ENTERPRISE PRODUCTS PARTNERS L P
Form 425
May 26, 2004

FILED BY ENTERPRISE PRODUCTS PARTNERS L.P.
PURSUANT TO RULE 425 UNDER THE SECURITIES ACT OF 1933, AS AMENDED
AND DEEMED FILED PURSUANT TO RULE 14A-12 AND RULE 14D-2(b)
OF THE SECURITIES EXCHANGE ACT OF 1934

SUBJECT COMPANY: GULFTERRA ENERGY PARTNERS, L.P.
COMMISSION FILE NO.: 1-11680

ENTERPRISE PRODUCTS PARTNERS L.P. (ENTERPRISE) AND GULFTERRA ENERGY PARTNERS, L.P. (GULFTERRA) WILL FILE A JOINT PROXY STATEMENT/PROSPECTUS AND OTHER RELEVANT DOCUMENTS WITH THE SECURITIES AND EXCHANGE COMMISSION. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ CAREFULLY THE JOINT PROXY STATEMENT/PROSPECTUS AND OTHER RELEVANT DOCUMENTS WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION REGARDING ENTERPRISE, GULFTERRA AND THE MERGER. A DEFINITIVE JOINT PROXY STATEMENT/PROSPECTUS WILL BE SENT TO SECURITY HOLDERS OF ENTERPRISE AND GULFTERRA SEEKING THEIR APPROVAL OF THE MERGER TRANSACTIONS. INVESTORS AND SECURITY HOLDERS MAY OBTAIN A FREE COPY OF THE JOINT PROXY STATEMENT/PROSPECTUS (WHEN IT IS AVAILABLE) AND OTHER RELEVANT DOCUMENTS CONTAINING INFORMATION ABOUT ENTERPRISE AND GULFTERRA AT THE SEC S WEB SITE AT WWW.SEC.GOV. COPIES OF THE DEFINITIVE JOINT PROXY STATEMENT/PROSPECTUS AND THE SEC FILINGS THAT WILL BE INCORPORATED BY REFERENCE IN THE JOINT PROXY STATEMENT/PROSPECTUS MAY ALSO BE OBTAINED FOR FREE BY DIRECTING A REQUEST TO THE RESPECTIVE PARTNERSHIPS.

ENTERPRISE AND GULFTERRA AND THE OFFICERS AND DIRECTORS OF THEIR RESPECTIVE GENERAL PARTNERS MAY BE DEEMED TO BE PARTICIPANTS IN THE SOLICITATION OF PROXIES FROM THEIR SECURITY HOLDERS. INFORMATION ABOUT THESE PERSONS CAN BE FOUND IN ENTERPRISE S AND GULFTERRA S RESPECTIVE ANNUAL REPORTS ON FORM 10-K FILED WITH THE SEC AND IN THE SCHEDULE 13D FILED BY DAN L. DUNCAN WITH THE SEC, AS AMENDED ON DECEMBER 18, 2003, AND ADDITIONAL INFORMATION ABOUT SUCH PERSONS MAY BE OBTAINED FROM THE JOINT PROXY STATEMENT/PROSPECTUS WHEN IT BECOMES AVAILABLE.

On May 26, 2004, Enterprise Products Partners L.P. hosted a meeting for security analysts where information regarding its various operations and the proposed merger with GulfTerra were discussed. This filing includes excerpts from various presentations made at the meeting that reference the proposed merger. A complete copy of the presentations can be found on Enterprise s website, www.epplp.com, under Investor Information and Presentations.

PRESENTATION

Enterprise Products Partners L.P.
Use of Non-GAAP Financial Measures

Certain information contained within this filing under Rule 425 include non-generally accepted accounting principle (non-GAAP) financial measures. To the extent practical, the following information provides quantitative and qualitative information to reconcile the specified non-GAAP financial measures to their most directly comparable financial measure calculated and presented in accordance with accounting principles generally accepted in the United States of America (GAAP). Our non-GAAP financial measures should not be considered as alternatives to GAAP financial measures such as net income, operating income, operating activities cash flows or any other GAAP measure of liquidity or financial performance.

Gross Operating Margin

We evaluate our financial performance based on the non-GAAP measure of gross operating margin. 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. We believe that investors benefit from having access to the same financial measures that our management uses in evaluating financial results. The GAAP measure most directly comparable to total gross operating margin is total operating income.

In general, we define total gross operating margin as operating income before: (1) depreciation 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. Gross operating margin is exclusive of other income and expense transactions, provision for income taxes, minority interest, cumulative effect of changes in accounting principles and extraordinary charges. At the business segment level, gross operating margin is calculated by subtracting segment operating costs and expenses (net of adjustments noted above) from segment revenues, with both totals before the elimination of intercompany transactions. In accordance with GAAP, intercompany accounts and transactions are eliminated in consolidation.

Certain information contained within this filing under Rule 425 include references to forecasted gross operating margin of selected assets, which are components of our business segments. At this level of financial analysis, gross operating margin is primarily the difference between forecasted asset revenues and related operating costs. Asset-level operating expenses exclude the same categories as noted in the previous paragraph (i.e., depreciation expense, amortization expense, etc.). Certain expense categories such as selling, general and administrative expenses are not allocated to individual assets; therefore, it is impractical to reconcile asset-level gross operating margin to asset-level operating income. In addition, we have measured gross operating margin for only selected assets and not for all our operations, which would be required to calculate total gross operating margin on a forecast basis. If we allocated such expenses at an asset-level, operating income for each asset would be less than the asset-level gross operating margins shown in the attached presentation. For an example of the reconciliation of total gross operating margin to total operating income, please see the reconciliation under *Financial Review Presentation.*

Enterprise and GulfTerra Combination Presentation

Page 114. This slide presents hypothetical combined asset-level gross operating margin for both Enterprise and GulfTerra on a post-merger basis based on three sets of pricing assumptions (for natural gas and NGLs). As discussed in *Gross Operating Margin*, it is impractical to reconcile an asset-level gross operating margin estimate to its comparable asset-level operating income amount.

Financial Review Presentation

The following table gives an example of the reconciliation of non-GAAP total gross operating margin to its most comparable GAAP counterpart, total operating income. This information has been extracted from the original presentation posted on Enterprise s Internet website to aid the reader in understanding the nature of the reconciling items between the two financial measures.

	For the Three Months Ended March 31,		
	2004	2003	Dec. 31, 2003
	(Unaudited, Dollars in Millions)		
Reconciliation of Non-GAAP Total Gross Operating Margin to GAAP Operating Income			
Operating Income	$ 87.3	$ 85.0	$ 66.1
Adjustments to derive Total Gross Operating Margin:			
Depreciation and amortization in operating costs and expenses	30.5	27.7	31.9
Retained lease expense, net, in operating costs and expenses	2.3	2.3	2.3
Loss (gain) on sale of assets in operating costs and expenses	0.1		0.1
Selling, general and administrative costs	9.5	11.5	8.6
Total Gross Operating Margin	$ 129.7	$ 126.5	$ 109.0

Enterprise Products Partners L.P.
Capitalization Pro Forma for Merger Reconciliation

Page 129. This slide presents certain adjusted and pro forma as adjusted information relating to Enterprise s capitalization at December 31, 2003. The pro forma as adjusted shown in the slide information is derived from the information contained in the Pro Forma Condensed Consolidated Balance Sheet shown on page F-6 under Item 5 of our Current Report on Form 8-K filed with the SEC on April 26, 2004. A reconciliation between the pro forma amounts presented in the Form 8-K disclosure and the amounts shown in the slide presentation is shown in the following tables. We also have included information showing how the financial ratios presented on this slide were calculated.

	At December 31, 2003		
	Historical	**Adjustments**	**As Adjusted per Slide**
Cash	$ 44.3	$ 104.5 (a)	$ 148.8
Current maturities of long-term debt	$ 240.0	(225.0) (b)	$ 15.0
Long-term debt	1,899.5	(82.0) (b)	1,817.5
Minority interest	86.4		86.4
Partners' equity	1,705.9	104.5 (a)	2,116.4
		306.0 (b)	
Total capitalization	$ 3,931.8		$ 4,035.3
% Debt to Total Capitalization:			
Current maturities of long-term debt	$ 240.0		$ 15.0
Long-term debt	1,899.5		1,817.5
Total Debt	$ 2,139.5		$ 1,832.5
Capitalization	$ 3,931.8		$ 4,035.3
% Debt to Total Capitalization	54.4%		45.4%
% Net Debt to Total Capitalization:			
Current maturities of long-term debt	$ 240.0		$ 15.0
Long-term debt	1,899.5		1,817.5
Total Debt	2,139.5		1,832.5
Less cash and cash equivalents	(44.3)		(148.8)
Net Debt	$ 2,095.2		$ 1,683.7
Capitalization (net of cash)	$ 3,887.5		$ 3,886.5
% Debt to Total Capitalization	53.9%		43.3%

Notes: (a) Reflects monetization of interest rate hedging program in April 2004
(b) Reflects proceeds and related adjustments for May 2004 equity offering

	At December 31, 2003		
	Pro Forma As Adjusted from Form 8-K	**Adjustments**	**Pro Forma As Adjusted per Slide**
Cash	$ 123.3	$ 104.5 (a) (104.5) (b)	$ 123.3
Current maturities of long-term debt	$ 601.0	(104.5) (b)	$ 496.5
Long-term debt	3,826.6		3,826.6
Minority interest	88.2		88.2
Partners equity	4,919.8	104.5 (a)	5,024.3
Total capitalization	$ 9,435.6		$ 9,435.6
% Debt to Total Capitalization:			
Current maturities of long-term debt			$ 496.5
Long-term debt			3,826.6
Total Debt			$ 4,323.1
Capitalization			$ 9,435.6
% Debt to Total Capitalization			45.8%
% Net Debt to Total Capitalization:			
Current maturities of long-term debt			$ 496.5
Long-term debt			3,826.6
Total Debt			4,323.1
Less cash and cash equivalents			(123.3)
Net Debt			$ 4,199.8
Capitalization (net of cash)			$ 9,312.3
% Debt to Total Capitalization			45.1%

Notes: (a) Reflects monetization of interest rate hedging program in April 2004
(b) Reflects use of monetization proceeds to reduce debt