Related parties	564,225	482,717	512,456
Total revenues	5,346,431	3,584,783	3,154,369
COST AND EXPENSES			
Operating costs and expenses			
Third parties	4,246,229	2,687,260	2,053,148
Related parties	800,548	695,579	809,434
Total operating costs and expenses	5,046,777	3,382,839	2,862,582
Selling, general and administrative			
Third parties	10,463	18,686	10,347
Related parties	27,127	24,204	19,949
Total selling, general and administrative costs	37,590	42,890	30,296
Total costs and expenses	5,084,367	3,425,729	2,892,878
EQUITY IN INCOME (LOSS) OF UNCONSOLIDATED AFFILIATES	(13,960)	35,253	25,358
OPERATING INCOME	248,104	194,307	286,849
OTHER INCOME (EXPENSE)			
Interest expense	(140,806)	(101,580)	(52,456)
Dividend income from cost method unconsolidated affiliates	5,595	4,737	3,462
Interest income - other	772	2,313	7,029
Other, net	33	304	(234)
Total other income (expense)	(134,406)	(94,226)	(42,199)
INCOME BEFORE PROVISION FOR INCOME TAXES AND MINORITY INTEREST	113,698	100,081	244,650
PROVISION FOR INCOME TAXES	(5,293)	(1,634)	
INCOME BEFORE MINORITY INTEREST	108,405	98,447	244,650
MINORITY INTEREST	(3,859)	(2,947)	(2,472)
NET INCOME	104,546	95,500	242,178
Cumulative transition adjustment related to financial instruments recorded upon adoption of SFAS No. 133 (see Note 18)			(42,190)
Reclassification of cumulative transition adjustment to earnings			42,190
Cash flow hedges	5,354	(3,560)	
Reclassification of cash flow hedges	3,196		

	For Year Ended December 31,		
COMPREHENSIVE INCOME	$ 113,096	$ 91,940	$ 242,178

See Notes to Consolidated Financial Statements

ENTERPRISE PRODUCTS PARTNERS L.P.
STATEMENTS OF CONSOLIDATED OPERATIONS
AND COMPREHENSIVE INCOME (Continued)
(Dollars in thousands, except per unit amounts)

	For Year Ended December 31,		
	2003	**2002**	**2001**
ALLOCATION OF NET INCOME TO:			
Limited partners	$ 83,817	$ 84,837	$ 236,570
General partner	$ 20,729	$ 10,663	$ 5,608
BASIC EARNINGS PER UNIT			
Net income per common, subordinated and Class B unit	$ 0.42	$ 0.55	$ 1.70
DILUTED EARNINGS PER UNIT			
Net income per common, subordinated, Class A and Class B unit	$ 0.41	$ 0.48	$ 1.39

See Notes to Consolidated Financial Statements

ENTERPRISE PRODUCTS PARTNERS L.P.
STATEMENTS OF CONSOLIDATED CASH FLOWS
(Dollars in thousands)

	For Year Ended December 31,		
	2003	**2002**	**2001**
OPERATING ACTIVITIES			
Net income	$ 104,546	$ 95,500	$ 242,178
Adjustments to reconcile net income to cash flows provided by (used for) operating activities:			
Depreciation and amortization in operating costs and expenses	115,643	86,028	48,775
Depreciation in selling, general and administrative costs	158	78	2,341
Amortization in interest expense	12,634	8,819	787
Provision for impairment of long-lived asset value	1,200		
Equity in loss (income) of unconsolidated affiliates	13,960	(35,253)	(25,358)
Distributions received from unconsolidated affiliates	31,882	57,662	45,054
Operating lease expense paid by EPCO	9,010	9,033	10,309
Other expenses paid by EPCO	436		
Minority interest	3,859	2,947	2,472
Gain on sale of assets	(16)	(1)	(390)
Deferred income tax expense	10,534	2,080	
Changes in fair market value of financial instruments	(29)	10,213	(5,697)
Net effect of changes in operating accounts	120,888	92,655	(37,143)
Operating activities cash flows	424,705	329,761	283,328
INVESTING ACTIVITIES			
Capital expenditures	(145,913)	(72,135)	(149,896)
Proceeds from sale of assets	212	165	568
Business combinations, net of cash received	(37,348)	(1,620,727)	(225,665)
Acquisition of intangible asset	(2,000)	(2,000)	
Investments in and advances to unconsolidated affiliates	(471,927)	(13,651)	(116,220)
Investing activities cash flows	(656,976)	(1,708,348)	(491,213)
FINANCING ACTIVITIES			
Borrowings under debt agreements	1,926,210	1,968,000	449,717
Repayments of debt	(2,033,000)	(637,000)	
Debt issuance costs	(8,833)	(19,329)	(3,125)
Distributions paid to partners	(309,918)	(214,869)	(164,308)
Distributions paid to minority interests	(8,113)	(3,324)	(1,687)
Contributions from minority interests	5,949	1,976	105
Proceeds from issuance of common units	573,684	180,666	
Proceeds from issuance of Class B special units	102,041		
Treasury Units purchased		(12,788)	(18,003)
Treasury Units reissued	646		22,600
Settlement of treasury lock financial instruments	5,354		
Increase in restricted cash	(5,100)	(2,999)	(5,752)
Financing activities cash flows	248,920	1,260,333	279,547
NET CHANGE IN CASH AND CASH EQUIVALENTS	16,649	(118,254)	71,662
CASH AND CASH EQUIVALENTS, JANUARY 1	13,817	132,071	60,409
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 30,466	$ 13,817	$ 132,071

	For Year Ended December 31,

See Notes to Consolidated Financial Statements

ENTERPRISE PRODUCTS PARTNERS L.P.
STATEMENTS OF CONSOLIDATED PARTNERS EQUITY
(Dollars in thousands, see Note 10 for unit history)

	Limited Partners							
	Common units	**Subord. units**	**Class A Special units**	**Class B Special units**	**Treasury units**	**General Partner**	**Accum. OCI**	**Total**
Balance, January 1, 2001	$ 514,896	$ 165,253	$ 251,132		$ (4,727)	$ 9,405		$ 935,959
Net income	163,795	72,775				5,608		242,178
Operating leases paid by EPCO	7,078	3,128				103		10,309
Cash distributions to partners	(109,969)	(49,510)				(4,829)		(164,308)
Class A special units issued to Shell under contingency agreement			117,066			1,183		118,249
Conversion of 10 million Class A special units to common units	72,554		(72,554)					
Treasury unit transactions:								
- Purchased					(18,003)			(18,003)
- Reissued and sold					16,508			16,508
- Gain on reissued treasury units	3,518	1,461	990			61		6,030
Cumulative transition adjustment recorded per SFAS No. 133							$ (42,190)	(42,190)
Reclassification of cumulative transition adjustment to earnings							42,190	42,190
Balance, December 31, 2001	$ 651,872	$ 193,107	$ 296,634		$ (6,222)	$ 11,531	$ -	$ 1,146,922
Net income	69,636	15,201				10,663		95,500
Operating leases paid by EPCO	6,872	2,071				90		9,033
Cash distributions to partners	(153,449)	(49,564)				(11,856)		(214,869)
Conversion of 19 million Class A special units to common units	152,708		(152,708)					
Conversion of 10.7 million subordinated units to commonunits	44,265	(44,265)						
Proceeds from issuance of common units (see Note 10)	178,859					1,807		180,666
Treasury unit transactions:								
- Purchased					(12,788)			(12,788)
- Reissued to satisfy unit options	(928)	(262)			1,202	(12)		
Change in fair value of financial instruments recorded as cash flow hedges							(3,560)	(3,560)
Balance, December 31, 2002	$ 949,835	$ 116,288	$ 143,926		$ (17,808)	$ 12,223	$ (3,560)	$ 1,200,904

See Notes to Consolidated Financial Statements

ENTERPRISE PRODUCTS PARTNERS L.P.
STATEMENTS OF CONSOLIDATED PARTNERS EQUITY (Continued)
(Dollars in thousands, see Note 10 for unit history)

	Limited Partners							
	Common units	**Subord. units**	**Class A Special units**	**Class B Special units**	**Treasury units**	**General Partner**	**Accum. OCI**	**Total**
Balance, December 31, 2002	$ 949,835	$ 116,288	$ 143,926		$ (17,808)	$ 12,223	$ (3,560)	$ 1,200,904
Net income	73,075	10,566		$ 176		20,729		104,546
Operating leases paid by EPCO	8,154	751		8		97		9,010
Other expenses paid by EPCO	435			(2)		3		436
Cash distributions to partners	(254,111)	(30,482)				(22,573)		(307,166)
Cash distributions related to unit options (see Note 15)	(2,721)					(31)		(2,752)
Conversion of 10 million Class A special units to common units	143,926		(143,926)					
Conversion of 10.7 million subordinated units to common units	97,123	(97,123)						
Proceeds from issuance of common units (see Note 10)	567,945					5,739		573,684
Proceeds from issuance of Class B special units (see Note 10)				100,000		2,041		102,041
Restructuring of General Partner ownership in our Operating Partnership (see Note 10)	(73)					16,127		16,054
Treasury unit transactions:								
- Reissued to satisfy unit options					640			640
- Gain on reissued treasury units	6							6
- Retired	(643)				649	(6)		
Treasury lock financial instruments recorded as cash flow hedges:								
- Reclassification of change in fair value							3,560	3,560
- Cash gains on settlement							5,354	5,354
- Amortization of gain as component of interest expense							(364)	(364)
Balance, December 31, 2003	$ 1,582,951	$ -	$ -	$ 100,182	$ (16,519)	$ 34,349	$ 4,990	$ 1,705,953

See Notes to Consolidated Financial Statements

ENTERPRISE PRODUCTS PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ENTERPRISE PRODUCTS PARTNERS L.P. including its consolidated subsidiaries is a publicly traded Delaware limited partnership listed on the NYSE symbol EPD . Unless the context requires otherwise, references to we, us, our or Enterprise are intended to mean the consolidated business and operations of Enterprise Products Partners L.P.

We were formed in April 1998 to own and operate certain NGL-related businesses of EPCO. We conduct substantially all of our business through our wholly owned subsidiary, Enterprise Products Operating L.P. (i.e., the Operating Partnership). We are owned 98% by our limited partners and 2% by our General Partner. We and our General Partner are affiliates of EPCO.

The consolidated financial statements include our accounts and those of our majority-owned subsidiaries in which we have a controlling interest, after elimination of all material intercompany accounts and transactions. The majority-owned subsidiaries are identified based upon the determination that Enterprise possesses a controlling financial interest through direct or indirect ownership of a majority voting interest in the subsidiary. Investments in which we own 20% to 50% and exercise significant influence over operating and financial policies are accounted for using the equity method. Investments in which we own less than 20% are accounted for using the cost method unless we exercise significant influence over operating and financial policies of the investee in which case the investment is accounted for using the equity method.

Equity method investments are evaluated for impairment whenever events or changes in circumstances indicate that there is a loss in value of the investment which is an other than temporary decline. Examples of such events or changes in circumstances include continuing operating losses of the investee or long-term negative changes in the investee s industry. In the event that we determine that the loss in value of an investment is other than a temporary decline, we would record a charge to earnings to adjust the carrying value to fair value. We had no such impairment charges during 2002 or 2001; however, BEF recorded a $67.5 million asset impairment charge during 2003. Our share of this charge was $22.5 million which was recorded as a reduction in the equity earnings from BEF. See Note 7 for additional information regarding this asset impairment charge.

Certain reclassifications have been made to the prior years financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported net income or earnings per unit.

In May 2002, we completed a two-for-one split of each class of our partnership units. All references to number of units or earnings per unit contained in this document reflect the unit split, unless otherwise indicated.

ASSET RETIREMENT OBLIGATIONS are legal obligations associated with the retirement of tangible long-lived assets that result from their acquisition, construction, development, and/or normal operation. In determining asset retirement obligations, we must identify those legal obligations that we are required to settle as result of existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel.

SFAS No. 143, *Accounting for Asset Retirement Obligations*, addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and related asset retirement costs. It requires us to record the fair value of an asset retirement obligation (a liability) in the period in which it is incurred. When a liability is recorded, we would capitalize the cost of the liability by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, we would either settle the obligation for its recorded amount or incur a gain or loss upon settlement. We adopted SFAS No. 143 as of January 1, 2003. See Note 6 for information relating to our implementation of this standard.

CASH FLOWS are computed using the indirect method. For cash flow purposes, we consider all highly liquid investments with an original maturity of less than three months at the date of purchase to be cash equivalents.

DOLLAR AMOUNTS (except per unit amounts) presented in the tabulations within the notes to our financial statements are stated in thousands of dollars, unless otherwise indicated.

EARNINGS PER UNIT is based on the amount of income allocated to limited partners and the weighted-average number of units outstanding during the period. See Notes 10 and 13 for additional information on the capital structure and earnings per unit computation.

ENVIRONMENTAL COSTS for remediation are accrued based on the estimates of known remediation requirements. Such accruals are based on management s best estimate of the ultimate costs to remediate the site. Ongoing environmental compliance costs are charged to expense as incurred, and expenditures to mitigate or prevent future environmental contamination are capitalized. Environmental costs, accrued environmental liabilities and expenditures to mitigate or eliminate future environmental contamination for each of the years in the three-year period ended December 31, 2003 were not significant to the consolidated financial statements. Costs of environmental compliance and monitoring aggregated $1.6 million, $1.7 million and $1.3 million for the years ended December 31, 2003, 2002 and 2001, respectively. Our estimated liability for environmental remediation is not discounted.

EXCESS COST OVER UNDERLYING EQUITY IN NET ASSETS (or excess cost) denotes the excess of our cost (or purchase price) over our underlying equity in the net assets of our investees. We have excess cost associated with our equity investments in Promix, Dixie, Neptune, La Porte, Nemo and GulfTerra GP. The excess cost of these investments is reflected in our investments in and advances to unconsolidated affiliates for these entities.

We evaluate equity method investments (which include excess cost amounts attributable to tangible or intangible assets) for impairment whenever events or changes in circumstances indicate that there is a loss in value of the investment which is an other than temporary decline. Examples of such events or changes in circumstances include continuing operating losses of the investee or long-term negative changes in the investee s industry. In the event that we determine that the loss in value of an investment is other than a temporary decline, we would record a charge to earnings to adjust the carrying value to fair value. See Note 7 for a further discussion of the excess cost related to these investments.

EXCHANGES are movements of NGL and petrochemical products and natural gas between parties to satisfy timing and logistical needs of the parties. Volumes borrowed from us under such agreements are included in accounts receivable, and volumes loaned to us under such agreements are accrued as a liability in accrued gas payables.

EXIT AND DISPOSAL COSTS are those charges associated with an exit activity that does not involve an entity newly acquired in a business combination or with a disposal activity covered by SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* Examples of these costs include (i) termination benefits provided to current employees that are involuntarily terminated under the terms of a benefit arrangement that, in substance, is not an ongoing benefit arrangement or an individual deferred compensation contract, (ii) costs to terminate a contract that is not a capital lease, and (iii) costs to consolidate facilities or relocate employees. In accordance with SFAS No. 146, *Accounting for Costs Associated with Exit and Disposal Activities*, we recognize such costs when they are incurred rather than at the date of our commitment to an exit or disposal plan. We adopted SFAS No. 146 on January 1, 2003. Our adoption of this standard has had no material impact on our financial statements.

FINANCIAL INSTRUMENTS such as swaps, forward and other contracts to manage the price risks associated with inventories, firm commitments, interest rates and certain anticipated transactions are used by Enterprise. We recognize our transactions on the balance sheet as assets and liabilities based on the instrument s fair value. Fair value is generally defined as the amount at which the financial instrument could be exchanged in a current transaction between willing parties, not in a forced or liquidation sale. Changes in fair value of financial instrument contracts are recognized currently in earnings unless specific hedge accounting criteria are met. If the

financial instruments meet those criteria, the instrument s gains and losses offset related results of the hedge item in the income statement for a fair value hedge and are deferred in other comprehensive income for a cash flow hedge. Gains and losses on a cash flow hedge are reclassified into earnings when the forecasted transaction occurs. A contract designated as a hedge of an anticipated transaction that is no longer likely to occur is immediately recognized in earnings.

To qualify as a hedge, the item to be hedged must expose us to commodity or interest rate risk and the hedging instrument must reduce the exposure and meet the hedging requirements of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (as amended and interpreted). We must formally designate the financial instrument as a hedge and document and assess the effectiveness of the hedge at inception and on a quarterly basis. Any ineffectiveness is recorded into earnings immediately.

On January 1, 2001, we adopted SFAS No. 133 which required us to recognize the fair value of our commodity financial instrument portfolio on the balance sheet based upon then current market conditions. The fair market value of the then outstanding commodity financial instruments portfolio was a net payable of $42.2 million (the cumulative transition adjustment) with an offsetting equal amount recorded in Other Comprehensive Income (OCI). The amount in OCI was fully reclassified to earnings during 2001. See Note 18 for a further discussion of our financial instruments.

GOODWILL consists of the excess of amounts we paid for businesses and assets over the respective fair value of the underlying net assets purchased (see Note 8). Since adopting SFAS No. 142, *Goodwill and Other Intangible Assets* , on January 1, 2002, our goodwill amounts are no longer amortized but will be assessed annually for recoverability. In addition, we will periodically review the reporting units to which the goodwill amounts relate if impairment indicators are evident. If such indicators are present (i.e., loss of a significant customer, economic obsolescence of plant assets, etc.), the fair value of the reporting unit, including its related goodwill, will be calculated and compared to its combined book value. If the fair value of the reporting unit exceeds its book value, goodwill is not considered impaired and no adjustment to earnings would be required. Should the fair value of the reporting unit (including its goodwill) be less than its book value, a charge to earnings would be recorded to adjust goodwill to its implied fair value. We have not recognized any impairment losses related to our goodwill for any of the periods presented.

INVENTORIES primarily consist of NGL, petrochemical and natural gas volumes and are valued at the lower of average cost or market (see Note 5). Shipping and handling charges directly related to volumes we purchase or to which we take ownership are capitalized as costs of inventory. As these inventories are sold and delivered out of inventory, the average cost of these products (which includes freight-in charges which have been capitalized) are charged to current period operating costs and expenses. Shipping and handling charges for products we sell and deliver to customers are charged to operating costs and expenses as incurred.

INTANGIBLE ASSETS consist primarily of the estimated value of contract rights we own arising from agreements with customers (see Note 8). A contract-based intangible asset with a finite useful life is amortized over its estimated useful life, which is the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the entity. It is based on an analysis of all pertinent factors including (a) the expected use of the asset by the entity, (b) the expected useful life of related assets (i.e., fractionation facility, storage well, etc.), (c) any legal, regulatory or contractual provisions, including renewal or extension periods that would not cause substantial costs or modifications to existing agreements, (d) the effects of obsolescence, demand, competition, and other economic factors and (e) the level of maintenance required to obtain the expected future cash flows.

LONG-LIVED ASSETS (including intangible assets with finite useful lives and property, plant and equipment) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Long-lived assets with recorded values that are not expected to be recovered through future cash flows are written-down to estimated fair value in accordance with SFAS No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets*. Under SFAS No. 144, an asset shall be tested for impairment when events or circumstances indicate that its carrying value may not be recoverable. The carrying value of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the

asset. If the carrying value exceeds the sum of the undiscounted cash flows, an impairment loss equal to the amount the carrying value exceeds the fair value of the asset is recognized. Fair value is generally determined from estimated discounted future net cash flows.

We did not recognize any such impairment losses during 2002 or 2001; however, we did record a $1.2 million asset impairment charge related to our Petal NGL fractionator during 2003. This non-cash amount is a component of operating costs and expenses as shown on our 2003 Statement of Consolidated Operations. The Petal NGL fractionation facility was decommissioned in December 2003 after management decided that this older facility did not fit into our long-range plans due to poor economics of continued operations at the site. We continue to own this facility, the carrying value of which has been adjusted to its fair value of approximately $0.1 million.

PROPERTY, PLANT AND EQUIPMENT is recorded at cost and is depreciated using the straight-line method over the asset s estimated useful life. Maintenance, repairs and minor renewals are charged to operations as incurred. The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts. Any gain or loss on disposition is included in income.

Additions and improvements to and major renewals of existing assets are capitalized and depreciated using the straight-line method over the estimated useful life of the new equipment or modifications. These expenditures result in a long-term benefit to Enterprise. See Note 6 for additional information regarding our property, plant and equipment.

We use the expense-as-incurred method for our planned major maintenance activities except for BEF, which became a majority-owned consolidated subsidiary on September 30, 2003. Prior to January 1, 2004, BEF used the accrue-in-advance method for its planned major maintenance costs. On January 1, 2004, BEF elected to change its method of accounting for these costs to the expense-as-incurred method. As a result, our consolidated statement of operations for the first quarter of 2004 will reflect the cumulative effect of change in accounting method associated with the removal of BEF s $7.0 million liability for accrued costs for planned future major maintenance activities.

PROVISION FOR INCOME TAXES is primarily applicable to certain federal and/or state tax obligations of our Mid-America and Seminole pipelines. Deferred income tax assets and liabilities are recognized for temporary differences between the assets and liabilities for financial reporting and tax purposes. See Note 12 for additional information regarding our provision of income taxes.

Our limited partnership structure is not subject to federal income taxes. As a result, our earnings or losses for federal income tax purposes are included in the tax returns of the individual partners. Net earnings for financial statement purposes may differ significantly from taxable income reportable to unitholders as a result of differences between the tax basis and financial reporting basis of assets and liabilities and the taxable income allocation requirements under the partnership agreement.

RESTRICTED CASH includes amounts held by a brokerage firm as margin deposits associated with our financial instruments portfolio and for physical purchase transactions made on the NYMEX exchange. At December 31, 2003 and 2002, cash and cash equivalents includes $13.9 million and $8.8 million of restricted cash related to these requirements, respectively.

REVENUE is recognized using the following criteria: (i) persuasive evidence of an exchange arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the buyer s price is fixed or determinable and (iv) collectibility is reasonably assured. See Note 3 for additional information regarding our revenue recognition process.

When the contracts settle (i.e., either physical delivery of product has taken place or the services designated in the contract have been performed), a determination of the necessity of an allowance is made and recorded accordingly. Our allowance for doubtful accounts amount is generally determined as a percentage of revenues for the last twelve months. Our procedure for recording an allowance for doubtful accounts is based on historical experience, financial stability of our customers and levels of credit granted to customers. In addition, we may also increase the allowance account in response to specific identification of customers involved in bankruptcy

proceedings and those experiencing financial uncertainties. We routinely review our estimates in this area to ascertain that we have recorded sufficient reserves to cover forecasted losses. Our allowance for doubtful accounts was $20.4 million and $21.2 million at December 31, 2003 and 2002, respectively.

UNIT OPTION PLAN ACCOUNTING is based on the intrinsic-value method described in APB No. 25, *Accounting for Stock Issued to Employees.* Under this method, no compensation expense is recorded related to options granted when the exercise price is equal to or greater than the market price of the underlying equity on the date of grant. In accordance with SFAS No. 148, *Accounting for Stock-Based Compensation Transition and* Disclosure, we disclose the pro forma effect on our earnings as if the fair-value method of SFAS No. 123, Accounting for Stock-Based Compensation had been used instead of the intrinsic-value of APB No. 25. The effects of applying SFAS No. 123 in the following pro forma disclosure may not be indicative of future amounts as additional awards in future years are anticipated. The following table shows the pro forma effects for the periods indicated.

	For Year Ended December 31,		
	2003	**2002**	**2001**
Net income:			
As reported	$ 104,546	$ 95,500	$ 242,178
Additional unit option-based compensation expense estimated using fair-value based method	(1,107)	(2,077)	(1,684)
Pro forma	$ 103,439	$ 93,423	$ 240,494
Basic earnings per unit:			
As reported	$ 0.42	$ 0.55	$ 1.70
Pro forma	0.41	0.53	1.68
Diluted earnings per unit:			
As reported	$ 0.41	$ 0.48	$ 1.39
Pro forma	0.40	0.47	1.38

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the assumptions shown in the following table.

	2003	**2002**	**2001**
Expected life of options	7 years	7 years	7 years
Risk-free interest rate	3.79%	3.10%	3.83%
Expected dividend yield	9.12%	5.65%	5.30%
Expected Unit price volatility	29%	25%	20%

USE OF ESTIMATES AND ASSUMPTIONS by management that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period are required for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Our actual results could differ from these estimates.

2. OTHER RECENTLY ISSUED ACCOUNTING STANDARDS AND GUIDANCE

Other than those discussed in our general accounting policies (see Note 1), we adopted the following accounting guidance during 2003:

SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and *Technical Corrections*. We adopted provisions of this standard as of January 1, 2003. This statement revised accounting guidance related to the extinguishment of debt and accounting for certain lease transactions. It also amended other accounting literature to clarify its meaning, applicability and to make

various technical corrections. Our adoption of this standard has had no material impact on our financial statements.

SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. This statement amends and clarifies accounting guidance for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. This statement is effective for contracts entered into or modified after June 30, 2003, for hedging relationships designated after June 30, 2003, and to certain preexisting contracts. We adopted SFAS No. 149 on a prospective basis as of July 1, 2003. Our adoption of this standard has had no material impact on our financial statements.

SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and *Equity*. This standard establishes classification and measurement standards for financial instruments with characteristics of both liabilities and equity. It requires an issuer of such financial instruments to reclassify the instrument from equity to a liability or an asset. The effective date of this standard for us was July 1, 2003. Our adoption of this standard has had no material impact on our financial statements.

FIN 45, Guarantor s Accounting and Disclosure Requirement from Guarantees, Including Indirect *Guarantees of Indebtedness of Others*. We implemented this FASB interpretation as of December 31, 2002. This interpretation of SFAS No. 5, 57 and 107, and rescission of FASB Interpretation No. 34 elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. We have provided the information required by this interpretation under Note 9.

FIN 46, Consolidation of Variable Interest Entities An Interpretation of ARB No. 51. This interpretation of ARB No. 51 addresses requirements for accounting consolidation of a variable interest entity (VIE) with its primary beneficiary. In general, if an equity owner of a VIE meets certain criteria defined within FIN 46, the assets, liabilities and results of the activities of the VIE should be included in the consolidated financial statements of the owner. Our adoption of FIN 46 (as amended by FIN 46R) in 2003 has had no material effect on our consolidated financial statements.

3. REVENUE RECOGNITION

The following summarizes our consolidated revenue recognition policies by business activity:

Pipeline, storage and import/export businesses. We enter into pipeline, storage and product handling contracts. Under our NGL, petrochemical and certain natural gas pipeline throughput contracts, revenue is recognized when volumes have been physically delivered for the customer through the pipeline. Revenue from this type of throughput contract is typically based upon a fixed fee per gallon of liquids or MMBtus of natural gas transported, whichever the case may be, multiplied by the volume delivered. The throughput fee is generally contractual or as regulated by various governmental agencies, including the FERC. Additionally, we have product sales contracts associated with our natural gas pipeline business whereby revenue is recognized when we sell and deliver a volume of natural gas to a customer. These natural gas sales contracts are based upon market-related prices as determined by the individual agreements.

In our storage contracts, we collect a fee based on the number of days a customer has NGL or petrochemical volumes in storage multiplied by a storage rate for each product. Under these contracts, revenue is recognized ratably over the length of the storage contract based on the storage rates specified in each contract. Revenues from product handling contracts (applicable to our import and export operations) are recorded once the services have been performed with the applicable fees stated in the individual contracts. In our export operations and certain of our pipelines, we record revenues related to demand fees collected from exporters and shippers when they contract for use of our facilities and later fail to do so. The demand fees are contractual and vary by agreement. We recognize revenue from contractual demand fees after the exporter or shipper fails to utilize our facilities during the slated timeframe.

NGL fractionation, isomerization and propylene fractionation businesses. We enter into NGL fractionation, isomerization and propylene fractionation fee-based (or tolling) arrangements, NGL fractionation percent-of-liquids contracts and propylene fractionation sales contracts. Under our tolling arrangements, we recognize revenue upon completion of all contract services and obligations. These tolling arrangements typically include a base-processing fee per gallon (or other unit of measurement) subject to adjustment for changes in natural gas, electricity and labor costs, which are the principal variable costs of fractionation and isomerization operations.

At certain of our NGL fractionation facilities, a percent-of-liquids arrangement is utilized. A percent-of-liquids processing contract allows us to retain a contractually determined percentage of NGL products fractionated for our customer in lieu of collecting a cash-tolling fee per gallon. Under a percent-of-liquids arrangement, fractionation revenue is recognized and recorded on a monthly basis for transfers of retained NGL products to the NGL working inventory maintained within our NGL Pipelines & Services segment where it is then held for sale. Transfer pricing for these retained NGLs is based upon monthly market posted prices for such products. This intersegment revenue and offsetting cost to the NGL Pipelines & Services segment is eliminated in our reporting of consolidated revenues and expenses.

In our propylene fractionation product sales contracts, we recognize revenue once the products have been delivered to the customer. Pricing for sales contracts is based upon market-related prices as determined by the individual agreements.

Natural gas processing and related NGL marketing business. In our natural gas processing activities, we enter into margin-band/keepwhole contracts, percent-of-liquids contracts and fee-based contracts. The most significant contract affecting our natural gas processing activities is the 20-year Shell agreement, which is a margin-band, or a modified keepwhole arrangement which grants us the right to process Shell s current and future production with the state and federal waters of the Gulf of Mexico off Texas, Louisiana, Mississippi, Alabama and Florida. Under margin-band/keepwhole arrangements, we retain all of the mixed NGLs extracted from the producer s natural gas stream and recognize revenue when the extracted NGLs are delivered out of our inventory and sold to customers on sales contracts within our NGL marketing activities. In the same way, revenue is recognized under our percent-of-liquids contracts except that the volume of NGLs we extract, inventory, sell and deliver is less than the total amount of NGLs extracted. Under a percent-of-liquids contract, the producer retains title to the remaining percentage of mixed NGLs we extract. If a cash fee for services is stipulated by the contract, we record revenue once the natural gas has been processed and sent back to the producer (i.e., delivery has taken place).

Our NGL marketing activities within this segment use product sales contracts to sell and deliver out of inventory the NGLs transferred to it as a result of our keepwhole and percent-of-liquids arrangements and those it purchases for cash in the open market. These NGL sales contracts may include forward product sales contracts from time-to-time. Revenues from NGL sales contracts are recognized and recorded upon the delivery of the NGL products specified in each individual contract. Pricing terms in these sales contracts are based upon market-related prices for such products and can include pricing differentials due to factors such as differing delivery locations.

Octane enhancement business. Our octane enhancement business consists of our interest in Belvieu Environmental Fuels (BEF), which owns and operates a facility that produces motor gasoline additives to enhance octane. This facility currently produces MTBE. BEF s operations primarily occur as a result of a contract with Sunoco, Inc. (Sun) whereby Sun is obligated to purchase all of the facility s MTBE output at market-related prices through September 2004. BEF recognizes its revenue once the product has been delivered to Sun.

In September 2003, we acquired an additional 33.3% interest in BEF. As a result, BEF became a majority-owned consolidated subsidiary of ours on September 30, 2003. Previously, BEF was accounted for as an equity-method unconsolidated affiliate. For the periods prior to our consolidation of BEF, gross operating margin for this segment consisted of our equity earnings from BEF, which in turn were dependent upon BEF s general revenue recognition policy. There has been no change in BEF s revenue recognition policies since we began consolidating its financial results with those of our own.

Other businesses. As part of our NGL Pipelines & Services segment activities, we perform NGL marketing services for a small number of customers for which we charge a commission. Commissions are based on

either a percentage of the final sales price negotiated on behalf of the client or a fixed-fee per gallon based on the volume sold for the client. Revenues are recorded at the time the services are complete.

Consolidated revenues compared to segment revenues. Segment revenues include intersegment and intrasegment revenues, which are generally based on transactions made at market-related rates. Our consolidated revenues reflect the elimination of all material intercompany (both intersegment and intrasegment) transactions. See Note 20 for additional information regarding intersegment and intrasegment revenues and a reconciliation of total segment revenues to total consolidated revenues.

4. BUSINESS COMBINATIONS

During 2003, we acquired EPIK s remaining 50% ownership interest, the Port Neches Pipeline, an additional 33.33% interest in BEF, an additional 37.4% interest in Wilprise and the remaining capital stock of OTC. We also made minor adjustments to the allocation of the purchase price we paid to acquire indirect interests in Mid-America and Seminole pipelines. Due to the immaterial nature of each transaction or event, individually and in the aggregate, our discussion of each of these transactions is limited to the following:

Acquisition of remaining 50% interest in EPIK. In March 2003, we purchased the remaining 50% ownership interests in EPIK. EPIK owns an NGL export terminal located in southeast Texas on the Houston Ship Channel. As a result of this acquisition, EPIK became a consolidated wholly owned subsidiary of ours (previously, it had been an equity-method unconsolidated affiliate).

Acquisition of Port Neches Pipeline. In March 2003, we acquired entities owning the Port Neches Pipeline (formerly known as the Quest Pipeline). The 70-mile Port Neches Pipeline transports high-purity grade isobutane produced at our facilities in Mont Belvieu to customers in Port Neches, Texas.

Acquisition of 33.3% interest in BEF. At the end of September 2003, we acquired an additional 33.3% ownership interest in BEF, which owns a facility that currently produces MTBE (a motor gasoline additive that enhances octane and is used in reformulated gasoline). Due to this acquisition, BEF became a majority-owned consolidated subsidiary of ours on September 30, 2003. Previously, BEF was accounted for as an equity-method unconsolidated affiliate.

Acquisition of 37.4% interest in Wilprise. In October 2003, we acquired an additional 37.4% in Wilprise, which is a 30-mile NGL pipeline that extends from the interconnect with the Tri-States pipeline near Kenner, Louisiana to Sorrento, Louisiana. Due to this acquisition, Wilprise became a majority-owned consolidated subsidiary of ours on October 1, 2003. Previously, Wilprise was accounted for as an equity-method unconsolidated affiliate.

Acquisition of remaining capital stock of OTC. In November 2003, we purchased the remaining 50% of OTC s outstanding capital stock. OTC owns an above ground polymer grade propylene storage and export facility located in Seabrook, Texas that is affiliated with our Mont Belvieu propylene fractionation operation. Due to this acquisition, OTC became a wholly owned consolidated subsidiary of ours. In August 2003, we became operator of the export facility. As a result of obtaining significant control over OTC through our role as operator and having an existing owner and customer relationship with the facility, we began consolidating OTC s financial statements with ours beginning August 1, 2003. Previously, OTC was accounted for as an equity-method unconsolidated affiliate.

Other purchase price adjustments. We made purchase price adjustments relating to our $1.2 billion acquisition of indirect interests in the Mid-America and Seminole pipelines. These adjustments total a net $4.9 million and primarily relate to liabilities existing at July 31, 2002, which was the closing date of the acquisitions.

The following table shows our allocation of the purchase price for 2003 acquisitions, effects of consolidating entities that were formerly accounted for under the equity-method, and adjustments to purchase price allocations from prior periods. The fair value estimates for the EPIK, Port Neches, BEF, Wilprise and OTC transactions were developed using recognized business valuation techniques.

	2003 Business Acquisitions	Purchase Price Adjustments	Total
Cash and cash equivalents	$ 19,800		$ 19,800
Accounts receivable	8,906	$ (172)	8,734
Inventories	10,727		10,727
Prepaid and other current assets	7,024	(1,525)	5,499
Property, plant and equipment, net	110,522	20,930	131,452
Investments in and advances to unconsolidated affiliates	(57,172)		(57,172)
Intangible assets	4,057		4,057
Goodwill	880		880
Other assets	3,332	(124)	3,208
Accounts payable	(5,094)		(5,094)
Accrued gas payables	(5,370)		(5,370)
Accrued expenses	(3,725)	(1,887)	(5,612)
Other current liabilities	(4,615)	(11,449)	(16,064)
Other liabilities	(5,001)	(1,062)	(6,063)
Minority interest	(32,002)	168	(31,834)
Total net assets recorded	$ 52,269	$ 4,879	$ 57,148
Investee cash balances recorded upon consolidation	(19,800)		(19,800)
Business combinations, net of cash received	$ 32,469	$ 4,879	$ 37,348

Proposed Merger with GulfTerra

On December 15, 2003, we and certain of our affiliates, El Paso, and GulfTerra and certain of its affiliates entered into a series of agreements under which one of our wholly-owned subsidiaries and GulfTerra would merge, with GulfTerra surviving the merger and becoming a wholly-owned subsidiary of ours. Formed in 1993, GulfTerra is a publicly traded limited partnership (NYSE symbol, GTM) that manages a portfolio of interests and assets relating to the midstream energy sector. El Paso is the ultimate parent of GulfTerra s general partner and owns a 31.8% limited partner interest in GulfTerra. In general, GulfTerra s business lines include:

Ownership or interests in over 15,700 miles of natural gas pipeline systems. These pipeline systems include gathering systems onshore in Alabama, Colorado, Louisiana, Mississippi, New Mexico and Texas and offshore in drilling and development regions in the Gulf of Mexico. GulfTerra also owns interests in five natural gas processing and treating plants located in New Mexico, Texas and Colorado;

Ownership in over 1,000 miles of intrastate NGL gathering and transportation pipelines and four NGL fractionation plants located in Texas. GulfTerra also owns interests in three offshore oil pipeline systems, which extend over 340 miles, owns a 3.3 MMBbl propane storage and leaching business located in Mississippi and owns or leases NGL storage facilities in Louisiana and Texas with aggregate capacity of approximately 21.3 MMBbls;

Ownership in two salt dome natural gas storage facilities located in Mississippi that have a combined current working capacity of 13.5 Bcf. In addition, GulfTerra has the exclusive right to use a natural gas storage facility located in Wharton, Texas under an operating lease that expires in January 2008. This facility has a working gas capacity of 6.4 Bcf;

Interests in six multi-purpose offshore hub platforms in the Gulf of Mexico that were specifically designed to be used as deepwater hubs and production handling and pipeline maintenance facilities; and

Interests in four oil and natural gas producing properties located in waters offshore Louisiana. Production is gathered, transported, and processed through GulfTerra s pipeline systems and platform facilities, and sold to various third parties and El Paso.

GulfTerra is one of the largest natural gas gatherers, based on miles of pipeline, in the prolific natural gas supply regions offshore in the Gulf of Mexico and onshore in Texas and in the San Juan Basin, which covers a significant portion of the four contiguous corners of Arizona, Colorado, New Mexico and Utah.

The proposed merger is a three-step process outlined as follows:

Step One. On December 15, 2003, we purchased a 50% membership interest in GulfTerra s general partner (GulfTerra Energy Company, L.L.C. or GulfTerra GP) for $425 million. This investment is accounted for using the equity method. This transaction is referred to as Step One of the proposed merger and will remain in effect even if the remainder of the proposed merger and post-merger transactions, which we refer to as Step Two and Three, do not occur.

Step Two. If all necessary regulatory and unitholder approvals are received and the other merger agreement conditions are either fulfilled or waived and the following steps are consummated, we will own 100% of the limited and general partner interests in GulfTerra. At that time, the proposed merger will be accounted for using the purchase method and GulfTerra will be a consolidated subsidiary of our company. Step Two of the proposed merger includes the following transactions:

El Paso s contribution to our General Partner of El Paso s remaining 50% interest in GulfTerra GP for a 50% interest in our General Partner, and the subsequent capital contribution by our General Partner of such 50% interest in GulfTerra GP to us (without increasing our General Partner s interest in our earnings or cash distributions).

Our purchase of 10,937,500 GulfTerra Series C units and 2,876,620 GulfTerra common units owned by El Paso for $500 million; and

The exchange of each remaining GulfTerra common unit for 1.81 Enterprise common units, resulting in the issuance of approximately 103 million Enterprise common units to GulfTerra unitholders.

Step Three. Immediately after Step Two is completed, we expect to acquire nine cryogenic natural gas processing plants, one natural gas gathering system, one natural gas treating plant, and a small natural gas liquids connecting pipeline from El Paso for $150 million. We refer to the assets that we will acquire from El Paso as the South Texas midstream assets.

Our preliminary estimate of the total consideration for Steps One, Two and Three we would pay or grant is approximately $3.9 billion. For a period of three years following the closing of the proposed merger, El Paso will provide support services to GulfTerra similar to those provided by El Paso prior to the closing of the merger. GulfTerra will reimburse El Paso for 110% of its direct costs of such services (excluding any overhead costs). El Paso will make transition support payments to us in annual amounts of $18 million, $15 million and $12 million for the first, second and third years of such period, respectively, payable in 12 equal monthly installments for each such year. These transition support payments are included in our preliminary estimate of total consideration.

We are working to complete the merger as soon as possible. A number of conditions must be satisfied before we can complete the merger, including approval by the unitholders of both the Company and GulfTerra and the expiration or termination of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1974. While we cannot predict if and when all of the conditions to the merger will be satisfied, we expect to complete the merger in the second half of 2004.

To review a copy of the merger agreement and related transaction documents, please read our Current Report on Form 8-K filed with the Securities and Exchange Commission on December 15, 2003.

5. INVENTORIES

Our inventories were as follows at the dates indicated:

	December 31,	
	2003	2002
Working inventory	$ 135,451	$ 131,769
Forward-sales inventory	14,710	35,600
Inventory	$ 150,161	$ 167,369

A description of each inventory is as follows:

Our regular trade (or working) inventory is comprised of inventories of natural gas, NGLs and petrochemical products that are available for sale or used in the provision of services. This inventory is valued at the lower of average cost or market, with market being determined by industry-related posted prices such as those published by OPIS and CMAI.
The forward-sales inventory is comprised of segregated NGL volumes dedicated to the fulfillment of forward sales contracts and is valued at the lower of average cost or market, with market being defined as the weighted-average sales price for NGL volumes to be delivered in future months on the forward sales contracts.

In general, our inventory values reflect amounts we have paid for product purchases, freight charges associated with such purchase volumes, terminal and storage fees, vessel inspection and demurrage charges and other handling and processing costs. In those instances where we take ownership of inventory volumes through in-kind and similar arrangements (as opposed to actually purchasing volumes for cash from third parties, see Note 3), these volumes are valued at market-related prices during the month in which they are acquired. Like the third-party purchases described above, we inventory the various ancillary costs such as freight-in and other handling and processing amounts associated with owned volumes obtained through our in-kind and similar contracts.

Due to fluctuating market conditions in the NGL, natural gas and petrochemical industry, we occasionally recognize lower of average cost or market (LCM) adjustments when the cost of our inventories exceed their net realizable value. These non-cash adjustments are charged to operating costs and expenses in the period they are recognized and generally affect our segment operating results in the following manner:

NGL inventory write-downs are recorded as a cost of our NGL Pipelines & Services segment's NGL marketing activities;
Natural gas inventory write downs are recorded as a cost of our Onshore Natural Gas Pipelines & Services Acadian Gas operations; and
Petrochemical inventory write downs are recorded as a cost of our Petrochemical Services marketing activities or as a cost of its octane additive business.

For the years ended December 31, 2003, 2002 and 2001, we recognized LCM adjustments of approximately $16.9 million, $6.3 million and $40.7 million, respectively. The majority of these write-downs were taken against NGL inventories. To the extent our commodity hedging strategies address inventory-related risks and are successful, these inventory valuation adjustments are mitigated (or in some cases, offset). See Note 18 for a description of our commodity hedging activities.

6. PROPERTY, PLANT AND EQUIPMENT

Our property, plant and equipment and accumulated depreciation were as follows at the dates indicated:

	Estimated Useful Life in Years	December 31,	
		2003	2002
Plants and pipelines[1]	5-35(4)	$3,214,463	$2,860,180
Underground and other storage facilities[2]	5-35(5)	288,199	283,114
Transportation equipment[3]	3-10	5,676	5,118
Land		23,447	23,817
Construction in progress		74,431	49,586
Total		3,606,216	3,221,815
Less accumulated depreciation		642,711	410,976
Property, plant and equipment, net		$2,963,505	$2,810,839

(1) Plants and pipelines includes processing plants; NGL, petrochemical and natural gas pipelines; terminal loading and unloading facilities; office furniture and equipment; buildings; laboratory and shop equipment; and related assets.
(2) Underground and other storage facilities includes underground product storage caverns; storage tanks; water wells; and related assets.
(3) Transportation equipment includes vehicles and similar assets used in our operations.
(4) In general, the estimated useful lives of major components of this category are: processing plants, 20-35 years, pipelines, 30-35 years (with some equipment at 5 years); terminal facilities, 10-35 years; office furniture and equipment, 3-20 years; buildings, 20-35 years; and laboratory and shop equipment, 5-35 years.
(5) In general, the estimated useful lives of major components of this category are: underground storage wells, 30-35 years (with some components at 5 years); storage tanks, 10-35 years; and water wells, 25-35 years (with some components at 5 years).

Depreciation expense for the years ended December 31, 2003, 2002 and 2001 was $101.0 million, $72.5 million and $43.4 million, respectively.

Asset retirement obligations. SFAS No. 143 establishes accounting standards for the recognition and measurement of an ARO liability and the associated asset retirement cost. Under the implementation guidelines of SFAS No. 143, we reviewed our long-lived assets for ARO liabilities and identified such liabilities in several operational areas. These include ARO liabilities related to (i) right-of-way easements over property not owned by us and (ii) regulatory requirements triggered by the abandonment or retirement of certain currently operated facilities.

As a result of our analysis of identified AROs, we were not required to recognize such potential liabilities. Our rights under the easements are renewable and only require retirement action upon nonrenewal of the easement agreements. We currently expect to renew all such easement agreements and to use these properties for the foreseeable future. Should we decide not to renew these right-of-way agreements, an ARO liability would be recorded at that time. We also identified potential ARO liabilities arising from regulatory requirements related to the future abandonment or retirement of certain currently operated facilities. At present, we currently have no intention or legal obligation to abandon or retire such facilities. An ARO liability would be recorded if future abandonment or retirement of such facilities occurred.

Certain Gulf of Mexico natural gas pipelines owned by our equity method investees, Starfish, Neptune and Nemo, have identified ARO s relating to regulatory requirements. At present, these entities have no plans to abandon or retire their major transmission pipelines; however, there are plans to retire certain minor gas gathering lines periodically through 2013. Should the management of these companies decide to abandon or retire their major transmission pipelines, an ARO liability would be recorded at that time. With regard to the minor gas gathering pipelines scheduled for retirement, Starfish and Neptune collectively recorded ARO liabilities during 2003 totaling $2.8 million (on a gross basis).

7. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

We own interests in a number of related businesses that are accounted for under the equity or cost methods. The investments in and advances to these unconsolidated affiliates are grouped according to the business segment to which they relate. For a general discussion of our business segments, see Note 20.

The following table shows our investments in and advances to unconsolidated affiliates at the dates indicated:

	Ownership Percentage	December 31, 2003	December 31, 2002
Accounted for on equity basis:			
Offshore Pipelines & Services:			
Starfish	50.0%	$ 40,664	$ 28,512
Neptune	25.7%	74,647	77,365
Nemo	33.9%	12,294	12,423
Onshore Natural Gas Pipelines & Services:			
Evangeline	49.5%	2,519	2,383
NGL Pipelines & Services:			
BRF	32.3%	27,892	28,293
Promix	33.3%	38,903	41,643
Wilprise [1]	37.4%		8,566
Tri-States [2]	50.0%	44,119	25,552
Belle Rose	41.7%	10,780	11,057
Dixie	19.9%	35,988	36,660
EPIK [1]	50.0%		11,114
VESCO	13.1%	33,000	33,000
Petrochemical Services:			
BRPC	30.0%	16,584	17,616
La Porte	50.0%	5,422	5,737
OTC [1]	50.0%		2,178
BEF [1]	33.3%		54,894
Other, non-segment:			
GulfTerra GP [3]	50.0%	424,947	
Total		$ 767,759	$ 396,993

(1) We acquired additional ownership interests in these entities during 2003 resulting in our consolidation of each company s post-acquisition financial results with those of our own. See Note 4 for information regarding these acquisitions.
(2) In October 2003, we acquired an additional 16.7% ownership interest in Tri-States from Williams.
(3) In December 2003, we acquired a 50% interest in the general partner of GulfTerra Energy Partners, L.P. from El Paso.

At December 31, 2003, our share of accumulated earnings of equity method unconsolidated affiliates that had not been remitted to us was approximately $38.6 million.

Our initial investment in Promix, La Porte, Dixie, Neptune, Nemo and GulfTerra GP exceeded our share of the historical cost of the underlying net assets of such entities (excess cost). The excess cost of these investments is reflected in our investments in and advances to unconsolidated affiliates for these entities. The excess cost amounts related to Promix, Neptune, La Porte and Nemo are attributable to the tangible plant and pipeline assets of each entity, and are amortized against equity earnings from these entities in a manner similar to depreciation. The excess cost of Dixie includes amounts attributable to both goodwill and tangible pipeline assets, with the portion assigned to the pipeline assets being amortized in a manner similar to depreciation. The excess cost of GulfTerra GP has been attributed to goodwill and represents our preliminary allocation of the purchase price of this interest pending completion of a fair value analysis which is expected to be completed during the last half of 2004. The goodwill inherent in Dixie s and GulfTerra GP s excess cost is not amortized but is subject to evaluation for impairment as described in Note 1 under Excess Cost over Underlying Equity in Net Assets. To the extent that our preliminary allocation of the excess cost of GulfTerra GP is ultimately attributed to depreciable or amortizable assets, our equity earnings from GulfTerra GP will be reduced. The following table summarizes our excess cost information at the dates and for the periods indicated:

		Initial Excess Cost attributable to		Unamortized balance at December 31,		Amortization charged against equity earnings during 2003
	Amort. Periods	Tangible assets	Goodwill	2003	2002	
Promix	20 years	$ 7,955		$ 6,256	$ 6,596	$ 340
La Porte	35 years	873		789	833	44
Dixie	35 years[1]	28,448	$ 9,246	34,084	34,901	817
Neptune	35 years	12,768		11,674	12,039	365
Nemo	35 years	727		676	697	21
GulfTerra GP	n/a [1]		328,214	328,214		

(1) Excess cost attributable to goodwill is not amortized; however, our investments in unconsolidated affiliates (which include excess cost amounts) are tested for impairment whenever events or circumstances indicate that there is a loss in value of the investment which is an other than temporary decline.

The table below shows the potential decrease in equity earnings from GulfTerra GP if certain amounts of the $328.2 million of excess cost preliminarily attributable to goodwill were ultimately assigned to fixed or intangible assets. For purposes of calculating this sensitivity, we have applied the straight-line method of cost allocation (i.e. depreciation or amortization) over an estimated useful life of 20-years to various fair values.

	Excess Cost attributed to tangible or intangible assets	Estimated Annual Reduction in Equity Earnings
20% of excess cost	$ 65,643	$ 3,282
40% of excess cost	131,286	6,564
60% of excess cost	196,928	9,846
80% of excess cost	262,571	13,129
100% of excess cost	328,214	16,411

The following table shows our equity in income (loss) of unconsolidated affiliates for the periods indicated:

	Ownership Percentage	For Year Ended December 31, 2003	2002	2001
Offshore Pipelines & Services:				
Starfish	50.0%	$ 3,279	$ 7,346	$ 4,122
Ocean Breeze [3]	25.7%			32
Neptune	25.7%	1,014	2,111	4,081
Nemo	33.9%	1,268	1,077	75
Onshore Natural Gas Pipelines & Services:				
Evangeline	49.5%	131	(58)	(145)
NGL Pipelines & Services:				
BRF	32.3%	832	2,427	1,583
Promix	33.3%	2,106	3,936	4,201
EPIK [1]	50.0%	1,818	4,688	345
Dixie	19.9%	1,323	1,231	2,092
Wilprise [1]	37.4%	276	948	472
Tri-States [2]	33.3%	1,542	1,959	1,565
Belle Rose	41.7%	(55)	203	103
Petrochemical Services:				
BRPC	30.0%	1,198	997	1,161
La Porte	50.0%	(698)	(559)	
OTC [1]	50.0%	(77)	378	
BEF [1,5]	33.3%	(27,864)	8,569	5,671
Other, non-segment:				
Gulf Terra [4]	50.0%	(53)		
Total		$ (13,960)	$ 35,253	$ 25,358

(1) We acquired additional ownership interests in these entities during 2003 resulting in our consolidation of each company s post-acquisition financial results with those of our own. Equity earnings presented for 2003 for each company are for the period January 1, 2003 through acquisition date. See Note 4 for information regarding these acquisitions.
(2) In October 2003, we acquired an additional 16.7% ownership interest in Tri-States from Williams.
(3) Ocean Breeze was merged into Neptune in November 2001.
(4) On December 15, 2003, we acquired a 50% interest in the general partner of GulfTerra Energy Partners, L.P. from El Paso. Equity earnings presented for GulfTerra GP are for the period December 15, 2003 through December 31, 2003.
(5) Equity earnings from BEF for 2003 include a $22.5 million charge related to an asset impairment.

As used in the following condensed financial data, operating income represents earnings before non-operating income and expense items such as interest income and interest expense. The equity earnings we record from these investments represent our share of the net income of each.

Offshore Pipelines & Services segment

At December 31, 2003, our Offshore Pipelines & Services segment included the following unconsolidated affiliates accounted for using the equity method:

Starfish Pipeline Company, LLC (Starfish) a 50% interest in the Stingray natural gas pipeline and related dehydration and other facilities located in south Louisiana and the Gulf of Mexico offshore Louisiana. We do not exercise management control over Starfish and are precluded from consolidating its financial statements with our financial statements.
Neptune Pipeline Company, L.L.C. (Neptune) a 25.7% interest in the Manta Ray and Nautilus natural gas pipeline systems owned by Manta Ray Offshore Gathering Company, LLC and Nautilus Pipeline Company LLC located in the Gulf of Mexico offshore Louisiana.
Nemo Gathering Company, LLC (Nemo) a 33.9% interest in the Nemo natural gas pipeline located in the Gulf of Mexico offshore Louisiana.

Onshore Natural Gas Pipelines & Services segment

At December 31, 2003, our Onshore Natural Gas Pipelines & Services segment included *Evangeline Gas Pipeline Company, L.P.* and *Evangeline Gas Corp.* (collectively, Evangeline) an approximate 49.5% aggregate interest in a natural gas pipeline system located in south Louisiana. We account for our investment in Evangeline using the equity method.

NGL Pipelines & Services segment

At December 31, 2003, our NGL Pipelines & Services segment included the following unconsolidated affiliates accounted for using the equity method:

Baton Rouge Fractionators LLC (BRF) an approximate 32.3% interest in an NGL fractionator located in southeastern Louisiana.
K/D/S Promix LLC (Promix) a 33.3% interest in an NGL fractionator and related storage and pipeline assets located in south Louisiana.
Tri-States NGL Pipeline LLC (Tri-States) an aggregate 50% interest in an NGL pipeline system located in Louisiana, Mississippi and Alabama. In October 2003, we purchased an additional 16.7% interest in Tri-States from Williams. We do not exercise management control over Tri-States and are precluded from consolidating its financial statements with our financial statements.
Belle Rose NGL Pipeline LLC (Belle Rose) a 41.7% interest in an NGL pipeline system located in south Louisiana.
Dixie Pipeline Company (Dixie) an aggregate 19.9% interest in a 1,301-mile propane pipeline and associated facilities extending from Mont Belvieu, Texas to North Carolina.

In March 2003, we purchased the remaining ownership interests in EPIK Terminalling L.P and EPIK Gas Liquids, LLC (collectively, EPIK), at which time EPIK became a consolidated subsidiary of ours. In October 2003, we purchased an additional 37.4% interest in Wilprise Pipeline Company, LLC (Wilprise) , at which time it became a 74.7% owned consolidated subsidiary of ours. See Note 4 for additional information regarding our business combinations.

At December 31, 2003, our investments in and advances to unconsolidated affiliates also includes *Venice Energy Services Company, LLC* (VESCO). The VESCO investment consists of a 13.1% interest in a company owning a natural gas processing plant, fractionation facilities, storage, and gas gathering pipelines in the Gulf of Mexico. We account for this investment using the cost method. As part of Other Income and Expense as shown in our Statements of Consolidated Operations and Comprehensive Income, we record dividend income from our investment in VESCO.

Petrochemical Services segment

At December 31, 2003, our Petrochemical Services segment included the following unconsolidated affiliates accounted for using the equity method:

- *La Porte Pipeline Company, L.P.* and *La Porte Pipeline GP, LLC* (collectively La Porte) an aggregate 50% interest in a private polymer grade propylene pipeline extending from Mont Belvieu, Texas to La Porte, Texas. We do not exercise management control over La Porte and, therefore, are precluded from consolidating its financial statements with our financial statements.
- *Baton Rouge Propylene Concentrator, LLC* (BRPC) a 30.0% interest in a propylene fractionator located in southeastern Louisiana.

In November 2003, we purchased the remaining 50% of outstanding common stock of Olefins Terminal Corporation (OTC) from Valero. As a result, OTC became a wholly owned subsidiary of ours. See Note 4 for additional information regarding our business combinations.

In September 2003, we acquired an additional 33.3% interest in *Belvieu Environmental Fuels* (BEF), which owns a facility that currently produces MTBE, a motor gasoline additive that enhances octane and is used in reformulated motor gasoline. Due to this acquisition, BEF became a majority-owned consolidated subsidiary of ours on September 30, 2003. Previously, BEF was accounted for as an equity-method unconsolidated affiliate.

As a result of declining domestic demand and a prolonged period of weak MTBE production economics, several of BEF s competitors announced their withdrawal from the marketplace during 2003. Due to the deteriorating business environment and outlook and the completion of its preliminary engineering studies regarding conversion alternatives, BEF evaluated the carrying value of its long-lived assets for impairment during the third quarter of 2003. This review indicated that the carrying value of its long-lived assets exceeded their collective fair value, which resulted in a non-cash asset impairment charge of $67.5 million. Our share of this loss was $22.5 million and is recorded as a component of Equity in income (loss) of unconsolidated affiliates in our Statements of Consolidated Operations and Comprehensive Income for the year ended December 31, 2003.

BEF s assets were written down to fair value, which was determined by independent appraisers using present value techniques. The impaired assets principally represent the plant facility and other assets associated with MTBE production. The fair value analysis incorporates probability-weighted cash flows for future courses of action being taken (or contemplated to be taken) by BEF management, including modification of the facility to produce iso-octane and alkylate. If the underlying assumptions in the fair value analysis change resulting in the present value of expected future cash flows being less than the new carrying value of the facility, additional impairment charges may result in the future. See Note 19 for additional information regarding risks associated with our investment in BEF.

Other, non-segment

The Other, non-segment category is presented for financial reporting purposes only to show the historical equity earnings we received from our 50% membership interest in the general partner of GulfTerra, *GulfTerra Energy Company, L.L.C.* (GulfTerra GP), which owns a 1.0% general partner interest in GulfTerra. We purchased this interest from El Paso on December 15, 2003 for $425 million. Our purchase of this interest was Step One of our merger with GulfTerra. See Note 4 for additional information regarding this business combination. We do not exercise management control over GulfTerra GP and are precluded from consolidating its financial statements with our financial statements.

Condensed Financial Information of our Equity-Method Unconsolidated Affiliates

The aggregate combined balance sheet information for the last two years and results of operations data for the last three years of our equity method investments are summarized in the following table.

	At December 31,	
	2003	2002
BALANCE SHEET DATA:		
Current assets	$ 69,340	$ 137,663
Property, plant and equipment, net	724,129	889,598
Other assets	234,953	56,551
Total assets	$ 1,028,422	$ 1,083,812
Current liabilities	$ 57,693	$ 88,500
Other liabilities	55,619	67,047
Combined equity	915,110	928,265
Total liabilities and combined equity	$ 1,028,422	$ 1,083,812

	For Year Ended December 31,		
	2003	2002	2001
INCOME STATEMENT DATA:			
Revenues	$ 559,943	$ 611,275	$ 595,618
Non-cash impairment charge	(67,482)		
Operating income	19,659	114,780	92,839
Net income	4,080	105,842	80,767

8. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

The following table summarizes our intangible assets at the dates indicated:

		At December 31, 2003		At December 31, 2002	
	Gross Value	Accum. Amort.	Carrying Value	Accum. Amort.	Carrying Value
Shell natural gas processing agreement	$206,216	$(34,063)	$172,153	$(23,015)	$183,201
Storage II contracts	8,127	(464)	7,663	(232)	7,895
Splitter III contracts	53,000	(2,902)	50,098	(1,388)	51,612
Toca-Western natural gas processing contracts	11,187	(885)	10,302	(326)	10,861
Toca-Western NGL fractionation contracts	20,042	(1,587)	18,455	(585)	19,457
Venice contracts [(1)]	6,635	(136)	6,499		4,635
Port Neches pipeline contracts [(2)]	2,400	(310)	2,090		
BEF UOP License Fee [(3)]	1,657	(24)	1,633		
Total	$309,264	$(40,371)	$268,893	$(25,546)	$277,661

(1) Amortization commenced when contracted volumes began to be processed during 2003.
(2) Acquired as a result of our purchase of the Port Neches pipeline in March 2003 (see Note 4).
(3) This intangible asset relates to the operations BEF, which we began consolidating on September 30, 2003 as a result of purchasing an additional 33.3% interest (see Note 4).

At December 31, 2003, our intangible assets consisted of:

The Shell natural gas processing agreement that we acquired as part of the TNGL acquisition in August 1999. The value of the Shell agreement is being amortized on a straight-line basis over the remainder of its initial 20-year contract term through 2019.

Certain storage and propylene fractionation contracts we acquired in connection with the Diamond-Koch acquisitions in January and February 2002. The values of these contracts are being amortized on a straight-line basis over the 35-year remaining economic life of the assets to which they relate.

Certain natural gas processing and NGL fractionation contracts we acquired in connection with the Toca-Western acquisition in June 2002. The Toca-Western natural gas processing contracts are being amortized on a straight-line basis over the expected 20-year economic life of the natural gas supplies supporting these contracts. The value of the Toca-Western NGL fractionation contracts is being amortized on a straight-line basis over the expected 20-year remaining life of the assets to which they relate.

Certain NGL-related contracts related to our ability to take delivery of purity NGL products and mixed NGLs from VESCO at a lower cost than otherwise would have been incurred. The value of these contracts are being amortized on a straight-line basis over the terms of each contract, which approximate 14 years.

Certain product handling and transportation contracts related to our Port Neches pipeline, the values of which are being amortized on a straight-line basis over the terms of the contracts.

Certain license fees related to the octane enhancement business of BEF, the operations of which we began consolidating on September 30, 2003 (See Note 4). These fees are being amortized over the expected 20-year remaining useful life of the operations to which they relate.

The following table shows amortization expense associated with our intangible assets for the periods indicated:

	For Year Ended December 31,		
	2003	2002	2001
Shell natural gas processing agreement	$ 11,048	$ 11,054	$ 7,260
Mont Belvieu Storage II contracts	232	232	
Mont Belvieu Splitter III contracts	1,514	1,388	
Toca-Western natural gas processing contracts	559	326	
Toca-Western NGL fractionation contracts	1,002	585	
Venice contracts	136		
Port Neches pipeline contracts	310		
BEF UOP license fee [1]	24		
MBA acquisition goodwill [2]			449
Total	$ 14,825	$ 13,585	$ 7,709

(1) Amortization is for the three-month period that BEF was a consolidated subsidiary of ours.

(2) MBA acquisition goodwill was reclassified from Intangible Assets to Goodwill on January 1, 2002 per the transition provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*. In accordance with this accounting standard, we discontinued the amortization of goodwill on January 1, 2002.

For 2004, amortization expense attributable to these intangible assets is currently estimated at $15.3 million. Based on information currently available, we expect that amortization expense relating to existing intangible assets will also approximate $15.3 million for each of the years 2005 through 2008.

Goodwill

Our goodwill is attributable to the excess of the purchase price of an acquired entity over the net amounts assigned to identifiable assets acquired (including identifiable intangible assets) and liabilities assumed. Goodwill is not amortized; however, it is subject to periodic impairment testing. The following table summarizes our goodwill amounts at the dates indicated:

		At December 31,	
	Segment affiliation	2003	2002
Splitter III acquisition [1]	Petrochemical Services	$ 73,690	$ 73,690
MBA acquisition [2]	NGL Pipelines & Services	7,857	7,857
Wilprise acquisition [3]	NGL Pipelines & Services	880	
		$ 82,427	$ 81,547

(1) Amount recorded in connection with our acquisition of propylene fractionation assets from Diamond-Koch in February 2002.

(2) Amount recorded in connection with our acquisition of an additional interest in Mont Belvieu Associates in July 2001, which in turn owned an interest in our Mont Belvieu NGL fractionation facility.

(3) Amount recorded in connection with our acquisition of an additional 37.4% interest in Wilprise in October 2003.

Since our adoption of SFAS No. 142 on January 1, 2002, our goodwill amounts are no longer amortized but are assessed annually for recoverability. Prior to our adoption of this standard, the only goodwill amortization we recorded was that associated with the MBA acquisition in July 1999. Due to the immaterial nature of such amortization expense ($0.4 million in 2001), the pro forma effect of not amortizing this goodwill in 2001 would have had a negligible effect on our net income and basic and diluted earnings per unit.

9. DEBT OBLIGATIONS

Our debt consisted of the following at the dates indicated:

	December 31,	
	2003	2002
Borrowings under:		
364-Day Term Loan, variable rate, repaid during 2003 [1]		$ 1,022,000
Interim Term Loan, variable rate, due the earlier of September 2004 or the date that our proposed merger with GulfTerra is completed (see Note 4)	$ 225,000	
364-Day Revolving Credit Facility, variable rate, due October 2004, $230 million borrowing capacity	70,000	99,000
Multi-Year Revolving Credit Facility, variable rate, due November 2005, $270 million borrowing capacity [2]	115,000	225,000
Senior Notes A, 8.25% fixed rate, due March 2005	350,000	350,000
Seminole Notes, 6.67% fixed rate, $15 million due each December, 2002 through 2005 [3]	30,000	45,000
MBFC Loan, 8.70% fixed rate, due March 2010	54,000	54,000
Senior Notes B, 7.50% fixed rate, due February 2011	450,000	450,000
Senior Notes C, 6.375% fixed rate, due February 2013	350,000	
Senior Notes D, 6.875% fixed rate, due March 2033	500,000	
Total principal amount	2,144,000	2,245,000
Unamortized balance of increase in fair value related to hedging a portion of fixed-rate debt	1,531	1,774
Less unamortized discounts on Senior Notes A, B and D	(5,983)	(311)
Subtotal long-term debt	2,139,548	2,246,463
Less current maturities of debt [4]	(240,000)	(15,000)
Long-term debt [4]	$ 1,899,548	$ 2,231,463
Standby letters of credit outstanding, $75 million of credit capacity available under our Multi-Year Revolving Credit Facility [2]	$ 1,300	$ 2,400

(1) We used a combination of proceeds from the issuance of Senior Notes C and D and the January 2003 common unit offering to fully repay this facility in February 2003.

(2) This facility has $270 million of total borrowing capacity, which is reduced by the amount of standby letters of credit outstanding.

(3) As to the assets of our subsidiary, Seminole Pipeline Company, our $2.1 billion in senior indebtedness at December 31, 2003 is structurally subordinated and ranks junior in right of payment to the $30 million of indebtedness of Seminole Pipeline Company.

(4) In accordance with SFAS No. 6, *Classification of Short-Term Obligations Expected to Be Refinanced*, long-term and current maturities of debt at December 31, 2003 reflect the classification of such debt obligations at March 1, 2004. With respect to our 364-Day Revolving Credit Facility, borrowings under this facility are not included in current maturities because we have the option and ability to convert any revolving credit balance outstanding at maturity to a one-year term loan (due October 2005) in accordance with the terms of the agreement.

See Note 16 for our scheduled future maturities of long-term debt at December 31, 2003.

Parent-subsidiary guarantor relationships

We act as guarantor of all of our Operating Partnership s consolidated debt obligations, with the exception of the Seminole Notes. If the Operating Partnership were to default on any debt we guarantee, we would be responsible for full repayment of that obligation. The Seminole

Notes are unsecured obligations of Seminole Pipeline Company (of which we own an effective 78.4% of its capital stock).

General description of debt

The following is a summary of the significant aspects of our debt obligations at December 31, 2003.

Interim Term Loan. In December 2003, our Operating Partnership entered into a $225 million acquisition-related term loan to partially finance our $425 million purchase from El Paso of a 50% membership interest in GulfTerra GP (see Note 7). The maturity date of this term loan is the earlier of September 2004 or the date our proposed merger with GulfTerra (see Note 4) is completed. The Operating Partnership s borrowings under this agreement are unsecured general obligations that are non-recourse to our General Partner. We have guaranteed repayment of amounts due under this term loan through an unsecured guarantee.

As defined by the agreement, variable interest rates charged under this facility generally bear interest at either, at our election, (1) the greater of (a) the Prime Rate or (b) the Federal Funds Effective Rate plus ½% or (2) a Eurodollar rate. Whichever base rate we select, the rate is increased by an appropriate applicable margin (as defined in the loan agreement). For information regarding variable-interest rates paid under this term loan agreement, please read Information regarding variable-interest rates paid within this Note 9.

This term loan agreement contains various covenants related to our ability to incur certain indebtedness; grant certain liens; enter into certain merger or consolidation transactions; and make certain investments. The loan agreement also requires us to satisfy certain financial covenants at the end of each fiscal quarter. If an event of default (as defined in the agreement) occurs, the Operating Partnership is prohibited from making distributions to us, which would impair our ability to make distributions to our partners. As defined in the agreement, we must maintain a specified level of consolidated net worth and certain financial ratios. We were in compliance with these covenants at December 31, 2003.

364-Day Revolving Credit Facility. In October 2003, our Operating Partnership entered into new 364-day revolving credit agreement that contained essentially the same terms as our November 2002 364-Day revolving credit agreement that expired in November 2003. The stand-alone borrowing capacity under the new revolving credit facility is $230 million with the maturity date for any amount outstanding being October 2004. We have the option to convert any revolving credit balance outstanding at maturity to a one-year term loan (due October 2005) in accordance with the terms of the credit agreement. The Operating Partnership s borrowings under this agreement are unsecured general obligations that are non-recourse to our General Partner. We have guaranteed repayment of amounts due under this term loan through an unsecured guarantee.

As defined by the agreement, variable interest rates charged under this facility generally bear interest at either, at our election, (1) the greater of (a) the Prime Rate or (b) the Federal Funds Effective Rate plus ½% or (2) a Eurodollar rate. Whichever base rate we select, the rate is increased by an appropriate applicable margin (as defined in the loan agreement). We elect the basis of the interest rate at the time of each borrowing. For information regarding variable-interest rates paid under this revolving credit agreement, please read Information regarding variable-interest rates paid within this Note 9.

This revolving credit agreement contains various covenants similar to those of our Interim Term Loan (please refer to our discussion regarding restrictive covenants of the Interim Term Loan within this *General description of debt* section). We were in compliance with these covenants at December 31, 2003.

Multi-Year Revolving Credit Facility. In November 2002, our Operating Partnership entered into a five-year revolving credit facility that includes a sublimit of $75 million for standby letters of credit. Currently, the stand-alone borrowing capacity under this revolving credit facility is $270 million. The Operating Partnership s borrowings under this agreement are unsecured general obligations that are non-recourse to our General Partner. We have guaranteed repayment of amounts due under this term loan through an unsecured guarantee.

As defined by the agreement, variable interest rates charged under this facility generally bear interest at either, at our election, (1) the greater of (a) the Prime Rate or (b) the Federal Funds Effective Rate plus ½% or (2) a Eurodollar rate plus an applicable margin or (3) a Competitive Bid Rate. We elect the basis of the interest rate at the time of each borrowing. For information regarding variable-interest rates paid under this revolving credit agreement, please read Information regarding variable-interest rates paid within this Note 9.

This revolving credit agreement contains various covenants similar to those of our Interim Term Loan (please refer to our discussion regarding restrictive covenants of the Interim Term Loan within this *General description of debt* section). We were in compliance with these covenants at December 31, 2003.

Senior Notes A, B, C and D. These fixed-rate notes are an unsecured obligation of our Operating Partnership and rank equally with its existing and future unsecured and unsubordinated indebtedness. They are senior to any future subordinated indebtedness. The Operating Partnership s borrowings under these notes are non-recourse to our General Partner. We have guaranteed repayment of amounts due under these notes through an unsecured and unsubordinated guarantee. These notes are subject to make-whole redemption rights and were issued under an indenture containing certain covenants. These covenants restrict our ability, with certain exceptions, to incur debt secured by liens and engage in sale and leaseback transactions. We were in compliance with these covenants at December 31, 2003.

In January 2003, we issued $350 million in principal amount of 6.375% fixed-rate senior notes due February 2013 (Senior Notes C), from which we received net proceeds before offering expenses of approximately $347.7 million. These private placement notes were sold at face value with no discount or premium. We used the proceeds from this offering to repay a portion of the indebtedness outstanding under the 364-Day Term Loan that we incurred to finance the Mid-America and Seminole acquisitions. In May 2003, we exchanged 100% of the private placement Senior Notes C for publicly registered Senior Notes C.

In February 2003, we issued $500 million in principal amount of 6.875% fixed-rate senior notes due March 2033 (Senior Notes D), from which we received net proceeds before offering expenses of approximately $489.8 million. These private placement notes were sold at 98.842% of their face amount. We used $421.4 million from this offering to repay the remaining principal balance outstanding under the 364-Day Term Loan. In addition, we applied $60.0 million of the proceeds to reduce the balance outstanding under the 364-Day Revolving Credit Facility. The remaining proceeds were used for working capital purposes. In July 2003, we exchanged 100% of the private placement Senior Notes D for publicly registered Senior Notes D.

Repayment of 364-Day Term Loan

In July 2002, our Operating Partnership entered into the $1.2 billion senior unsecured 364-Day Term Loan to fund the acquisition of interests in the Mid-America and Seminole pipelines. We used $178.5 million of the $182.5 million in proceeds from our October 2002 equity offering to partially repay this loan. We also used $252.8 million of the $258.1 million in proceeds from the January 2003 equity offering (see Note 10), $347.0 million of the $347.7 million in proceeds from our issuance of Senior Notes C and $421.4 million in proceeds from our issuance of Senior Notes D to fully repay the 364-Day Term Loan in February 2003.

Information regarding variable-interest rates paid

The following table shows the range of interest rates paid and weighted-average interest rate paid on our variable-rate debt obligations during 2003.

	Range of interest rates paid	**Weighted-average interest rate paid**
364-Day Term Loan [(1)]	2.59% - 2.88%	2.85%
364-Day Revolving Credit Facility	1.79% - 4.75%	2.48%
Multi-Year Revolving Credit Facility	1.64% - 4.25%	1.87%
Interim Term Loan	1.77% - 4.00%	2.16%

(1) This facility was fully repaid in February 2003.

10. CAPITAL STRUCTURE

General

Our common units and Class B special units represent limited partner interests, which give the holders thereof the right to participate in distributions and to exercise the other rights or privileges available to them under our Third Amended and Restated Agreement of Limited Partnership (the Partnership Agreement, together with any amendments thereto). Our outstanding common units are listed on the New York Stock Exchange under the symbol EPD.

In December 2003, we issued Class B special units to an affiliate of EPCO. Class B special units have rights identical to our common units with respect to distributions and other matters. However, the Class B special units do not have voting rights and are not deemed to be outstanding for purposes of determining whether a quorum is present or whether the approval of the requisite number of holders of our units has been obtained. The Class B special units are convertible into common units on a one-for-one basis upon the receipt of approval of holders of not less than a majority of our common units (not including for this purpose the Class B special units) present and entitled to vote at a meeting of our common unitholders or by the holders of a majority of our common units (not including for this purpose the Class B special units) pursuant to written consents. We will request that our common unitholders approve the conversion of all of the Class B special units into common units at the special meeting that will be held to approve our merger with GulfTerra.

In December 2003, we restructured our General Partner s ownership interest in us and our Operating Partnership from a 1% ownership in us and a 1.0101% ownership in the Operating Partnership to a 2% ownership in us. As a result, our effective ownership in the Operating Partnership increased to 100% from 98.9899%. The purpose of the restructuring was to simplify and reduce the cost of compliance with the SEC rules relating to financial reporting requirements of subsidiaries. As a result of the restructuring, the Operating Partnership became exempt from the reporting requirements of Section 15(d) of the Securities Exchange Act of 1934 pursuant to Rule 12h-5 thereunder.

In February 2002, our General Partner approved a two-for-one split of each class of our partnership units. The unit split was accomplished by distributing one additional partnership unit for each partnership unit outstanding to holders of record on April 20, 2002. The units were distributed on May 15, 2002.

Our Partnership Agreement sets forth the calculation to be used in determining the amount and priority of cash distributions that the common units, Class B special units and General Partner will receive. See Note 11 for additional information regarding our distributions to partners.

The Partnership Agreement also contains provisions for the allocation of net earnings and losses to the unitholders and the General Partner. For purposes of maintaining partner capital accounts, the Partnership Agreement specifies that items of income and loss shall be allocated among the partners in accordance with their respective percentage interests. For financial accounting and tax purposes, the Class A special units (prior to their final conversion to common units in August 2003), were not allocated any portion of net income or loss; however, for tax purposes these units were allocated a certain amount of depreciation. Normal income and loss allocations according to percentage interests are done only after giving effect to priority earnings allocations in an amount equal to incentive cash distributions allocated 100% to the General Partner. See Note 11 for information regarding incentive cash distributions.

Equity offerings

The Partnership Agreement generally authorizes us to issue an unlimited number of additional limited partner interests and other equity securities for such consideration and on such terms and conditions as shall be established by the General Partner in its sole discretion with the approval of unitholders. Since October 2002, we have completed a number of common unit offerings. The following table reflects the number of common units issued and the net proceeds received from each offering:

Month of offering	Number of common units issued	Net Proceeds from Common Unit Offerings: Contributed by Limited Partners	Contributed by General Partner	Contributed by General Partner in Minority Interest (1)	Total
October 2002 (2)	9,800,000	$ 178,859	$ 1,807	$ 1,844	$ 182,510
January 2003 (3)	14,662,500	$ 252,942	$ 2,555	$ 2,608	$ 258,105
June 2003 (4)	11,960,000	255,891	2,584	2,639	261,114
August 2003 (5)	1,306,059	26,416	266	280	26,962
November 2003 (6)	1,577,744	32,696	334	334	33,364
Total 2003	29,506,303	$ 567,945	$ 5,739	$ 5,861	$ 579,545

(1) Prior to the restructuring of our General Partner s ownership interest in December 2003, the General Partner owned 1.0101% of the Operating Partnership. This ownership interest was accounted for as a component of minority interest in our historical Consolidated Balance Sheets.
(2) We used $178.8 million of the proceeds from this offering to repay a portion of the indebtedness outstanding under our 364-Day Term Loan. The remaining proceeds were used for working capital purposes.
(3) We used $252.8 million of the proceeds from this offering to repay a portion of the indebtedness outstanding under our 364-Day Term Loan. The remaining proceeds were used for working capital purposes.
(4) We used the net proceeds from this offering to reduce indebtedness outstanding under our revolving credit facilities.
(5) We used the net proceeds from this offering to reduce indebtedness outstanding under our revolving credit facilities and for general partnership purposes.
(6) We used the net proceeds from this offering for general partnership purposes.

In January 2003, we filed a $1.5 billion universal registration statement with the SEC covering the issuance of an unallocated amount of partnership equity or public debt obligations (separately or in combination). Our June 2003 equity offering utilized capacity available under this shelf. At December 31, 2003, we had approximately $1.2 billion of unused capacity under this shelf registration statement.

During 2003, we instituted a distribution reinvestment plan (DRP) for our unitholders. The DRP provides unitholders of record and beneficial owners of our common units a voluntary means by which they can increase the number of common units they own by reinvesting the quarterly cash distributions they would otherwise receive in the purchase of additional common units. The registration statement we filed with the SEC relating to the DRP allows us to issue up to 5,000,000 common units under this program. As a result of any reinvestment proceeds we receive, our General Partner is required to make cash contributions to us in order to maintain its ownership interest. Initial reinvestments under this program occurred in August 2003.

In December 2003, we sold 4,413,549 Class B special units to an affiliate of EPCO for $100 million in a private transaction. Our General Partner contributed approximately $2 million in connection with this offering in order to maintain its ownership interest. The purchase price for the Class B special units was approximately $22.66 per unit, representing a 5% discount from the $23.85 closing price of our common units on the NYSE on December 16, 2003. The 5% discount was consistent with the 5% discount available to all our unitholders under our distribution reinvestment plan. We used the net proceeds from this offering to repay $100 million of the debt we incurred to finance our December 2003 purchase of a 50% interest in GulfTerra GP (see Note 7) and the remainder for general partnership purposes.

Conversion of subordinated units to common units

During 2003, the remaining 32,114,804 subordinated units owned by EPCO converted to common units as a result of our satisfying certain financial tests. The subordinated units had no voting rights until their conversion to common units; however, they did receive allocations of income and loss. These conversions had no impact on our earnings per unit calculations or cash distributions since subordinated units were already included in both the basic and fully diluted earnings per unit calculations and were distribution bearing.

Conversion of Class A special units to common units

Class A special units were issued to Shell in conjunction with the 1999 TNGL acquisition and a related contingent unit agreement. We issued 29,000,000 Class A special units in August 1999 in connection with the acquisition. Subsequently, Shell met certain performance criteria in 2000 and 2001 that obligated us to issue an additional 12,000,000 Class A special units to Shell (6,000,000 in August 2000 and 6,000,000 in August 2001) under a contingent unit agreement. Of the cumulative 41,000,000 Class A special units issued, 2,000,000 converted to common units in August 2000, 10,000,000 converted in August 2001, 19,000,000 converted in August 2002 and 10,000,000 converted in August 2003. These conversions had a dilutive impact on basic earnings per unit since they increase the number of common units used in the computation. Class A special units were excluded from the computation of basic earnings per unit because they did not share in income or loss nor were they entitled to cash distributions until they were converted to common units. Under NYSE rules, the conversion of the Class A special units to common units required the approval of a majority of common unitholders. An affiliate of EPCO (which owns a majority of outstanding common units) voted in favor of such conversion, which provided the necessary votes for approval.

Treasury units

During 1999, our Operating Partnership established the EPOLP 1999 Grantor Trust (the 1999 Trust) to fund potential future obligations under the EPCO Agreement with respect to EPCO s long-term incentive plan (through the exercise of options granted to EPCO employees or directors of the General Partner). The 1999 Trust is included in our consolidated financial statements. Beginning in 2000, we and the 1999 Trust were authorized by the General Partner to repurchase up to 2,000,000 publicly held common units under a buy-back program. The repurchases will be made during periods of temporary market weakness at price levels that would be accretive to our remaining unitholders. Under the terms of the original buy-back program, common units repurchased by us were retired and common units repurchased by the 1999 Trust were classified as treasury units. In 2002, the buy-back program was modified to classify common units repurchased by us as treasury units.

The common units repurchased by us or the 1999 Trust are accounted for in a manner similar to treasury stock under the cost method of accounting. For the purpose of calculating both basic and diluted earnings per unit (see Note 13), treasury units are not considered to be outstanding.

The 1999 Trust purchased 792,800 common units during 2001 at a cost of $18 million and 100,000 common units during 2002 at a cost of $2.4 million. In 2001, the 1999 Trust sold 1,000,000 common units held in treasury to EPCO for $22.6 million. The sales price of these treasury units exceeded the purchase price of the treasury units by $6.0 million and was credited to partners equity as a general contribution. We purchased 432,000 common units during 2002 at a cost of $10.3 million. In addition, 51,959 treasury units were reissued during 2002 at a weighted-average cost of $1.2 million to fulfill our obligations under EPCO employee unit option agreements. During 2003, we reissued 30,887 treasury units at a cost of $0.6 million primarily due to our obligations under EPCO employee unit option agreements and recorded a small gain on the transactions. We also retired 30,000 treasury units at a cost of $0.6 million during 2003.

Unit History table

The following table details the outstanding balance of each class of units for the periods and at the dates indicated:

	Limited Partners				
	Common Units	Subordinated Units	Class A Special Units	Class B Special Units	Treasury Units
Balance, January 1, 2001	92,514,630	42,819,740	33,000,000		534,400
Class A special units issued to Shell in connection with contingent unit agreement in August 2001			6,000,000		
Conversion of Class A special units to common units in August 2001	10,000,000		(10,000,000)		
Treasury unit transactions:					
Purchased	(792,800)				792,800
Reissued	1,000,000				(1,000,000)
Balance, December 31, 2001	102,721,830	42,819,740	29,000,000		327,200
Conversion of Class A special units to common units in August 2002	19,000,000		(19,000,000)		
Conversion of subordinated units to common units in August 2002	10,704,936	(10,704,936)			
Common units issued in October 2002	9,800,000				
Treasury unit purchases	(532,000)				532,000
Balance, December 31, 2002	141,694,766	32,114,804	10,000,000		859,200
Common units issued in January 2003	14,662,500				
Conversion of subordinated units to common units in May 2003	10,704,936	(10,704,936)			
Common units issued in June 2003	11,960,000				
Conversion of Class A special units to common units in August 2003	10,000,000		(10,000,000)		
Conversion of subordinated units to common units in August 2003	21,409,868	(21,409,868)			
Common units issued in August 2003 (1)	1,306,059				
Common units issued in November 2003 (1)	1,577,744				
Common units issued in December 2003	20,000				
Class B special units issued in December 2003				4,413,549	
Treasury unit transactions:					
Reissued	30,887				(30,887)
Retired					(30,000)
Balance, December 31, 2003	213,366,760	-	-	4,413,549	798,313

(1) Units issued primarily due to distribution reinvestment plan.

11. DISTRIBUTIONS

We intend, to the extent there is sufficient available cash from Operating Surplus (as defined by the Partnership Agreement) to distribute to each holder of common units at least a minimum quarterly distribution of $0.225 per common unit. The minimum quarterly distribution is not guaranteed and is subject to adjustment as set forth in the Partnership Agreement.

As an incentive, our General Partner s percentage interest in our quarterly cash distributions is increased after certain specified target levels are met. In December 2002, we amended our Partnership Agreement to eliminate the General Partner s right to receive 50% of our quarterly cash distributions with respect to that portion of the distribution based on declared rates that exceed $0.392 per common unit. Furthermore, our General Partner has capped its incentive distribution rights at 25% of our quarterly cash distributions with respect to that portion of the distribution based on declared rates that exceed $0.3085 per common unit. No consideration was paid to the General Partner to give up this right. As amended, our General Partner s quarterly incentive distribution thresholds are as follows (which include adjustments for the December 2003 restructuring of the General Partner s ownership interest in us and our Operating Partnership):

2% of quarterly cash distributions up to $0.253 per unit;
15% of quarterly cash distributions from $0.253 per unit up to $0.3085 per unit; and
25% of quarterly cash distributions that exceed $0.3085 per unit.

We made incentive distributions to the General Partner of $19.7 million, $9.8 million and $3.2 million during the years ended December 31, 2003, 2002 and 2001, respectively.

The following table summarizes quarterly cash distribution rates per unit during the periods indicated and the related record and distribution payment dates.

	Cash Distribution History		
	Distribution per Unit [1]	Record Date	Payment Date
2001			
1st Quarter	$ 0.2750	Apr. 30, 2001	May 10, 2001
2nd Quarter	$ 0.2938	Jul. 31, 2001	Aug. 10, 2001
3rd Quarter	$ 0.3125	Oct. 31, 2001	Nov. 9, 2001
4th Quarter	$ 0.3125	Jan. 31, 2002	Feb. 11, 2002
2002			
1st Quarter	$ 0.3350	Apr. 30, 2002	May 10, 2002
2nd Quarter	$ 0.3350	Jul. 31, 2002	Aug. 12, 2002
3rd Quarter	$ 0.3450	Oct. 31, 2002	Nov. 12, 2002
4th Quarter	$ 0.3450	Jan. 31, 2003	Feb. 12, 2003
2003			
1st Quarter	$ 0.3625	Apr. 30, 2003	May 12, 2003
2nd Quarter	$ 0.3625	Jul. 31, 2003	Aug. 11, 2003
3rd Quarter	$ 0.3725	Oct. 31, 2003	Nov. 12, 2003
4th Quarter	$ 0.3725	Jan. 30, 2004	Feb. 11, 2004

(1) Distributions are paid on common units, subordinated units and Class B special units.

The quarterly cash distribution amounts shown in the table correspond to the cash flows for the quarters indicated. The actual cash distributions occur within 45 days after the end of such quarter.

12. PROVISION FOR INCOME TAXES FOR CERTAIN PIPELINE OPERATIONS

Our provision for income taxes is limited to certain income-based state franchise tax obligations of our Mid-America pipeline and our Seminole pipeline and federal tax obligations of our Seminole pipeline (both were acquired in 2002). One of our subsidiaries, which owns the Seminole pipeline, is a corporation and substantially our only consolidated entity subject to federal income taxes. The following is a summary of the provision for income taxes for the above-mentioned pipeline operations for the periods indicated:

	For Year Ended December 31,	
	2003	**2002**
Current:		
Federal tax benefit		$ (391)
State tax expense (benefit)	$ 47	(55)
Total current	47	(446)
Deferred:		
Federal	4,556	1,812
State	690	268
Total deferred	5,246	2,080
Provision for income taxes	$ 5,293	$ 1,634

Our net deferred tax assets primarily relate to book versus tax basis differences in property, plant and equipment.

13. EARNINGS PER UNIT

Basic earnings per unit is computed by dividing net income or loss allocated to limited partner interests by the weighted-average number of common and subordinated units and Class B special units outstanding during a period. In general, diluted earnings per unit is computed by dividing net income or loss allocated to limited partner interests by the sum of:

- the weighted-average number of common and subordinated units and Class A and Class B special units outstanding during a period; and
- the number of incremental common units resulting from the assumed exercise of dilutive unit options outstanding during a period (the incremental option units).

In a period of net operating losses, the Class A special units and incremental option units are excluded from the calculation of diluted earnings per unit due to their antidilutive effect. Treasury units are not considered to be outstanding units; therefore, they are excluded from the computation of both basic and diluted earnings per unit.

The dilutive incremental option units are calculated in accordance with the treasury stock method, which assumes that proceeds from the exercise of all in-the-money options at the beginning of each period are used to repurchase common units at average market value during the period. The amount of common units remaining after the proceeds are exhausted represents the potentially dilutive effect of the securities.

Beginning in August 2003, we reissued treasury units to satisfy the exercise of a small number of common unit options by employees of EPCO. The reissuance of these treasury units to satisfy EPCO s unit option liability has a dilutive effect on our earnings per unit. Prior to August 2003, EPCO had purchased practically all of the common units associated with its 1998 Plan in the open market. As a result, EPCO s unit option plan did not have any effect on our fully diluted earnings per unit in prior periods.

The amount of net income or loss allocated to limited partner interests is derived by subtracting our General Partner s share of our net income or loss and that attributable to the minority interest from income before minority interest. The following table shows the allocation of net income or loss to our General Partner for the periods indicated:

	For Year Ended December 31,		
	2003	**2002**	**2001**
Net income	$ 104,546	$ 95,500	$ 242,178
Less priority earnings allocations to General Partner (1)	(19,699)	(9,806)	(3,218)
Net income available after priority earnings allocation	84,847	85,694	238,960
Multiplied by General Partner ownership interest (2)	1.2%	1.0%	1.0%
Standard earnings allocation to General Partner	$ 1,030	$ 857	$ 2,390
Priority earnings allocation to General Partner	$ 19,699	$ 9,806	$ 3,218
Standard earnings allocation to General Partner	1,030	857	2,390
General Partner interest	$ 20,729	$ 10,663	$ 5,608

(1) See Note 10 for information regarding priority earnings allocations to our General Partner.

(2) The General Partner s ownership interest in us increased from 1% to 2% in December 2003 as a result of restructuring its overall ownership interest in us and our Operating Partnership. The amount shown in the table represents a weighted-average of the General Partner s ownership interest in us during 2003. See Note 10 for information regarding this change in ownership structure.

The following table shows our calculation of net income available to limited partners, basic earnings per unit and diluted earnings per unit for the periods indicated:

	For Year Ended December 31,		
	2003	2002	2001
Income before minority interest	$ 108,405	$ 98,447	$ 244,650
General partner interest	(20,729)	(10,663)	(5,608)
Minority interest	(3,859)	(2,947)	(2,472)
Net income available to limited partners	$ 83,817	$ 84,837	$ 236,570
BASIC EARNINGS PER UNIT			
Numerator			
Net income available to limited partners	$ 83,817	$ 84,837	$ 236,570
Denominator			
Common units outstanding	183,779	119,820	96,633
Subordinated units outstanding	15,955	35,634	42,820
Class B special units outstanding	181		
Total	199,915	155,454	139,453
Basic earnings per unit			
Net income available to limited partners	$ 0.42	$ 0.55	$ 1.70
DILUTED EARNINGS PER UNIT			
Numerator			
Net income available to limited partners	$ 83,817	$ 84,837	$ 236,570
Denominator			
Common units outstanding	183,779	119,820	96,633
Subordinated units outstanding	15,955	35,634	42,820
Class A special units outstanding	5,808	21,036	31,334
Class B special units outstanding	181		
Incremental option units	644		
Total	206,367	176,490	170,787
Diluted Earnings per unit			
Net income available to limited partners	$ 0.41	$ 0.48	$ 1.39

14. RELATED PARTY TRANSACTIONS

Relationship with EPCO and its affiliates

We have an extensive and ongoing relationship with EPCO. EPCO is controlled by Dan L. Duncan, who is also a director (and Chairman of the Board of Directors) of our General Partner. In addition, the remaining executive and other officers of our General Partner are employees of EPCO, including O.S. Andras who is our President and Chief Executive Officer and a director of the General Partner. The principal business activity of the General Partner is to act as our managing partner.

Mr. Duncan owns 50.4% of the voting stock of EPCO and, accordingly, exercises sole voting and dispositive power with respect to the common units and Class B special units held by EPCO. The remaining shares

of EPCO capital stock are held primarily by trusts for the benefit of members of Mr. Duncan s family. In addition, EPCO and Dan Duncan LLC, together, own 100% of our General Partner, which in turn owns a 2% general partner interest in us.

In addition, trust affiliates of EPCO (the 1998 Trust and 2000 Trust) owned 4,478,236 of our common units at December 31, 2003. Collectively, EPCO, Dan L. Duncan, the 1998 Trust and the 2000 Trust owned 54.5% of our partnership interests at December 31, 2003.

Our agreements with EPCO are not the result of arm s-length transactions, and there can be no assurance that any of the transactions provided for therein are effected on terms at least as favorable to the parties to such agreement as could have been obtained from unaffiliated third parties.

Administrative Services Agreement. As stated previously, we have no employees. All of our management, administrative and operating functions are performed by employees of EPCO pursuant to the Administrative Services Agreement. Under the terms of the Administrative Services Agreement, EPCO agrees to:

- employ the personnel necessary to manage our business and affairs (through our General Partner);
- employ the operating personnel involved in our business for which we reimburse EPCO (based upon EPCO s actual salary and related fringe benefits cost);
- allow us to participate as named insureds in EPCO s current insurance program with the costs being allocated among the parties on the basis set forth in the agreement;
- grant us an irrevocable, non-exclusive worldwide license to all of the EPCO trademarks and trade names used in our business; and
- sublease to us all of the equipment which it holds pursuant to operating leases relating to an isomerization unit, a deisobutanizer tower, two cogeneration units and approximately 100 railcars for one dollar per year and to assign to us its purchase option under such leases to us (the retained leases). EPCO remains liable for the cash lease payments associated with these assets.

Operating costs and expenses (as shown in our Statements of Consolidated Operations) treat the lease payments made by EPCO on our behalf as a non-cash related party operating expense, with the offset to Partners Equity on the Consolidated Balance Sheets recorded as a general contribution to the partnership. We notified the lessor of the isomerization unit associated with the retained leases of our intent to exercise the purchase option relating to this equipment in 2004. Under the terms of the lease agreement for the isomerization unit, we have the option to purchase the equipment at the lesser of fair value or $23.1 million. Should we decide to exercise all of the remaining purchase options associated with the retained leases (which are also at fair value), up to an additional $2.8 million would be payable in 2004, $2.3 million in 2008 and $3.1 million in 2016. In addition to retained lease expense, operating costs and expenses include compensation charges for EPCO s employees who operate our facilities.

Selling, general and administrative costs (as shown in our Statements of Consolidated Operations) include the costs we pay EPCO for administrative support. Through December 31, 2003, our payments to EPCO and related non-cash expenses for administrative support were based on the following:

- We reimbursed EPCO for our share of the costs of certain of its employees in administrative positions that were active at the time of our initial public offering in July 1998 (the pre-expansion administrative personnel). This includes costs associated with equity-based awards granted to certain individuals within this group. Our obligation for reimbursing these costs was covered by the EPCO Administrative Service Fee. During 2003, we paid $17.9 million in such fees to EPCO.

- To the extent that EPCO s actual cost of providing the pre-expansion administrative personnel exceeded the Administrative Service Fee charged us during a given year, we recorded a non-cash expense equal to the difference as a non-cash selling, general and administrative cost. The offset was recorded in Partners Equity on the Consolidated Balance Sheets as a general contribution to the partnership. The actual amounts incurred by EPCO did not materially exceed the capped amounts for the years ended December 31, 2002 and 2001. For the year ended December 31, 2003, we recorded $0.4 million in non-cash expense related to this excess.

We also reimburse EPCO for all costs it incurs related to administrative personnel it hires in response to our expansion and new business activities. This includes costs attributable to equity-based awards granted to members of this group.

Effective January 1, 2004, the Administrative Services Agreement was amended to eliminate a fixed Administrative Services Fee and to provide that we will reimburse EPCO for all costs related to administrative support regardless of whether the costs are related to pre-expansion or expansion personnel who work on our behalf.

Other related party transactions with EPCO. The following is a summary of other significant related party transactions between EPCO and us, including those between EPCO and our unconsolidated affiliates.

Prior to January 1, 2004, EPCO was the operator of our MTBE facility and Houston Ship Channel NGL import facility. During 2003, 2002 and 2001, we paid EPCO $0.8 million, $0.8 million and $0.9 million for such services, respectively. Such payments were terminated effective January 1, 2004.

We have entered into an agreement with EPCO to provide trucking services to us for the transportation of NGLs and other products. In the normal course of business, we also buy from and sell to EPCO s Canadian affiliate certain NGL products.

The following table summarizes our various related party transactions with EPCO for the periods indicated:

	For Year Ended December 31,		
	2003	2002	2001
Revenues from consolidated operations			
EPCO and subsidiaries	$ 4,241	$ 3,630	$ 5,439
Operating costs and expenses			
EPCO and subsidiaries	149,626	103,210	62,919
Selling, general and administrative expenses			
Base fees payable under EPCO Agreement	17,940	16,638	15,125
Other EPCO compensation reimbursement	9,578	7,566	4,824
Other expenses paid by EPCO on our behalf	442	n/a	n/a

Relationship with Shell

We have a significant commercial relationship with Shell as a partner, customer and vendor. At December 31, 2003, Shell owned approximately 18.4% of our partnership interests. Shell sold its 30.0% interest in our General Partner to an affiliate of EPCO in September 2003.

Our largest customer is Shell. For the years ended December 31, 2003, 2002 and 2001, they accounted for 5.5%, 7.9% and 10.6%, respectively, of our consolidated revenues. Our revenues from Shell primarily reflect the sale of NGL and petrochemical products to Shell and the fees we charge Shell for pipeline transportation and NGL fractionation services. Our operating costs and expenses with Shell primarily reflect the payment of energy-related expenses related to the Shell natural gas processing agreement and the purchase of NGL products from Shell.

The most significant contract affecting our natural gas processing business is the Shell margin-band/keepwhole processing agreement, which grants us the right to process Shell s current and future production within state and federal waters of the Gulf of Mexico. The Shell processing agreement includes a life of lease dedication, which may extend the agreement well beyond its initial 20-year term ending in 2019. This contract was amended effective March 1, 2003. In general, the amended contract includes the following rights and obligations:

- the exclusive right, but not the obligation in all cases, to process substantially all of Shell s Gulf of Mexico natural gas production; plus
- the exclusive right, but not the obligation in all cases, to process all natural gas production from leases dedicated by Shell for the life of such leases; plus
- the right to all title, interest and ownership in the mixed NGL stream extracted by our gas processing plants from Shell s natural gas production from such leases; with
- the obligation to re-deliver to Shell the natural gas stream after any mixed NGLs are extracted.

As part of our natural gas processing obligations under this contract, we reimburse Shell for the energy value of (i) the NGLs we extract from the natural gas stream and (ii) the natural gas we remove from the stream and consume as fuel. This energy value is referred to as plant thermal reduction (PTR) and is based on the energy content of the natural gas taken out of the stream (measured in Btus). The amended contract contains a mechanism (termed Consideration Adjustment Outside of Normal Operations or CAONO) to adjust the value of the PTR we reimburse to Shell. The CAONO, in effect, protects us from processing Shell s natural gas at an economic loss when the value of the NGLs we extract is less than the sum of the cost of the PTR reimbursement, operating costs of the gas processing facility and other costs such as NGL fractionation and pipeline fees.

In general, the CAONO adjustment requires the comparison of our average net gas processing margin to an upper and lower limit (all as defined within the agreement). If our average net processing margin is below the lower limit, the PTR reimbursement payable to Shell is decreased by the product of the absolute value of the difference between our average net processing margin and the specified lower limit multiplied by the volume of NGLs extracted. To the extent our average net processing margin is higher than the upper limit , the PTR reimbursement payable to Shell is increased by the product of the difference between the average net gas processing margin and the specified upper limit multiplied by the volume of NGLs extracted. The underlying purpose of the CAONO mechanism is to provide Shell with relative assurance that its gas will continue to be processed during periods when natural gas prices are high relative to NGL prices (times when we would normally choose not to process a producer s natural gas stream) while continuing to protect us from processing Shell s gas at an economic loss.

The following table summarizes our various related party transactions with Shell for the periods indicated:

	For Year Ended December 31,		
	2003	**2002**	**2001**
Revenues from consolidated operations			
Shell	$293,109	$282,820	$333,333
Operating costs and expenses			
Shell	607,277	531,712	705,440

We have completed a number of business acquisitions and asset purchases involving Shell since 1999. Among these transactions were:

- the acquisition of TNGL s natural gas processing and related businesses in 1999 for approximately $528.8 million (this purchase price includes both the $166 million in cash we paid to Shell and the value of the 41,000,000 Class A special units granted to Shell in connection with this acquisition);
- the purchase of the Lou-Tex Propylene pipeline for $100 million in 2000; and
- the acquisition of Acadian Gas in 2001 for $243.7 million.

Shell is also a partner with us in our Gulf of Mexico natural gas pipeline investments. We also lease from Shell its 45.4% interest in our Splitter I propylene fractionation facility.

Relationships with Unconsolidated Affiliates

Our investment in unconsolidated affiliates with industry partners is a vital component of our business strategy. These investments are a means by which we conduct our operations to align our interests with a supplier of raw materials or a consumer of finished products. This method of operation also enables us to achieve favorable economies of scale relative to the level of investment and business risk assumed versus what we could accomplish on a stand-alone basis. Many of these businesses perform supporting or complementary roles to our other business operations. The following summarizes significant related party transactions we have with our current unconsolidated affiliates:

We sell natural gas to Evangeline, which, in turn, uses the natural gas to satisfy supply commitments it has with a major Louisiana utility. We have also furnished $1.3 million in letters of credit on behalf of Evangeline.
We pay Dixie transportation fees for propane movements on their system initiated by our NGL marketing activities.
We pay Promix for the transportation, storage and fractionation of certain of our mixed NGL volumes. In addition, we sell natural gas to Promix for their fuel requirements.

Prior to its becoming a consolidated subsidiary in March 2003, we paid EPIK for export services to load product cargoes for our NGL and petrochemical marketing customers. Also, prior to its becoming a consolidated subsidiary in September 30, 2003, we sold high purity isobutane to BEF as a feedstock and purchased certain of BEF s by-products. We also received transportation fees for BEF s MTBE movements on our HSC pipeline and fractionation revenues for reprocessing mixed feedstock streams generated by BEF.

The following table summarizes our related party transactions with unconsolidated affiliates for the periods indicated:

	For Year Ended December 31,		
	2003	**2002**	**2001**
Revenues from consolidated operations			
Evangeline	$212,662	$131,635	$117,283
BEF [1]	32,765	50,494	45,778
Promix	19,575	12,697	8,952
EPIK [2]	58	259	297
Other unconsolidated affiliates	1,834	1,182	1,374
Operating costs and expenses			
Dixie	11,296	12,184	12,695
BEF [1]	6,646	9,794	8,073
Promix	17,465	18,408	12,676
EPIK [2]	6,607	19,788	7,438
Other unconsolidated affiliates	1,738	483	193

(1) Amounts shown in the table reflect the period of time that we accounted for our investment in BEF using the equity-method. BEF became a consolidated subsidiary of ours on September 30, 2003. For additional information regarding our prior equity investment in BEF, please read Note 7.
(2) Amounts shown in the table reflect the period of time that we accounted for our investment in EPIK using the equity-method. EPIK became a consolidated subsidiary of ours on March 1, 2003. For additional information regarding our prior equity investment in EPIK, please read Note 7.

As part of Other Income and Expense as shown in our Statements of Consolidated Operations and Comprehensive Income, we record dividend income from our investment in VESCO.

15. UNIT OPTION PLAN ACCOUNTING

During 1998, EPCO adopted its 1998 Long-Term Incentive Plan (the 1998 Plan). Under this program, non-qualified incentive options to purchase a fixed number of our common units may be granted to EPCO s key employees who perform management, administrative or operational functions for us. The exercise price per unit, vesting and expiration terms, and rights to receive distributions on units granted are determined by EPCO for each grant agreement. EPCO purchases common units to fund its obligations under the 1998 Plan at fair value either in the open market or from us (in the form of newly-issued common units or reissued treasury units).

We account for our share of the costs of these awards using the intrinsic value-based method in accordance with APB No. 25, *Accounting for Stock Issued to Employees*. The exercise price of each option granted is equivalent to or greater than the market price of the unit at the date of grant. Accordingly, no compensation expense related to unit option grants has been recognized in our Statements of Consolidated Operations and Comprehensive Income. Any special distributions (as described in the following information) that we make to reimburse EPCO for its costs related to these awards are a component of Cash distributions to partners as shown in our Statements of Consolidated Partners Equity.

Through December 31, 2003, our responsibility for reimbursing EPCO for the cash outlay it incurred when these options were exercised was as follows:

We paid EPCO for the costs attributable to unit option awards granted to operations personnel it employs on our behalf. Our payment to EPCO is in the form of a special distribution.
We paid EPCO for the costs attributable to unit option awards granted to administrative and management personnel it hired in response to our expansion and business activities. Our payment to EPCO is in the form of a special distribution.
We paid EPCO for our share of the costs attributable to unit option awards granted to certain of its employees in administrative and management positions that were active at the time of our initial public offering in July 1998 under one of two methods.

1. If EPCO purchased common units in open market to fund its obligation to any employee of this group, the cost was reimbursed by us through the Administrative Service Fees we paid EPCO (see Note 14). EPCO was responsible for the actual cost of such award when the option was exercised. To the extent that EPCO s total administrative expense incurred on our behalf (including the expense associated with equity-based awards satisfied through open market purchases) exceeded the annual Administrative Service Fee we paid to EPCO, such excess costs resulted in a non-cash charge to our earnings as a related-party expense and a corresponding increase in Partners Equity recorded as a general contribution.

2. If EPCO requested us to provide units to satisfy its obligations to these employees, we reimbursed EPCO in the form of a special distribution.

Effective January 1, 2004, the Administrative Services Agreement was amended to provide that we will reimburse EPCO for all costs (including those related to unit options) related to administrative support personnel regardless of whether the costs are related to pre-expansion or expansion personnel who work on our behalf. Our obligation regarding operations-related personnel remains the same. Under the amended agreement, our payment to EPCO for both administrative and operations personnel who exercise unit options will be in the form of a special distribution regardless of how the option liability is satisfied (i.e., through open market purchases or units acquired from EPCO affiliates or us). During 2003, we made $2.7 million of special cash distributions to EPCO to meet our obligations under EPCO s 1998 Plan.

Summary of 1998 Plan activity

EPCO s 1998 Plan is used to issue unit option awards to the three categories of employees discussed previously in this Note 15. The information in the following table shows unit option activity for EPCO personnel who work on our behalf.

	Number of Units	Weighted-average strike price
Outstanding at January 1, 2001	1,931,758	$ 6.66
Granted	1,050,000	16.41
Exercised	(760,118)	4.94
Forfeited	(20,000)	9.00
Outstanding at December 31, 2001	2,201,640	11.88
Granted	379,000	23.42
Exercised	(270,562)	4.98
Outstanding at December 31, 2002	2,310,078	14.57
Granted	35,000	22.26
Exercised	(372,078)	7.10
Forfeited	(35,000)	18.86
Outstanding at December 31, 2003	1,938,000	$ 16.07
Options exercisable at:		
December 31, 2001	221,640	$ 1.65
December 31, 2002	711,078	$ 7.83
December 31, 2003	509,000	$ 9.68

				Options Exercisable at December 31, 2003	
Range of Strike Prices	Options outstanding at December 31, 2003	Weighted-Average Remaining Contractual Life (in Years)	Weighted Average Strike Price	Number Exercisable at December 31, 2003	Weighted Average Strike Price
$7.75 - $9.00	339,000	5.75	$ 8.63	339,000	$ 8.63
$11.63 - $12.56	210,000	6.83	11.91	170,000	11.76
$15.93 - $17.63	925,000	7.10	16.12		
$21.15 - $24.73	464,000	8.26	23.30		
	1,938,000			509,000	

The weighted-average fair value of options granted during 2003, 2002 and 2001 was $2.17, $3.12 and $1.97 per option, respectively.

16. COMMITMENTS AND CONTINGENCIES

Redelivery Commitments

We store and transport NGL, petrochemical and natural gas volumes for third parties under various processing, storage, transportation and similar agreements. Under the terms of these agreements, we are generally required to redeliver volumes to the owner on demand. We are insured for any physical loss of such volumes due to catastrophic events. At December 31, 2003, NGL and petrochemical volumes aggregating

16.4 million barrels were due to be redelivered to their owners along with 393 BBtus of natural gas.

Commitments under equity compensation plans of EPCO

In accordance with our agreements with EPCO, we reimburse EPCO for our share of its compensation expense associated with certain employees who perform management, administrative and operating functions for us

(see Note 14). This includes the costs associated with equity-based awards granted to these employees. At December 31, 2003, there were 1,938,000 options outstanding to purchase common units under EPCO s 1998 Plan that had been granted to employees for which we were responsible for reimbursing EPCO for the costs of such awards. The weighted-average strike price of the unit option awards granted was $16.07 per common unit. At December 31, 2003, 509,000 of these unit options were exercisable. An additional 1,030,000, 374,000 and 25,000 of these unit options will be exercisable in 2004, 2005 and 2006, respectively. Effective January 1, 2004, as these options are exercised, we will reimburse EPCO in the form of a special cash distribution for the difference between the strike price paid by the employee and the actual purchase price paid for the units awarded to the employee. See Note 15 for additional information regarding our accounting for unit options.

Other commitments

Long-term debt-related commitments. We have long and short-term payment obligations under credit agreements such as our Senior Notes and revolving credit facilities. The following table shows our scheduled future maturities of long-term debt for the periods indicated. See Note 9 for a description of these debt obligations.

Operating lease commitments. We lease certain property, plant and equipment under noncancelable and cancelable operating leases. The following table shows the minimum lease payment obligations under our third-party operating leases with terms in excess of one year for the periods indicated.

Purchase obligations. We define purchase obligations as agreements to purchase goods or services that are enforceable and legally binding (unconditional) and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions. We have classified our unconditional purchase obligations into the following categories:

Product purchase commitments. We have long and short-term product purchase obligations for NGLs, petrochemicals and natural gas with several third-party suppliers. The purchase prices that we are obligated to pay under these contracts approximate market prices at the time we take delivery of the volumes. The following table shows our volume commitments and estimated payment obligations under these contracts for the periods indicated. To the extent that variable price provisions exist in these contracts, our estimated future payment obligations are based on the contractual price under each contract for purchases made at December 31, 2003 applied to future volume commitments.

Service contract commitments. We have long and short-term commitments to pay third-party service providers for services such as maintenance agreements. Our contractual payment obligations vary by contract. The following table shows our future payment obligations under these service contracts.

Capital expenditure commitments. We have short-term payment obligations relating to capital projects we have initiated and are also responsible for our share of such obligations associated with capital projects of our unconsolidated affiliates. These commitments represent unconditional payment obligations that we or our unconsolidated affiliates have agreed to pay vendors for services rendered or products purchased. The following table shows these combined amounts for the periods indicated:

Contractual Obligations	Payment or Settlement due by Period Total	2004	2005	2006	2007	2008	Thereafter
Long-term debt, including current maturities	$ 2,144,000	$ 240,000	$ 550,000				$ 1,354,000
Operating lease obligations	$ 47,197	$ 8,928	$ 4,290	$ 3,786	$ 3,679	$ 3,451	$ 23,063
Purchase obligations:							
Product purchase commitments:							
Estimated payment obligations:							
Natural gas	$ 1,079,876	$ 150,620	$ 117,501	$ 115,965	$ 115,965	$ 115,965	$ 463,860
NGLs	$ 131,904	$ 15,745	$ 8,935	$ 8,935	$ 8,935	$ 8,935	$ 80,419
Petrochemicals	$ 1,149,987	$ 425,971	$ 373,174	$ 327,171	$ 23,671		
Other	$ 75,455	$ 45,996	$ 21,682	$ 2,207	$ 2,207	$ 2,207	$ 1,156
Underlying major volume commitments:							
Natural gas (in Bbtus)	164,032	23,602	17,790	17,520	17,520	17,520	70,080
NGLs (in MBbls)	5,333	578	366	366	366	366	3,291
Petrochemicals (in MBbls)	36,892	13,696	11,952	10,490	754		
Service payment commitments	$ 552	$ 382	$ 85	$ 85			
Capital expenditure commitments	$ 4,003	$ 4,003					

The operating lease commitments shown in the preceding table exclude the non-cash related party expense associated with various equipment leases contributed to us by EPCO at our formation for which EPCO has retained the liability (the retained leases). The retained leases are accounted for as operating leases by EPCO. EPCO s minimum future rental payments under these leases are $12.1 million for 2004, $2.1 million for each of the years 2005 through 2008, $0.7 million for each of the years 2009 through 2015 and $0.3 million for 2016.

EPCO has assigned to us the purchase options associated with the retained leases. We notified the lessor of the isomerization unit associated with the retained leases of our intent to exercise the purchase option relating to this equipment in 2004. Under the terms of the lease agreement for the isomerization unit, we have the option to purchase the equipment at the lesser of fair value or $23.1 million. Should we decide to exercise all of the remaining purchase options associated with the retained leases (which are also at fair value), up to an additional $2.8 million would be payable in 2004, $2.3 million in 2008 and $3.1 million in 2016.

Third-party lease and rental expense included in operating income for the years ended December 31, 2003, 2002 and 2001 was approximately $17.8 million, $16.4 million and $13.0 million, respectively.

Litigation

We are sometimes named as a defendant in litigation relating to our normal business operations. Although we insure against various business risks, to the extent management believes it is prudent, there is no assurance that the nature and amount of such insurance will be adequate, in every case, to indemnify us against liabilities arising from future legal proceedings as a result of ordinary business activity. Management is not aware of any significant litigation, pending or threatened, that would have a significant adverse effect on our financial position or results of operations.

17. SUPPLEMENTAL CASH FLOWS DISCLOSURE

The net effect of changes in operating assets and liabilities is as follows:

	For Year Ended December 31,		
	2003	2002	2001
(Increase) decrease in:			
Accounts and notes receivable	$ (54,388)	$ (127,365)	$ 231,532
Inventories	49,932	(84,254)	11,048
Prepaid and other current assets	11,073	15,340	(26,427)
Other assets	(226)	(3,322)	162
Increase (decrease) in:			
Accounts payable	(6,720)	23,901	(82,075)
Accrued gas payable	128,050	262,527	(178,102)
Accrued expenses	(16,677)	7,884	(1,576)
Accrued interest	15,012	5,369	14,234
Other current liabilities	(4,196)	(6,921)	3,073
Other liabilities	(972)	(504)	(9,012)
Net effect of changes in operating accounts	$ 120,888	$ 92,655	$ (37,143)
Cash payments for interest, net of $1,595, $1,083 and $2,946 capitalized in 2003, 2002 and 2001, respectively	$ 112,712	$ 82,535	$ 37,536
Cash payments for federal and state income taxes	$ 453	n/a	n/a

During 2003, we completed several business acquisitions, made adjustments to the 2002 purchase price allocation of the Mid-America and Seminole acquisitions; and consolidated entities that had been previously accounted for using the equity-method (see Note 4) . During 2002, we completed $1.8 billion in business acquisitions, the most significant of which were the acquisition of interests in the Mid-America and Seminole pipelines from Williams and propylene fractionation and NGL and petrochemical storage assets from Diamond-Koch. During 2001, we acquired Acadian Gas from Shell. These transactions and events over the last three years affected various balance sheet categories summarized as follows:

	For Year Ended December 31,		
	2003	2002	2001
Current assets	$ 24,960	$ 53,287	$ 83,123
Property, plant and equipment	131,452	1,507,243	225,169
Investments in unconsolidated affiliates	(57,172)	7,550	2,723
Intangible assets	4,057	92,356	
Goodwill	880	73,691	
Deferred tax asset		17,307	
Other assets	3,208	2,699	
Current liabilities	(32,140)	(17,747)	(83,890)
Long-term debt		(60,000)	
Other liabilities	(6,063)	(90)	(1,460)
Minority interest	(31,834)	(55,569)	
Total	$ 37,348	$ 1,620,727	$ 225,665

We record various financial instruments relating to commodity positions and interest rate hedging activities at their respective fair values using mark-to-market accounting. The amount for 2003 was negligible. During 2002, we recognized a net $10.2 million in non-cash mark-to-market decreases in the fair value of these instruments,

primarily in our commodity financial instruments portfolio. During 2001, we recognized a net $5.6 million in non-cash mark-to-market increases in the fair value of our financial instruments portfolio.

During 2003 and 2002, we acquired certain NGL-related contracts related to our ability to take delivery of purity NGL products and mixed NGLs from VESCO at a lower cost than otherwise would have been incurred. Of the $6.6 million value of this intangible asset, $2.6 million was reclassified from construction-in-progress during 2002 and $4.0 million represents the actual cash payments made to the third-party during 2003 and 2002. The prior expenditures recorded as construction-in-progress were reclassified due to the direct linkage between these expenditures and the successful negotiation of the Venice contracts.

Cash and cash equivalents (as shown on our Statements of Consolidated Cash Flows) excludes restricted cash amounts held by a brokerage firm as margin deposits associated with our financial instruments portfolio and for our physical purchase transactions made on the NYMEX exchange. The restricted cash balance at December 31, 2003 and 2002 was $13.9 million and $8.8 million, respectively.

18. FINANCIAL INSTRUMENTS

We are exposed to financial market risks, including changes in commodity prices and interest rates. We may use financial instruments (i.e., futures, forwards, swaps, options, and other financial instruments with similar characteristics) to mitigate the risks of certain identifiable and anticipated transactions, primarily within our NGL Pipelines & Services segment. In general, the types of risks we attempt to hedge are those relating to the variability of future earnings and cash flows caused by changes in commodity prices and interest rates. As a matter of policy, we do not use financial instruments for speculative (or trading) purposes.

The estimated fair values of our financial instruments have been determined using available market information and appropriate valuation methodologies. We must use considerable judgment, however, in interpreting market data and developing these estimates. Accordingly, our fair value estimates are not necessarily indicative of the amounts that we could realize upon disposition of these instruments. The use of different market assumptions and/or estimation techniques could have a material effect on our estimates of fair value.

Commodity financial instruments

The prices of natural gas, NGLs, petrochemical products and MTBE are subject to fluctuations in response to changes in supply, market uncertainty and a variety of additional factors that are beyond our control. In order to manage the risks associated with our NGL Pipelines & Services segment activities, we may enter into various commodity financial instruments. The primary purpose of these risk management activities is to hedge our exposure to price risks associated with natural gas, NGL production and inventories, firm commitments and certain anticipated transactions. The commodity financial instruments we utilize may be settled in cash or with another financial instrument.

We do not hedge our exposure related to MTBE price risks. In addition, we generally do not hedge risks associated with the petrochemical marketing activities that are also part of our Petrochemical Services segment. In our Onshore Natural Gas Pipelines & Services segment, we do utilize a limited number of commodity financial instruments to manage the price Acadian Gas charges certain of its customers for natural gas.

We have adopted a policy to govern our use of commodity financial instruments to manage the risks of our natural gas and NGL businesses. The objective of this policy is to assist us in achieving our profitability goals while maintaining a portfolio with an acceptable level of risk, defined as remaining within the position limits established by the General Partner. We enter into risk management transactions to manage price risk, basis risk, physical risk or other risks related to our commodity positions on both a short-term (less than 30 days) and long-term basis, not to exceed 24 months. The General Partner oversees our strategies associated with physical and financial risks (such as those mentioned previously), approves specific activities subject to the policy (including authorized products, instruments and markets) and establishes specific guidelines and procedures for implementing and ensuring compliance with the policy.

Our commodity financial instruments may not qualify for hedge accounting treatment under the specific guidelines of SFAS No. 133 because of ineffectiveness. A financial instrument is generally regarded as effective when changes in its fair value almost fully offset changes in the fair value of the hedged item throughout the term of the instrument. Due to the complex nature of risks we attempt to hedge, our commodity financial instruments have generally not qualified as effective hedges under SFAS No. 133. As a result, changes in the fair value of these positions are recorded on the balance sheet and in earnings through mark-to-market accounting. Mark-to-market accounting results in a degree of non-cash earnings volatility that is dependent upon changes in the commodity prices underlying these financial instruments. Even though these financial instruments may not qualify for hedge accounting treatment under SFAS No. 133, we view such contracts as hedges since this was the intent when we entered into such positions. Upon entering into such positions, our expectation is that the economic performance of these instruments will mitigate (or offset) the commodity risk being addressed. The specific accounting for these contracts, however, is consistent with the requirements of SFAS No. 133.

At December 31, 2003, we had open commodity financial instruments that will settle at different dates through December 2004. We routinely review our outstanding commodity financial instruments in light of current market conditions. If market conditions warrant, some instruments may be closed out in advance of their contractual settlement dates thus realizing income or loss depending on the specific exposure. When this occurs, we may enter into a new commodity financial instrument to reestablish the hedge to which the closed instrument relates.

During 2003, we recognized a loss of $0.6 million from our commodity hedging activities that was recorded as an increase in our operating costs and expenses in the Statements of Consolidated Operations. Of the loss recognized in 2003, $0.8 million loss is related to commodity hedging activities associated with natural gas purchases within the Onshore Natural Gas Pipelines & Services segment offset by a $0.2 million gain from commodity hedging activities associated with the hedging of NGL production within the NGL Pipelines & Services segment.

During 2002, we recognized a loss of $51.3 million from our commodity hedging activities that was recorded as an increase in our operating costs and expenses in the Statements of Consolidated Operations. Of the loss recognized in 2002, $5.6 million is related to non-cash mark-to-market income recorded on open positions at December 31, 2001. During 2001, we posted income of $101.3 million from our commodity hedging activities, which served to reduce operating costs and expenses.

Beginning in late 2000 and extending through March 2002, a large number of our commodity hedging transactions were based on the historical relationship between natural gas prices and NGL prices. This type of hedging strategy utilized the forward sale of natural gas at a fixed-price with the expected margin on the settlement of the position offsetting or mitigating changes in the anticipated margins on NGL marketing activities and the value of our equity NGL production. Throughout 2001, this strategy proved very successful to us (as the price of natural gas declined relative to our fixed positions) and was responsible for most of the $101.3 million in commodity hedging income we recorded during 2001.

In late March 2002, the effectiveness of this strategy deteriorated due to an unexpected rapid increase in natural gas prices whereby the loss in the value of our fixed-price natural gas financial instruments was not offset by increased gas processing margins. Due to the inherent uncertainty that was controlling natural gas prices at the time, we decided that it was prudent to exit this strategy, and we did so by late April 2002. The failure of this strategy is the primary reason for the $51.3 million in commodity hedging losses we recorded during 2002.

We had a limited number of commodity financial instruments open at December 31, 2003 and 2002. The fair value of these open positions at December 31, 2003 and 2002 was an asset of $4 thousand and a liability of $26 thousand, respectively (both amounts based on market prices on these dates).

Interest rate hedging financial instruments

Our interest rate exposure results from variable-interest rate borrowings and fixed-interest rate borrowings (see Note 9). We assess the cash flow risk related to interest rates by identifying and measuring changes in our interest rate exposures that may impact future cash flows and evaluating hedging opportunities to manage these risks. We use analytical techniques to measure our exposure to fluctuations in interest rates, including cash flow

sensitivity analysis to estimate the expected impact of changes in interest rates on our future cash flows. The General Partner oversees the strategies associated with these financial risks and approves instruments that are appropriate for our requirements.

Interest rate swaps. We manage a portion of our interest rate risks by utilizing interest rate swaps. The objective of entering into interest rate swaps is to manage debt service costs by converting a portion of fixed-rate debt into variable-rate debt or a portion of variable-rate debt into fixed-rate debt. In general, an interest rate swap requires one party to pay a fixed-interest rate on a notional amount while the other party pays a floating-interest rate based on the same notional amount. The notional amount specified in an interest rate swap agreement does not represent exposure to credit loss. We monitor our positions and the credit ratings of counterparties. Management believes the risk of incurring a credit loss on these financial instruments is remote, and that if incurred, such losses would be immaterial. We believe that it is prudent to maintain an appropriate balance of variable-rate and fixed-rate debt.

At December 31, 2002, we had one interest rate swap outstanding having a notional amount of $54 million that extends through March 2010. Under this agreement, we exchanged a fixed-interest rate of 8.7% for a variable-interest rate that ranged from 1.8% to 4.5% during 2002 (the variable-interest rate we paid under this swap fluctuated over time depending on market conditions). The counterparty exercised its right to early termination of this swap in March 2003; therefore, only a minimal amount of income was recognized in 2003 from this financial instrument. We recognized income from our interest rate swaps of $0.9 million during 2002 compared to $13.2 million during 2001. This income is recorded as a reduction of interest expense in our Statements of Consolidated Operations. There were no interest rate swaps outstanding at December 31, 2003.

Treasury Locks. During the fourth quarter of 2002, we entered into seven treasury lock transactions. A treasury lock is a specialized agreement that fixes the price (or yield) on a specific treasury security for an established period of time. A treasury lock purchaser is protected from a rise in the yield of the underlying treasury security during the lock period. Our treasury lock transactions carried an original maturity date of either January 31, 2003 or April 15, 2003. The purpose of these transactions was to hedge the underlying treasury interest rate associated with our anticipated issuance of debt in early 2003 to refinance the Mid-America and Seminole acquisitions. The notional amounts of these transactions totaled $550 million, with a total treasury lock rate of approximately 4%.

Our treasury lock transactions were accounted for as cash flow hedges. The fair value of these instruments at December 31, 2002 was a current liability of $3.8 million offset by a current asset of $0.2 million. The net $3.6 million non-cash mark-to-market liability was recorded as a component of comprehensive income on that date, with no impact to current earnings.

We elected to settle all of the treasury locks by early February 2003 in connection with our issuance of Senior Notes C and D (see Note 9). The settlement of these instruments resulted in our receipt of $5.4 million of cash. This amount was recorded as a gain in other comprehensive income during the first quarter of 2003 and represents the effective portion of the treasury locks.

Of the $5.4 million recorded in other comprehensive income during the first quarter of 2003, $4.0 million is attributable to our issuance of Senior Notes C and will be amortized to earnings as a reduction in interest expense over the 10-year term of this debt. The remaining $1.4 million is attributable to our issuance of Senior Notes D and will be amortized to earnings as a reduction in interest expense over the 10-year term of the anticipated transaction as required by SFAS No. 133. The amount reclassified from accumulated other comprehensive income to earnings during 2003 was $0.4 million. We expect to reclassify $0.4 million from other comprehensive income as a reduction to interest expense during 2004. With the settlement of the treasury locks, the $3.6 million non-cash mark-to-market liability recorded at December 31, 2002 was reclassified out of accumulated other comprehensive income in Partners Equity to offset the current asset and liabilities we recorded at December 31, 2002 with no impact to earnings.

Future issues concerning SFAS No. 133

Due to the complexity of SFAS No. 133 (as amended and interpreted), the FASB is continuing to provide guidance about implementation issues. Since this guidance is still continuing, our conclusions regarding the application of this guidance may be altered. As a result, additional adjustments may be recorded in future periods as we adopt new FASB interpretations.

Fair value information

Cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are carried at amounts which reasonably approximate their fair value at year end due to their short-term nature. The estimated fair value of our fixed-rate debt is estimated based on quoted market prices for such debt or debt of similar terms and maturities. The carrying amounts of our variable-rate debt obligations reasonably approximate their fair values due to their variable interest rates. The fair values associated with our commodity and interest rate hedging financial instruments were developed using available market information and appropriate valuation techniques.

The following table summarizes the estimated fair values of our various financial instruments at December 31, 2003 and 2002:

	At December 31, 2003		At December 31, 2002	
Financial instruments	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Financial assets:				
Cash and cash equivalents	$ 44,317	$ 44,317	$ 22,568	$ 22,568
Accounts receivable	462,545	462,545	399,415	399,415
Commodity financial instruments [1]	358	358	513	513
Interest rate hedging financial instruments [2]			203	203
Financial liabilities:				
Accounts payable and accrued expenses	799,456	799,456	663,715	663,715
Fixed-rate debt (principal amount)	1,734,000	1,849,327	899,000	1,027,749
Variable-rate debt	410,000	410,000	1,346,000	1,346,000
Commodity financial instruments [1]	355	355	539	539
Interest rate hedging financial instruments [2]			3,766	3,766

(1) Represent commodity financial instrument transactions that either have not settled or have settled and not been invoiced. Settled and invoiced transactions are reflected in either accounts receivable or accounts payable depending on the outcome of the transaction.

(2) Represent interest rate hedging financial instrument transactions that had not settled. Settled transactions are reflected in either accounts receivable or accounts payable depending on the outcome of the transaction.

19. SIGNIFICANT CONCENTRATIONS OF RISK

Nature of Operations

General. Our Company is subject to a number of risks inherent in the industry in which it operates, including fluctuating gas and product prices. Our financial condition and results of operations depend significantly on the demand for NGLs and the costs involved in their production. These NGL, natural gas and other related prices are subject to fluctuations in response to changes in supply, market uncertainty, weather and a variety of additional factors that are beyond our control.

In addition, we must obtain access to new natural gas volumes along the Gulf Coast of the United States for our processing business in order to maintain or increase gas plant processing levels to offset natural declines in field reserves. The number of wells drilled by third parties to obtain new volumes will depend on, among other factors, the price of gas and oil, the energy policy of the federal government and the availability of foreign oil and gas, none of which is in our control.

The products that we process, sell or transport are principally used as feedstocks in petrochemical manufacturing and in the production of motor gasoline and as fuel for residential and commercial heating. A reduction in demand for our products or services by industrial customers, whether because of general economic conditions, reduced demand for the end products made with our products, increased competition from petroleum-based products due to pricing differences, adverse weather conditions, governmental regulations affecting prices and production levels of natural gas or the content of motor gasoline or other reasons, could have a negative impact on our results of operation. A material decrease in natural gas production or crude oil refining, as a result of depressed commodity prices or otherwise, or a decrease in imports of mixed butanes, could result in a decline in volumes processed and sold by us.

MTBE. We own a 66.7% interest in BEF, which owns a facility that currently produces MTBE, a motor gasoline additive that enhances octane and is used in reformulated motor gasoline. We operate the facility, which is located within our Mont Belvieu complex.

The production of MTBE is primarily driven by oxygenated fuel programs enacted under the federal Clean Air Act Amendments of 1990. In recent years, MTBE has been detected in water supplies. The major source of ground water contamination appears to be leaks from underground storage tanks. As a result of environmental concerns, several states have enacted legislation to ban or significantly limit the use of MTBE in motor gasoline within their jurisdictions. In addition, federal legislation has been drafted to ban MTBE and replace the oxygenate with renewable fuels such as ethanol.

A number of lawsuits have been filed by municipalities and other water suppliers against a number of manufacturers of reformulated gasoline containing MTBE, although generally such suits have not named manufacturers of MTBE as defendants, and there have been no such lawsuits filed against BEF. It is possible, however, that MTBE manufacturers such as BEF could ultimately be added as defendants in such lawsuits or in new lawsuits. While we believe that we currently have adequate insurance to cover any adverse consequences resulting from our production of MTBE, we have been informed by our insurance carrier that upon renewal of our policy in April 2004, MTBE related claims may be excluded from the scope of our insurance coverage.

As a result of these developments, we are currently in the process of modifying the facility to also produce iso-octane, a motor gasoline octane enhancement additive derived from isobutane. We expect iso-octane to be in demand by refiners to replace the amount of octane that is lost as a result of MTBE being eliminated as a motor gasoline blendstock. The modification project is expected to be completed during the third quarter of 2004 at a total cost of approximately $30 million. The facility will continue to produce MTBE as market conditions warrant and will be capable of producing either MTBE or iso-octane once the plant modifications are complete. Depending on the outcome of various factors (including pending federal legislation) the facility may be further modified in the future to produce alkylate.

As noted above, MTBE demand is primarily linked to reformulated motor gasoline requirements in certain urban areas of the United States designated as carbon monoxide and ozone non-attainment areas by the federal Clean Air Act Amendments of 1990. Motor gasoline demand in turn is affected by many factors, including the price of motor gasoline (which is generally dependent upon crude oil prices) and overall economic conditions. Sun is obligated to purchase all of BEF s MTBE production at spot-market related prices through September 2004. Sun uses the MTBE it purchases from BEF either (i) to satisfy its own reformulated gasoline blending requirements in the eastern United States markets it serves, or (ii) as a commodity offered for resale to others.

BEF is exposed to commodity price risk due to the market-pricing provisions of the Sun agreement. Traditionally, MTBE prices are stronger during the April to September period of each year, which corresponds with the summer driving season. Future MTBE prices will be influenced by the timing and extent of federal and state legislation to ban or limit the use of MTBE.

Credit risk

A substantial portion of our revenues are derived from various companies in the NGL and petrochemical industry, located in the United States. This concentration could affect our overall exposure to credit risk since these customers might be affected by similar economic or other conditions. We generally do not require collateral for our

accounts receivable; however, we do attempt to negotiate offset, prepayment, or automatic debit agreements with customers that are deemed to be credit risks in order to minimize our potential exposure to any defaults.

Counterparty risk

From time to time, we have credit risk with our counterparties in terms of settlement risk associated with its financial instruments (which includes accounts receivable). On all transactions where we are exposed to credit risk, we analyze the counterparty s financial condition prior to entering into an agreement, establish credit and/or margin limits and monitor the appropriateness of these limits on an ongoing basis.

In December 2001, Enron Corp., or Enron , filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Within our allowance for doubtful accounts is an $8.6 million reserve for amounts owed to us by Enron and its affiliates. Affiliates of Enron were our counterparty to various past financial instruments, which were guaranteed by Enron. The Enron amounts were unsecured and the amount that we may ultimately recover, if any, is not presently determinable.

20. SEGMENT INFORMATION

Operating segments are components of a business about which separate financial information is available. These components are regularly evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments.

We have segregated our business activities into four distinct reportable business segments: Offshore Pipelines & Services, Onshore Natural Gas Pipelines & Services, NGL Pipelines & Services, and Petrochemical Services. Our business segments are generally organized and managed according to the type of services rendered (or technology or process employed) and products produced and/or sold, as applicable. Our segments are regularly evaluated by the CEO of our general partner in deciding how to allocate resources and in assessing performance.

We evaluate segment performance based on the segment gross operating margin. Segment gross operating margin is an important performance measure of the core profitability of our operations. This measure forms the basis of our internal financial reporting and is used by senior management in deciding how to allocate capital resources among business segments. We believe that investors benefit from having access to the same financial measures that our management uses in evaluating segment results.

We define total segment gross operating margin as operating income before: (1) depreciation, depletion and amortization expense; (2) operating lease expenses for which we do not have the payment obligation; (3) gains and losses on the sale of assets; and (4) selling, general and administrative expenses. Segment gross operating margin is exclusive of other income and expense transactions, provision for income taxes, minority interest, extraordinary charges and the cumulative effect of changes in accounting principles. Segment gross operating margin is calculated by subtracting segment operating costs and expenses (net of the adjustments noted above) from segment revenues, with both segment totals before the elimination of intercompany transactions.

We include equity earnings from unconsolidated affiliates in our measurement of segment gross operating margin (see Note 7). Our equity investments with industry partners are a vital component of our business strategy. They are a means by which we conduct our operations to align our interests with those of our customers, which may be suppliers of raw materials or consumers of finished products. This method of operation also enables us to achieve favorable economies of scale relative to the level of investment and business risk assumed versus what we could accomplish on a stand-alone basis. Many of these businesses perform supporting or complementary roles to our other business operations. For example, we use the Promix NGL fractionator to process a portion of the mixed NGLs extracted by our gas plants. Another example is our use of the Dixie pipeline to transport propane sold to customers through our NGL marketing activities.

Segment revenues and expenses include intrasegment and intrasegment transactions, which are generally based on transactions made at market-related rates. These transactions include, but are not limited to, the following types:

NGL fractionation revenues from separating our mixed NGL inventories into distinct NGL products using our fractionation plants as directed by our NGL marketing activities (an intrasegment revenue of the NGL Pipelines & Services segment offset by an intrasegment expense of the NGL Pipelines & Services segment);
Isomerization revenues received from charging our NGL marketing activities a toll processing fee to process inventories of mixed and normal butanes (an intersegment revenue of the Petrochemical Services segment offset by an intersegment expense of the NGL Pipelines & Services segment);
Transfer sales of mixed NGLs retained under keepwhole or percent-of-liquids arrangements between our natural gas processing plants to our NGL marketing activities (an intrasegment revenue of the NGL Pipelines & Services segment offset by an intrasegment expense of the NGL Pipelines & Services segment); and
Transfer sales of mixed NGLs retained under percent-of-liquids arrangements by our Norco NGL fractionator to our NGL marketing activities (an intrasegment revenue of the NGL Pipelines & Services segment offset by an intrasegment expense of the NGL Pipelines & Services segment).

Our consolidated revenues reflect the elimination of all material intercompany (both intersegment and intrasegment) transactions.

Our revenues are derived from a wide customer base. All consolidated revenues were earned in the United States. Most of our plant-based operations are located either along the western Gulf Coast in Texas, Louisiana and Mississippi or in New Mexico. Our natural gas, NGL and oil pipelines and related operations are in a number of regions of the United States including the Gulf of Mexico offshore Texas and Louisiana; the south and southeastern United States (primarily in Texas, Louisiana, Mississippi and Alabama); and certain regions of the central and western United States. Our marketing activities are headquartered in Houston, Texas at our main office and service customers in a number of regions in the United States including the Gulf Coast, West Coast and Mid-Continent areas.

Consolidated property, plant and equipment and investments in and advances to unconsolidated affiliates are allocated to each segment on the basis of each asset s or investment s principal operations. The principal reconciling item between consolidated property, plant and equipment and segment assets is construction-in-progress. Segment assets represents those facilities and projects that contribute to gross operating margin and is net of accumulated depreciation on these assets. Since assets under construction generally do not contribute to segment gross operating margin, these assets are excluded from the business segment totals until they are deemed operational. Consolidated intangible assets and goodwill are allocated to each segment based on the classification of the assets to which they relate.

The Other non-segment category is presented in our segment reporting for financial reporting purposes only to show the historical equity earnings we received from GulfTerra GP and our underlying investment in this entity at December 31, 2003. We acquired a 50% membership interest in GulfTerra GP on December 15, 2003, which owns a 1.0% general partner interest in GulfTerra. Our investment in GulfTerra GP will be accounted for using the equity method until the completion of our merger with GulfTerra. Since the historical equity earnings of GulfTerra GP were based on net income amounts allocated to it by GulfTerra, it is impractical for us to allocate the equity income we received during the periods presented to each of our new segments. Therefore, we have segregated equity earnings from GulfTerra GP apart from our other investments to aid in comparability between the periods presented and future periods.

The following table shows our measurement of total segment gross operating margin for the periods indicated:

	For Year Ended December 31,		
	2003	2002	2001
Revenues [1]	$ 5,346,431	$ 3,584,783	$ 3,154,369
Less operating costs and expenses [1]	(5,046,777)	(3,382,839)	(2,862,582)
Add equity in income (loss) of unconsolidated affiliates [2]	(13,960)	35,253	25,358
Subtotal	285,694	237,197	317,145
Add: Depreciation and amortization in operating costs and expenses [3]	115,643	86,028	48,775
Retained lease expense, net in operating expenses allocable to us [4]	9,010	9,033	10,309
Retained lease expense, net in operating expenses allocable to our General Partner s minority interest in us [5]	84	92	105
Loss (gain) on sale of assets in operating costs and expenses [1]	(16)	(1)	(390)
Total segment gross operating margin	$ 410,415	$ 332,349	$ 375,944

(1) These amounts are comprised of both third party and related party totals as shown on our Statements of Consolidated Operations and Comprehensive Income.
(2) This amount is taken directly from our Statements of Consolidated Operations and Comprehensive Income.
(3) This amount is taken directly from the operating activities section of our Statements of Consolidated Cash Flows.
(4) This non-cash amount represents our share of the value of the operating leases contributed by EPCO to the Operating Partnership for which EPCO has retained the cash payment obligation (the retained leases , see Note 14). This amount is taken from the operating activities section (Operating lease expense paid by EPCO line item) of our Statements of Consolidated Cash Flows.
(5) This non-cash amount represents a minority interest holder s share of the value of the retained leases. This amount is a component of Contributions from minority interests as shown in the financing activities section of our Statements of Consolidated Cash Flows.

The following table reconciles consolidated operating income to total segment gross operating margin for the periods indicated (dollars in thousands):

	For Year Ended December 31,		
	2003	2002	2001
Operating income	$ 248,104	$ 194,307	$ 286,849
Adjustments to reconcile operating income to total gross operating margin:			
Depreciation and amortization in operating costs and expenses	115,643	86,028	48,775
Retained lease expense, net in operating costs and expenses	9,094	9,125	10,414
Loss (gain) on sale of assets in operating costs and expenses	(16)	(1)	(390)
Selling, general and administrative costs	37,590	42,890	30,296
Total segment gross operating margin	$ 410,415	$ 332,349	$ 375,944

Information by segment, together with reconciliations to the consolidated totals, is presented in the following table:

	Business Segments						
	Offshore Pipelines & Services	**Onshore Nat. Gas Pipelines & Services**	**NGL Pipelines & Services**	**Petrochem. Services**	**Non-Segmt. Other**	**Adjustments and Eliminations**	**Consolidated Totals**
Revenues from third parties:							
Year ended December 31, 2003		$ 344,611	$ 3,654,596	$ 782,999			$ 4,782,206
Year ended December 31, 2002		295,709	2,246,266	560,091			3,102,066
Year ended December 31, 2001		220,087	2,151,748	270,078			2,641,913
Revenues from related parties:							
Year ended December 31, 2003		227,973	325,358	10,894			564,225
Year ended December 31, 2002		146,062	311,525	25,130			482,717
Year ended December 31, 2001		152,927	330,188	29,341			512,456
Intersegment and intrasegment revenues:							
Year ended December 31, 2003		3,975	1,143,595	186,672		$ (1,334,242)	
Year ended December 31, 2002		2,271	757,311	151,880		(911,462)	
Year ended December 31, 2001		1,942	827,900	102,831		(932,673)	
Total revenues:							
Year ended December 31, 2003		576,559	5,123,549	980,565		(1,334,242)	5,346,431
Year ended December 31, 2002		444,042	3,315,102	737,101		(911,462)	3,584,783
Year ended December 31, 2001		374,956	3,309,836	402,250		(932,673)	3,154,369
Equity income (loss) in unconsolidated affiliates:							
Year ended December 31, 2003	$ 5,561	131	7,842	(27,441)	$ (53)		(13,960)
Year ended December 31, 2002	10,534	(58)	15,392	9,385			35,253
Year ended December 31, 2001	8,310	(145)	10,361	6,832			25,358
Gross operating margin by individual business segment and in total:							
Year ended December 31, 2003	5,561	18,345	310,631	75,931	(53)		410,415
Year ended December 31, 2002	10,535	22,109	181,884	117,821			332,349
Year ended December 31, 2001	8,311	11,679	258,625	97,329			375,944
Segment assets:							
At December 31, 2003		220,922	2,183,485	484,666		74,432	2,963,505
At December 31, 2002		225,392	2,092,217	443,993		49,237	2,810,839
Investments in and advances to unconsolidated affiliates:							
At December 31, 2003	127,605	2,519	190,682	22,006	424,947		767,759
At December 31, 2002	118,300	2,383	195,885	80,425			396,993
Intangible Assets:							
At December 31, 2003			215,072	53,821			268,893
At December 31, 2002			226,049	51,612			277,661
Goodwill:							
At December 31, 2003			8,737	73,690			82,427
At December 31, 2002			7,857	73,690			81,547

In general, our historical operating results and/or financial position have been affected by the following acquisitions since 2001:

the acquisition of a 50% interest in GulfTerra GP from El Paso in December 2003 for $425 million;
the Mid-America and Seminole pipeline systems from Williams in July 2002 for $1.2 billion;
a Mont Belvieu, Texas propylene fractionation business from Diamond-Koch in February 2002 for $239 million;
a Mont Belvieu, Texas NGL and petrochemical storage business from Diamond-Koch in January 2002 for $129.6 million;
the Acadian Gas pipeline system from Shell in April 2001 for $243.7 million; and
equity interests in four Gulf of Mexico natural gas pipelines from affiliates of El Paso in January 2001 for $113 million.

These acquisitions were accounted for as purchases and therefore operating results of these acquired entities are included in our financial results prospectively from the purchase date.

During 2002, we recognized a loss of $51.3 million from our NGL Pipelines & Services segment s commodity hedging activities that was recorded as an increase in our operating costs and expenses which reduced segment gross operating margin. During 2001, we posted income of $101.3 million from this segment s commodity hedging activities, which served to reduce operating costs and expenses and increase segment gross operating margin.

Due to a deteriorating business environment and outlook and the completion of its preliminary engineering studies regarding conversion alternatives, BEF evaluated the carrying value of its long-lived assets for impairment during the third quarter of 2003. This review indicated that the carrying value of its long-lived assets exceeded their collective fair value, which resulted in a non-cash asset impairment charge of $67.5 million. Our share of this loss was $22.5 million and is recorded as a component of Equity in income (loss) of unconsolidated affiliates in our Statements of Consolidated Operations and Comprehensive Income for the year ended December 31, 2003.

21. CONDENSED FINANCIAL INFORMATION OF OPERATING PARTNERSHIP

The Operating Partnership and its subsidiaries conduct substantially all of our business. We have no independent operations and no material assets outside of those of the Operating Partnership. In December 2003, we restructured our General Partner s ownership interest in us and our Operating Partnership from a 1% ownership in us and 1.0101% ownership in the Operating Partnership to a 2% ownership in us. As a result, our effective ownership in the Operating Partnership increased from 98.9899% to 100%. For additional information regarding our capital structure, see Note 10.

The Operating Partnership has outstanding publicly traded debt securities consisting of its Senior Notes A, B, C and D. We act as guarantor of all of our Operating Partnership s consolidated debt obligations (including its publicly-traded debt securities), with the exception of the Seminole Notes. If the Operating Partnership were to default on any debt we guarantee, we would be responsible for full repayment of that obligation. Our guarantee of the Operating Partnership s debt obligations is full and unconditional. For additional information regarding our consolidated debt obligations, see Note 9.

The number and dollar amount of reconciling items between our consolidated financial statements and those of our Operating Partnership are insignificant. The primary reconciling items between the consolidated balance sheet of the Operating Partnership and our consolidated balance sheet are the treasury units we own directly and minority interest. The differences in consolidated net income are primarily dividends recognized by the 1999 Trust (which are eliminated in consolidation) and minority interest. The minority interest differences are attributable to the General Partner s 1.0101% ownership of the Operating Partnership prior to December 2003.

The following tables show condensed financial information for the Operating Partnership for the periods and at the dates indicated:

Consolidated Balance Sheet Data:

	December 31,	
	2003	**2002**
ASSETS		
Current assets	$ 687,530	$ 638,857
Property, plant and equipment, net	2,963,505	2,810,839
Investments in and advances to unconsolidated affiliates, net	767,759	396,993
Intangible assets, net	268,893	277,661
Goodwill	82,427	81,547
Deferred tax asset	10,437	15,846
Other assets	22,610	9,818
Total	$ 4,803,161	$ 4,231,561
LIABILITIES AND PARTNERS EQUITY		
Current liabilities	$ 1,093,747	$ 721,360
Long-term debt	1,899,548	2,231,463
Other long-term liabilities	14,081	7,666
Minority interest	89,216	59,336
Partners equity	1,706,569	1,211,736
Total	$ 4,803,161	$ 4,231,561
Total Operating Partnership debt obligations guaranteed by us	$ 2,114,000	$ 2,200,000

Consolidated Statements of Operations Data:

	For Year Ended December 31,		
	2003	**2002**	**2001**
Revenues	$ 5,346,431	$ 3,584,783	$ 3,154,369
Costs and expenses	5,083,701	3,425,503	2,893,394
Equity in income (loss) of unconsolidated affiliates	(13,960)	35,253	25,358
Operating income	248,770	194,533	286,333
Other income (expense)	(133,798)	(93,810)	(41,471)
Income before provision of income taxes and minority interest	114,972	100,723	244,862
Provision for income taxes	(5,293)	(1,634)	
Income before minority interest	109,679	99,089	244,862
Minority interest	(3,095)	(2,137)	(144)

	For Year Ended December 31,		
Net income	$ 106,584	$ 96,952	$ 244,718

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22. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table contains selected quarterly financial data for 2003 and 2002 (dollars in thousands, except per unit amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
For the Year Ended December 31, 2002:				
Revenues	$ 662,054	$ 786,257	$ 943,313	$ 1,193,159
Operating income (loss)	(1,233)[1,2]	39,930 [2]	68,325 [2]	87,285 [2]
Net income (loss)	(17,203)[1]	22,320	34,850 [3]	55,533
Comprehensive income (loss)	(17,203)[1]	22,320	34,850 [3]	51,973
Net income (loss) per unit, basic	$ (0.13)[1]	$ 0.14	$ 0.20	$ 0.30
Net income (loss) per unit, diluted	$ (0.13)[1]	$ 0.11	$ 0.18	$ 0.28
For the Year Ended December 31, 2003:				
Revenues	$ 1,481,586	$1,210,659	$ 1,234,780	$ 1,419,406
Operating income	85,032	66,348	30,622 [4]	66,102
Net income (loss)	40,505	33,105	(3,261)[4]	34,197
Comprehensive income (loss)	49,351	33,008	(3,360)[4]	34,097
Net income (loss) per unit, basic	$ 0.20	$ 0.15	$ (0.04)[4]	$ 0.13
Net income (loss) per unit, diluted	$ 0.19	$ 0.14	$ (0.04)[4]	$ 0.13

(1) We recorded an operating loss and net loss for the first quarter of 2002 primarily due to $45.1 million of commodity hedging losses within our NGL Pipelines & Services segment caused by an unexpected increase in natural gas prices. Overall, we recorded $51.3 million of such losses during 2002.

(2) Beginning in the first quarter of 2003, we reclassified certain expenses that had been a component of other expenses in our Statements of Consolidated Operations to operating expenses within our NGL Pipelines & Services segment. As a result of this reclassification, operating income was reduced by $129 thousand for the first quarter of 2002; $34 thousand for the second quarter of 2002; $31 thousand for the third quarter of 2002; and by $84 thousand for the fourth quarter of 2002. This reclassification had no effect on reported 2002 quarterly net income or loss, comprehensive income or loss, or earnings per unit amounts.

(3) Operating income, net income and comprehensive income beginning with the third quarter of 2002 increased as a result of our acquisition of interests in the Mid-America and Seminole pipelines in July 2002.

(4) Equity earnings from BEF for the third quarter of 2003 include a $22.5 million charge related to an asset impairment. This non-cash charge resulted in our posting a net loss for the quarter.

SCHEDULE II

ENTERPRISE PRODUCTS PARTNERS L.P.
VALUATION AND QUALIFYING ACCOUNTS

Description	Balance At Beginning Of Period	Additions: Charged To Costs And Expenses	Additions: Charged To Other Accounts	Deductions	Balance At End of Period
Accounts Receivable - trade					
Allowance for doubtful accounts					
2003	$ 21,196	$ 1,239	$ 71	$ (2,083)[1,3]	$ 20,423
2002	20,642	14	5,251 [1]	(4,711) [3]	21,196
2001	10,916	6,200 [1]	6,522 [2]	(2,996) [3]	20,642
Other current assets					
Additional credit reserve for Enron					
2002	4,305			(4,305) [1]	
2001			4,305 [1]		4,305
Other current liabilities					
Reserve for environmental liabilities					
2003	9				9
2002			102	(93)	9
Reserve for inventory gains and losses [5]					
2003	1,271	3,000		(1,571)	2,700
2002	2,029	500		(1,258)	1,271
2001	5,690	500		(4,161) [5]	2,029
Reserve for BEF turnaround accrual [6]					
2003			2,124 [4]	(111)	2,013
Other long-term liabilities					
Reserve for environmental liabilities					
2003	135		1,061	(63)	1,133
2002		45	90		135
Reserve for BEF turnaround accrual [6]					
2003			5,001[4]		5,001

The following explanations describe significant transactions affecting the amounts shown in the table above and on the preceding page:

(1) In December 2001, Enron North America filed for protection under Chapter 11 of the U.S. Bankruptcy Code. As a result, we established an initial $10.6 million reserve for amounts owed to us by Enron. The Enron amounts were unsecured and the amount that we may ultimately recover, if any, is not presently determinable. Of the $10.6 million reserve established at December 31, 2001, $6.2 million offset billed amounts due from Enron recorded in Accounts Receivable-trade . The remaining initial $4.3 million reserve offset various unbilled commodity financial instrument positions, which were reclassified to Additional credit reserve from Enron. As the unbilled amounts were invoiced in early 2002, the reserve was reclassified from Additional credit reserve from Enron to Allowance for doubtful accounts. During 2003, the overall Enron reserve was lowered to $8.6 million as a result of management determination that a higher percentage of the billed amounts would be collected than was originally anticipated.

(2) The allowance account was increased in 2001 as a result of accounts acquired in the Acadian Gas acquisition.

(3) In the normal course of business, we charged the allowance account for customer accounts that have been deemed uncollectible.

(4) We acquired an additional 33.3% interest in BEF on September 30, 2003.As a result, we began consolidating its accounts with those of our own. The beginning balances of these accounts reflect the initial September 30, 2003 balances we consolidated.

(5) In general, the inventory gain/loss reserve was established to cover anticipated net losses attributable to the storage of NGL and petrochemical products in underground storage caverns.The reserve is increased based on management s estimate of net product storage losses. Product losses are charged against and reduce the reserve. Conversely, product gains increase the reserve. Management regularly reviews the status of the reserve and

determines the appropriate level based on historical and anticipated storage well activity. A review of the reserve balance was performed in late 2001 and based upon its findings and estimated future losses, the reserve was lowered by $2.4 million.

(6) As noted in footnote 4 above, we began consolidating BEF s accounts with those of our own on September 30, 2003. Historically, BEF has used the accrue-in-advance method for its major maintenance costs. These reserves represent the short and long-term components of such estimates.

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SECTION 4 REVISED SELECTED QUARTERLY BUSINESS SEGMENT FINANCIAL AND OPERATING INFORMATION

The following selected quarterly financial and operating information is presented to show investors and other interested parties how our segment results and related non-GAAP reconciliations would have appeared if the change in our business segments had occurred on January 1, 2003. For information regarding our new business segments, please read Note 20 of the Notes to Consolidated Financial Statements included under Section 3 of this Item 8.01. For information regarding the three and nine months ended September 30, 2004 and 2003, please read our quarterly report on Form 10-Q filed on November 9, 2004.

	Fiscal 2003				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Segment non-GAAP gross operating margin:					
Offshore pipelines & services	$ 1,494	$ 2,278	$ 1,648	$ 141	$ 5,561
Onshore natural gas pipelines & services	4,075	4,612	5,540	4,118	18,345
NGL pipelines & services	102,851	74,401	53,313	80,066	310,631
Petrochemical services	18,018	25,192	8,033	24,688	75,931
Non-segment other				(53)	(53)
Total non-GAAP gross operating margin	126,438	106,483	68,534	108,960	410,415
Adjustments to reconcile total non-GAAP gross operating margin to GAAP operating income:					
Depreciation and amortization in operating costs and expenses	(27,657)	(27,844)	(28,259)	(31,883)	(115,643)
Retained lease expense, net in operating costs and expenses	(2,274)	(2,274)	(2,273)	(2,273)	(9,094)
Gain (loss) on sale of assets in operating costs and expenses	(4)	36	35	(51)	16
Selling, general and administrative costs	(11,471)	(10,053)	(7,415)	(8,651)	(37,590)
GAAP consolidated operating income	$ 85,032	$ 66,348	$ 30,622	$ 66,102	$ 248,104

	Year-to-Date September 30, 2004			
	First Quarter	Second Quarter	Third Quarter	Total
Segment non-GAAP gross operating margin:				
Offshore pipelines & services	$ 982	$ 874	$ 720	$ 2,576
Onshore natural gas pipelines & services	5,599	6,143	7,186	18,928
NGL pipelines & services	89,734	58,109	83,851	231,694
Petrochemical services	24,053	31,191	35,524	90,768
Non-segment other	10,554	10,712	10,759	32,025
Total non-GAAP gross operating margin	130,922	107,029	138,040	375,991
Adjustments to reconcile total non-GAAP gross operating margin to GAAP operating income:				
Depreciation and amortization in operating costs and expenses	(30,520)	(31,715)	(32,439)	(94,674)
Retained lease expense, net in operating costs and expenses	(2,274)	(2,273)	(2,273)	(6,820)
Gain (loss) on sale of assets in operating costs and expenses	(98)	(17)	(43)	(158)
Selling, general and administrative costs	(9,466)	(7,087)	(10,076)	(26,629)
GAAP consolidated operating income	$ 88,564	$ 65,937	$ 93,209	$ 247,710

	Fiscal 2003				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Offshore pipelines & services, net:					
Natural gas transportation volumes (BBtu/d)	479	437	438	378	433
Onshore natural gas pipelines & services, net:					
Natural gas transportation volumes (BBtu/d)	555	596	619	627	599
NGL pipelines & services, net:					
NGL transportation volumes (MBPD)	1,263	1,234	1,323	1,281	1,275
NGL fractionation volumes (MBPD)	235	201	233	241	227
Equity NGL production (MBPD)	47	39	41	44	43
Fee-based natural gas processing (MMcf/d)	65	160	224	324	194
Petrochemical services, net:					
Butane isomerization volumes (MBPD)	80	82	77	70	77
Propylene fractionation volumes (MBPD)	60	58	54	56	57
Octane additive production volumes (MBPD)	3	3	4	7	4
Petrochemical transportation volumes (MBPD)	50	61	77	76	68
Total, net:					
NGL and petrochemical transportation volumes (MBPD)	1,313	1,295	1,400	1,357	1,343
Natural gas transportation volumes (BBtu/d)	1,034	1,033	1,058	1,005	1,032
Equivalent transportation volumes (MBPD)	1,585	1,566	1,678	1,621	1,615

	Year-to-Date September 30, 2004			
	First Quarter	Second Quarter	Third Quarter	Total
Offshore pipelines & services, net:				
Natural gas transportation volumes (BBtu/d)	429	448	393	423
Onshore natural gas pipelines & services, net:				
Natural gas transportation volumes (BBtu/d)	646	620	685	650
NGL pipelines & services, net:				
NGL transportation volumes (MBPD)	1,368	1,255	1,450	1,358
NGL fractionation volumes (MBPD)	229	237	239	235
Equity NGL production (MBPD)	48	45	47	47
Fee-based natural gas processing (MMcf/d)	362	1,248	1,217	944
Petrochemical services, net:				
Butane isomerization volumes (MBPD)	60	78	82	73
Propylene fractionation volumes (MBPD)	54	60	58	58
Octane additive production volumes (MBPD)	5	10	12	9
Petrochemical transportation volumes (MBPD)	63	76	76	73
Total, net:				
NGL and petrochemical transportation volumes (MBPD)	1,431	1,331	1,527	1,430
Natural gas transportation volumes (BBtu/d)	1,075	1,068	1,079	1,074
Equivalent transportation volumes (MBPD)	1,714	1,612	1,811	1,713

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

Exhibit No.	Description
23.1	Consent of Deloitte & Touche LLP.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

ENTERPRISE PRODUCTS PARTNERS L.P.

By: Enterprise Products GP, LLC,
its General Partner

Date: December 6, 2004

By: /s/ Michael J. Knesek

Name: Michael J. Knesek
Title: Vice President, Controller and Principal
Accounting Officer of Enterprise Products GP, LLC

INDEX TO EXHIBITS

Exhibit No.	Description
23.1	Consent of Deloitte & Touche LLP.