ENTERPRISE PRODUCTS PARTNERS L P
Form 424B3
June 23, 2004

PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT

Dear Unitholders:

On December 14, 2003, the board of directors of the general partner of Enterprise Products Partners L.P. (Enterprise) and the board of directors of the general partner of GulfTerra Energy Partners, L.P. (GulfTerra) agreed to combine the businesses of Enterprise and GulfTerra by merging a wholly-owned subsidiary of Enterprise into GulfTerra. As a result of the merger, GulfTerra will become a wholly-owned subsidiary of Enterprise. In the merger, each GulfTerra common unitholder will receive 1.81 common units of Enterprise for each common unit that the GulfTerra unitholder owns. It is generally expected that neither the Enterprise common unitholders nor the GulfTerra common unitholders who receive Enterprise common units in exchange for their GulfTerra common units will recognize any gain or loss for U.S. federal income tax purposes as a result of the merger.

The issuance of Enterprise common units pursuant to the merger agreement requires the approval of Enterprise common unitholders. In addition, the merger agreement must be approved and adopted by GulfTerra common unitholders and Series C unitholders, each voting separately as a class. Enterprise and GulfTerra have each scheduled special meetings of their common unitholders to vote on these matters on July 29, 2004. Regardless of the number of common units that you own or whether you plan to attend a meeting, it is important that your common units be represented and voted at the meeting. Voting instructions are inside.

The board of directors of Enterprise Products GP, LLC, Enterprise s general partner, has unanimously approved and adopted the merger agreement and approved the issuance of Enterprise common units pursuant to the merger agreement and determined that they are advisable and in the best interest of Enterprise and Enterprise s common unitholders. Accordingly, the board of directors of Enterprise Products GP, LLC recommends that Enterprise s common unitholders vote to approve the issuance of Enterprise common units pursuant to the merger agreement.

Similarly, the board of directors of GulfTerra Energy Company, L.L.C., GulfTerra s general partner, has unanimously approved and adopted the merger agreement and determined that it is advisable and in the best interests of GulfTerra and GulfTerra s common unitholders. Accordingly, the board of directors of GulfTerra Energy Company, L.L.C. recommends that GulfTerra s common unitholders vote to approve and adopt the merger agreement.

Enterprise is also proposing that the common unitholders approve the conversion of our Class B special units into common units on a one-for-one basis.

This document provides you with detailed information about the proposed merger and related matters. We encourage you to read the entire document carefully.

Enterprise s common units are listed on the NYSE under the symbol EPD , and GulfTerra s common units are listed on the NYSE under the symbol GTM .

See Risk Factors beginning on page 20 of this document for a discussion of risks relevant to the merger.

O. S. Andras	Robert G. Phillips
President and Chief Executive Officer	*Chairman and Chief Executive Officer*
Enterprise Products GP, LLC	*GulfTerra Energy Company, L.L.C.*

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

This document is dated June 22, 2004, and was first mailed to common unitholders on or about June 24, 2004.

[Alternate GulfTerra Page]

PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT

Dear Unitholders:

On December 14, 2003, the board of directors of the general partner of GulfTerra Energy Partners, L.P. (GulfTerra) and the board of directors of the general partner of Enterprise Products Partners L.P. (Enterprise) agreed to combine the businesses of Enterprise and GulfTerra by merging a wholly-owned subsidiary of Enterprise into GulfTerra. As a result of the merger, GulfTerra will become a wholly-owned subsidiary of Enterprise. In the merger, each GulfTerra common unitholder will receive 1.81 common units of Enterprise for each common unit that the GulfTerra unitholder owns. It is generally expected that neither the Enterprise common unitholders nor the GulfTerra common unitholders who receive Enterprise common units in exchange for their GulfTerra common units will recognize any gain or loss for U.S. federal income tax purposes as a result of the merger.

The merger agreement must be approved and adopted by GulfTerra common unitholders and Series C unitholders, each voting separately as a class. In addition, the issuance of Enterprise common units pursuant to the merger agreement requires the approval of Enterprise common unitholders. GulfTerra and Enterprise have each scheduled special meetings of their common unitholders to vote on these matters on July 29, 2004. Regardless of the number of common units that you own or whether you plan to attend a meeting, it is important that your common units be represented and voted at the meeting. Voting instructions are inside.

The board of directors of GulfTerra Energy Company, L.L.C., GulfTerra s general partner, has unanimously approved and adopted the merger agreement and determined that it is advisable and in the best interests of GulfTerra and GulfTerra s common unitholders. Accordingly, the board of directors of GulfTerra Energy Company, L.L.C. recommends that GulfTerra s common unitholders vote to approve and adopt the merger agreement.

Similarly, the board of directors of Enterprise Products GP, LLC, Enterprise s general partner, has unanimously approved and adopted the merger agreement and approved the issuance of Enterprise common units pursuant to the merger agreement and determined that the merger is advisable and in the best interest of Enterprise and Enterprise s common unitholders. Accordingly, the board of directors of Enterprise Products GP, LLC recommends that Enterprise common unitholders vote to approve the issuance of Enterprise common units pursuant to the merger agreement.

This document provides you with detailed information about the proposed merger and related matters. We encourage you to read the entire document carefully.

GulfTerra s common units are listed on the NYSE under the symbol GTM , and Enterprise s common units are listed on the NYSE under the symbol EPD .

See Risk Factors beginning on page 20 of this document for a discussion of risks relevant to the merger.

Robert G. Phillips
Chairman and Chief Executive Officer
GulfTerra Energy Company, L.L.C.

O. S. Andras
President and Chief Executive Officer
Enterprise Products GP, LLC

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

This document is dated June 22, 2004, and was first mailed to common unitholders on or about June 24, 2004.

This document incorporates by reference important business and financial information about both Enterprise and GulfTerra that is not included in or delivered with this document. Please read Where You Can Find More Information.

You can obtain any of the documents incorporated by reference into this document from Enterprise or GulfTerra, as the case may be, or from the Securities and Exchange Commission s website at http://www.sec.gov. Documents incorporated by reference are available from Enterprise and GulfTerra without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference into this document. You may obtain documents incorporated by reference into this document by requesting them in writing or by telephone from the appropriate company as follows:

Enterprise Products Partners L.P.
2727 North Loop West
Attention: Investor Relations
Houston, Texas 77008-1044
Telephone: (713) 880-6812

GulfTerra Energy Partners, L.P.
4 Greenway Plaza
Attention: Investor Relations
Houston, Texas 77046
Telephone: (832) 676-5315

You should request the documents incorporated by reference no later than July 22, 2004 to obtain timely delivery. Please be sure to include your complete name and address in your request. If you request any documents, we will mail them to you by first class mail, or another equally prompt means, within one business day after we receive your request.

All information in this document concerning Enterprise has been furnished by Enterprise. All information in this document concerning GulfTerra has been furnished by GulfTerra. Enterprise has represented to GulfTerra, and GulfTerra has represented to Enterprise, that the information furnished by and concerning it is true and correct.

ENTERPRISE PRODUCTS PARTNERS L.P.

2727 North Loop West, Suite 700
Houston, Texas 77008-1044

NOTICE OF SPECIAL MEETING OF COMMON UNITHOLDERS

To Be Held On July 29, 2004

To the Common Unitholders of Enterprise Products Partners L.P.:

We will hold a special meeting of common unitholders of Enterprise Products Partners L.P. for the following purposes:

To consider and vote on approval of the issuance of Enterprise common units pursuant to the Merger Agreement, dated as of December 15, 2003, by and among Enterprise Products Partners L.P., Enterprise Products GP, LLC, Enterprise Products Management LLC, GulfTerra Energy Partners, L.P. and GulfTerra Energy Company, L.L.C., as it may be amended from time to time;

To consider and vote on approval of the conversion of our 4,413,549 outstanding Class B special units into an equal number of common units; and

To transact other business as may properly be presented at the meeting or any adjournments of the meeting.

The date, time and place of the meeting are as follows:

July 29, 2004
9:00 a.m., local time

Sheraton Houston Brookhollow Hotel
3000 North Loop West
Houston, Texas 77092

THE BOARD OF DIRECTORS OF ENTERPRISE S GENERAL PARTNER HAS UNANIMOUSLY APPROVED AND ADOPTED THE MERGER AGREEMENT AND APPROVED THE ISSUANCE OF ENTERPRISE COMMON UNITS PURSUANT TO THE MERGER AGREEMENT AND DETERMINED THAT THEY ARE ADVISABLE AND IN THE BEST INTERESTS OF ENTERPRISE AND ENTERPRISE S COMMON UNITHOLDERS, AND UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ISSUANCE OF THE ENTERPRISE COMMON UNITS PURSUANT TO THE MERGER AGREEMENT.

THE AUDIT AND CONFLICTS COMMITTEE OF THE BOARD OF DIRECTORS OF ENTERPRISE S GENERAL PARTNER, COMPRISED OF DIRECTORS WHO ARE DEEMED TO BE INDEPENDENT OF THE INTERESTS OF ENTERPRISE S GENERAL PARTNER, HAS CONSIDERED THE BENEFITS AND RISKS OF THE MERGER AND HAS UNANIMOUSLY APPROVED THE MERGER AS BEING IN THE BEST INTERESTS OF ENTERPRISE AND ENTERPRISE S COMMON UNITHOLDERS. ENTERPRISE S COMMON UNITHOLDERS ARE URGED TO REVIEW CAREFULLY THE BACKGROUND AND REASONS FOR THE MERGER AND THE RISKS ASSOCIATED WITH THE MERGER DESCRIBED IN THE ATTACHED DOCUMENT.

The proposal regarding the issuance of Enterprise common units pursuant to the merger agreement and the proposal regarding the conversion of Enterprise s Class B special units into common units both require the affirmative vote of the holders of a majority of Enterprise s outstanding common units present and entitled to vote at the special meeting. As a result, abstentions and broker non-votes will have the same effect as a vote against either proposal.

Only common unitholders of record at the close of business on June 22, 2004, are entitled to notice of and to vote at the meeting and any adjournments of the meeting. Enterprise will keep at its offices in

Houston, Texas, a list of common unitholders entitled to vote at the meeting available for inspection for any purpose relevant to the meeting during normal business hours for the 10 days before the meeting.

YOUR PROXY IS IMPORTANT. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE VOTE IN ONE OF THE FOLLOWING WAYS:

USE THE TOLL-FREE TELEPHONE NUMBER SHOWN ON THE PROXY CARD;

USE THE INTERNET WEBSITE SHOWN ON THE PROXY CARD; OR

MARK, SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY CARD IN THE POSTAGE-PAID ENVELOPE. IT REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

By order of the Board of Directors of
Enterprise Products GP, LLC,
as general partner of Enterprise Products
Partners L.P.

Richard H. Bachmann
Executive Vice President,
Chief Legal Officer and Secretary

Houston, Texas
June 22, 2004

[Alternate GulfTerra Page]

GULFTERRA ENERGY PARTNERS, L.P.

4 Greenway Plaza
Houston, Texas 77046

NOTICE OF SPECIAL MEETING OF COMMON UNITHOLDERS

To Be Held On July 29, 2004

To the Common Unitholders of GulfTerra Energy Partners, L.P.:

We will hold a special meeting of common unitholders of GulfTerra Energy Partners, L.P. for the following purposes:

To consider and vote on the approval and adoption of the Merger Agreement, dated as of December 15, 2003, by and among Enterprise Products Partners L.P., Enterprise Products GP, LLC, Enterprise Products Management LLC, GulfTerra Energy Partners, L.P. and GulfTerra Energy Company, L.L.C., as it may be amended from time to time; and

To transact other business as may properly be presented at the meeting or any adjournments of the meeting.

The date, time and place of the meeting are as follows:

July 29, 2004
10:30 a.m., local time

Room C-100
4 Greenway Plaza
Houston, Texas 77046

THE BOARD OF DIRECTORS OF GULFTERRA S GENERAL PARTNER HAS UNANIMOUSLY APPROVED AND ADOPTED THE MERGER AGREEMENT AND DETERMINED THAT THE MERGER IS ADVISABLE AND IN THE BEST INTERESTS OF GULFTERRA AND GULFTERRA S COMMON UNITHOLDERS, AND UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT.

THE AUDIT AND CONFLICTS COMMITTEE OF THE BOARD OF DIRECTORS OF GULFTERRA S GENERAL PARTNER, COMPRISED OF DIRECTORS WHO ARE DEEMED TO BE INDEPENDENT OF THE INTERESTS OF GULFTERRA S GENERAL PARTNER, HAS CONSIDERED THE BENEFITS AND RISKS OF THE MERGER AND HAS UNANIMOUSLY RECOMMENDED THE MERGER AS BEING IN THE BEST INTERESTS OF GULFTERRA AND GULFTERRA S COMMON UNITHOLDERS. GULFTERRA S COMMON UNITHOLDERS ARE URGED TO REVIEW CAREFULLY THE BACKGROUND AND REASONS FOR THE MERGER AND THE RISKS ASSOCIATED WITH THE MERGER DESCRIBED IN THE ATTACHED DOCUMENT.

The proposal regarding approval and adoption of the merger agreement requires the affirmative vote of the holders of a majority of GulfTerra s outstanding common units. As a result, an abstention or broker non-vote or the failure to return a proxy will have the same effect as a vote against the proposal.

Only common unitholders of record at the close of business on June 22, 2004, are entitled to notice of and to vote at the meeting and any adjournments of the meeting. GulfTerra will keep at its offices in Houston, Texas, a list of common unitholders entitled to vote at the meeting available for inspection for any purpose relevant to the meeting during normal business hours for the 10 days before the meeting.

YOUR PROXY IS IMPORTANT. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE VOTE IN ONE OF THE FOLLOWING WAYS:

USE THE TOLL-FREE TELEPHONE NUMBER SHOWN ON THE PROXY CARD;

USE THE INTERNET WEBSITE SHOWN ON THE PROXY CARD; OR

[Alternate GulfTerra Page]

MARK, SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY CARD IN THE POSTAGE-PAID ENVELOPE. IT REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

By order of the Board of Directors of
GulfTerra Energy Company, L.L.C.,
as general partner of GulfTerra Energy
Partners, L.P.

David L. Siddall
Secretary

Houston, Texas
June 22, 2004

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: Why am I receiving these materials?

A: Enterprise and GulfTerra have agreed to combine their businesses by merging a wholly-owned subsidiary of Enterprise with and into GulfTerra. The merger cannot be completed without approvals of the unitholders of both Enterprise and GulfTerra. Additionally, Enterprise is proposing that its common unitholders approve the conversion of its Class B special units into an equal number of common units.

Q: What will happen to GulfTerra as a result of the merger?

A: As a result of the merger, GulfTerra will be a wholly-owned subsidiary of Enterprise. To accomplish this, an Enterprise subsidiary will merge with and into GulfTerra, and GulfTerra will be the surviving subsidiary company following the merger.

Q: What will GulfTerra common unitholders receive in the merger?

A: Each GulfTerra common unitholder will receive 1.81 Enterprise common units in exchange for each GulfTerra common unit that the unitholder owns at the effective time of the merger. Instead of receiving fractional common units, GulfTerra common unitholders will receive cash from Enterprise in an amount equal to the amount of such fractional interest multiplied by the average closing price of Enterprise common units on the NYSE during the four trading days ending on the third business day prior to the merger.

Q: What will El Paso Corporation receive in the merger?

A: In the first step of the merger transactions, which occurred when the merger agreement was signed, El Paso Corporation sold a 50% membership interest in GulfTerra s general partner to Enterprise for $425 million. Immediately prior to the merger, El Paso Corporation will contribute the remaining 50% membership interest in GulfTerra s general partner to Enterprise s general partner in exchange for $370 million in cash and a 9.9% membership interest in Enterprise s general partner. In addition, El Paso Corporation will receive $500 million by selling to Enterprise all 10,937,500 GulfTerra Series C Units now outstanding and an aggregate of 2,876,620 of its GulfTerra common units. The remaining 7,433,425 GulfTerra common units owned by El Paso Corporation will be converted in the merger into the right to receive 13,454,499 Enterprise common units based on the 1.81 exchange ratio. Finally, immediately following the merger, El Paso Corporation will receive $150 million, plus the value of related inventory then outstanding, by selling to Enterprise selected natural gas treating and processing plants and related assets in South Texas. We refer to these assets as the South Texas midstream assets.

Q: What will happen to GulfTerra s Series C Units and the other GulfTerra common units being acquired by Enterprise from El Paso Corporation in and after the merger?

A: Enterprise will purchase all 10,937,500 GulfTerra Series C Units and 2,876,620 GulfTerra common units now owned by El Paso Corporation immediately prior to the closing of the merger. Those units will not be converted into the right to receive Enterprise common units, nor will they have any right to receive distributions following the merger. They will, however, constitute the remaining limited partner interests in GulfTerra, which will be wholly-owned by Enterprise.

Q: What happens to my future distributions?

A: Once the merger is completed, GulfTerra common unitholders will be Enterprise common unitholders and, when distributions are approved and declared by the general partner of Enterprise, they will receive distributions on their Enterprise common units in accordance with Enterprise s partnership agreement. Current Enterprise common unitholders will continue to receive distributions on their common units in accordance with Enterprise s partnership agreement. Under the merger agreement, Enterprise has agreed, subject to the terms of its partnership agreement, to increase the quarterly cash distribution for the next regular quarterly distribution date following completion of the merger to at least $0.395 per unit, representing an increase of $0.005 per GulfTerra common unit based on the 1.81

exchange ratio. For a description of Enterprise s distribution policy, please read Comparison of the Rights of Enterprise and GulfTerra Common Unitholders.

Q. What will be the highest level of incentive distributions payable to the general partner of the combined partnership following the merger?

A. Enterprise s partnership agreement caps the incentive distribution rights payable to Enterprise s general partner at 25% of cash distributions in excess of the highest incentive distribution threshold. By contrast, GulfTerra s partnership agreement contains a 49% cap. Because Enterprise s partnership agreement will govern the combined partnership, GulfTerra s common unitholders will benefit from the lower cap as holders of Enterprise common units following the merger.

Q: Should GulfTerra unitholders send in their certificates representing GulfTerra common units now?

A: No. After the merger is completed, GulfTerra common unitholders who hold their units in certificated form will receive written instructions for exchanging their certificates representing GulfTerra common units. Please do not send in your certificates representing GulfTerra common units with your proxy card.

Q: What unitholder approvals are needed to complete the merger?

A: The following unitholder approvals are needed to complete the merger:

the affirmative vote of the holders of at least a majority of GulfTerra s outstanding common units and Series C Units, each voting as a separate class, is required to approve and adopt the merger agreement; and

the affirmative vote of the holders of at least a majority of Enterprise s outstanding common units present and entitled to vote at the special meeting is required to approve the issuance of Enterprise common units pursuant to the merger agreement.

El Paso Corporation holds all of GulfTerra s Series C Units and has agreed to vote those units as well as its regular GulfTerra common units in favor of the approval and adoption of the merger agreement.

With respect to the vote of Enterprise s common unitholders, the common units owned by Dan L. Duncan and his affiliates represent a number of votes sufficient to approve both the issuance of Enterprise common units pursuant to the merger agreement and the conversion of Enterprise s Class B special units into common units.

The merger is not contingent upon approval of the conversion of Enterprise s Class B special units into common units, and that proposal is not contingent upon completion of the merger.

Q: When do you expect the merger to be completed?

A: 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 Enterprise and GulfTerra and the expiration of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. Although we cannot be sure when all of the conditions to the merger will be satisfied, we expect to complete the merger in the second half of 2004. Please read The Merger Agreement Conditions to the Merger.

Q: What are the tax consequences to common unitholders of the transaction?

A: It is generally expected that neither the Enterprise common unitholders nor the GulfTerra common unitholders who receive Enterprise common units in exchange for their GulfTerra common units will recognize any gain or loss for U.S. federal income tax purposes as a result of the merger. For a description of the material federal income tax consequences of the merger and the holding of Enterprise common units after the merger, please see the information set forth in Material Federal Income Tax Consequences.

Q: *What do I need to do now?*

A: You should read this document carefully. Then, if you choose to vote by proxy, you should do so as soon as possible by following the instructions listed on your proxy card.

Q: *If I am planning on attending a meeting in person, should I still vote by proxy?*

A: Yes. Whether or not you plan to attend a meeting, you should vote by proxy as described above. Your units will not be voted if you do not vote your proxy as described above or if you do not vote in person at either of the scheduled special meetings of the common unitholders of GulfTerra and Enterprise to be held on July 29, 2004. For GulfTerra unitholders, this would have the same effect as a vote against approval and adoption of the merger agreement. For Enterprise unitholders, this would have no effect on the outcome of the vote regarding either the issuance of the Enterprise common units pursuant to the merger agreement or the conversion of Enterprise s Class B special units into its common units.

Q: *Can I change my vote after I have voted by proxy?*

A: Yes. You can change your vote at any time before your proxy is voted at the meeting by following the procedures set forth in The Special Unitholder Meetings Voting Procedures Revocation.

Q: *If my units are held in street name by my broker, will my broker vote my units for me?*

A: Your broker will not vote your units for or against approval and adoption of the merger agreement or the issuance of Enterprise common units pursuant to the merger agreement unless you tell the broker how to vote. If you are an Enterprise common unitholder, your broker will not vote your units for or against conversion of Enterprise s Class B special units into its common units unless you tell the broker how to vote. To tell your broker how to vote, you should follow the directions that your broker provides to you. A non-vote by your broker will have the same effect as a vote against the transactions described in this document.

Q: *Whom do I call if I have further questions about voting, the meetings or the merger?*

A: Enterprise unitholders may call Enterprise s Investor Relations department at (713) 880-6812, or if you would like additional copies, without charge, of Enterprise s proxy statement or if you have questions about the procedures for voting your units, you should contact Mellon Investor Services LLC, which is acting as information agent for Enterprise, at (888) 566-9471.

GulfTerra unitholders may call GulfTerra s Investor Relations department at (832) 676-5315, or if you would like additional copies, without charge, of GulfTerra s proxy statement or if you have questions about the merger, including the procedures for voting your units, you should contact D.F. King & Co., Inc., which is assisting GulfTerra in the solicitation of proxies, as follows:

D.F. King & Co., Inc.
48 Wall Street
New York, New York 10005
Toll-Free: 1-800-487-4870.

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SUMMARY

This summary highlights some of the information in this document. It may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the terms of the merger, you should read carefully this document, the documents we incorporate by reference and the full text of the merger agreement included as Annex A to this document. Please also read Where You Can Find More Information. All references in this document to numbers of units, earnings per unit or unit prices with respect to Enterprise give effect to Enterprise s two-for-one unit split on May 15, 2002.

Unless otherwise indicated, pro forma as adjusted financial results presented in this document give effect to the completion of the merger, the concurrent purchase by Enterprise from El Paso Corporation of the related South Texas midstream assets and Enterprise s recent common unit offering (the May 2004 offering).

The Merger Parties

GulfTerra

Formed in 1993, GulfTerra is one of the largest publicly-traded master limited partnerships, or MLPs, in terms of market capitalization. GulfTerra manages a balanced, diversified portfolio of interests and assets relating to the midstream energy sector, which involves gathering, transporting, separating, handling, processing, fractionating and storing natural gas, oil and natural gas liquids, or NGLs. GulfTerra considers this portfolio, which generates relatively stable cash flows, to be balanced due to its diversity of geographic locations, business segments, customers and product lines.

GulfTerra s principal executive offices are located at 4 Greenway Plaza, Houston, Texas 77046, and its phone number is (832) 676-4853.

Enterprise

Formed in 1998 as a limited partnership, Enterprise is the second largest publicly traded energy partnership and a leading North American midstream energy company that provides a wide range of services to producers and consumers of natural gas and NGLs. In addition to its strategic position in the Gulf Coast region, Enterprise has access to major natural gas and NGL supply basins throughout the United States and Canada, including the Rocky Mountains, the San Juan and Permian basins, the Mid-Continent region and, through third-party pipeline connections, north into Canada s Western Sedimentary basin. Enterprise s asset platform in the Gulf Coast region of the United States, combined with its Mid-America and Seminole pipeline systems, creates the only integrated natural gas and NGL transportation, fractionation, processing, storage and import/export network in North America.

Enterprise s principal executive offices are located at 2727 North Loop West, Houston, Texas 77008, and its phone number is (713) 880-6500.

The Merger

Pursuant to the merger agreement, at the effective time of the merger, Enterprise Products Management LLC, a nominally capitalized Delaware limited liability company that is wholly owned by Enterprise, will merge with and into GulfTerra, and each of the outstanding common units of GulfTerra, other than those common units purchased by Enterprise prior to the merger as described below under Transactions Related to the Merger, will be converted into the right to receive Enterprise common units. GulfTerra will survive the merger as Enterprise s wholly-owned subsidiary. Each GulfTerra common unitholder will receive 1.81 Enterprise common units in exchange for each GulfTerra common unit that the unitholder owns at the effective time of the merger. Instead of receiving fractional common units,

GulfTerra common unitholders will receive cash from Enterprise in an amount determined under the merger agreement.

Transactions Related to the Merger

The Parent Company Agreement

In connection with executing the merger agreement on December 15, 2003, Enterprise, Enterprise s general partner and a subsidiary of Enterprise also executed a parent company agreement with El Paso Corporation and four of its wholly-owned subsidiaries that provided for a Step One transaction, which was completed when the parent company agreement was executed, and two Step Two transactions to be completed at the closing of the merger. The parent company agreement was amended on April 19, 2004 and, as so amended, is referred to in this document as the parent company agreement.

In the Step One transaction, a wholly-owned subsidiary of Enterprise purchased a 50% membership interest in GulfTerra s general partner for $425 million from GulfTerra GP Holding Company, a wholly-owned subsidiary of El Paso Corporation, resulting in GulfTerra s general partner now being 50% owned by GulfTerra GP Holding Company and 50% owned by the Enterprise subsidiary. Goldman, Sachs & Co. had held a 9.9% membership interest in GulfTerra s general partner, but GulfTerra GP Holding Company repurchased this interest from Goldman, Sachs & Co. pursuant to a separate agreement immediately prior to the signing of the parent company agreement. In addition, concurrently with the signing of the parent company agreement and the closing of the Step One transaction, GulfTerra GP Holding Company and the Enterprise subsidiary entered into an amended and restated limited liability company agreement for GulfTerra s general partner. Pursuant to this limited liability company agreement, GulfTerra GP Holding Company serves as the managing member of GulfTerra s general partner and the Enterprise subsidiary s rights are limited to protective consent rights on specified material transactions affecting GulfTerra or its general partner and the rights and preferences associated with the membership interest in the general partner owned by the Enterprise subsidiary.

Under the first Step Two transaction provided for in the parent company agreement, at the closing of the merger but just prior to its effectiveness, GulfTerra GP Holding Company will contribute its 50% membership interest in GulfTerra s general partner to Enterprise s general partner in exchange for a 9.9% membership interest in Enterprise s general partner and $370 million from Enterprise s general partner (which will not be funded or reimbursed by Enterprise). Enterprise s general partner will then make a capital contribution of that 50% membership interest in GulfTerra s general partner to Enterprise (without increasing its interest in Enterprise s earnings or cash distributions).

Under the second Step Two transaction provided for in the parent company agreement, immediately after Enterprise s acquisition of the 50% membership interest in the general partner of GulfTerra, but prior to the consummation of the merger, Enterprise will purchase from specified subsidiaries of El Paso Corporation all 10,937,500 outstanding GulfTerra Series C Units and an aggregate of 2,876,620 GulfTerra common units owned by those subsidiaries for $500 million, none of which will be converted into the right to receive Enterprise common units in the merger. The purchase price of approximately $36.19 per unit to be paid for the units purchased from these subsidiaries of El Paso Corporation is equal to 90% of the average closing prices of the GulfTerra common units on the NYSE for the 20 trading days ending on December 12, 2003 (the last full trading day before the proposed merger was announced). The remaining 7,433,425 GulfTerra common units owned by El Paso Corporation will be converted in the merger into the right to receive 13,454,499 Enterprise common units based on the 1.81 exchange ratio.

The parent company agreement also provides that for a period of three years following the closing of the merger, at the request of GulfTerra, El Paso Corporation will provide support services to GulfTerra similar to those provided by El Paso Corporation before the closing of the merger, and GulfTerra will reimburse El Paso Corporation for 110% of its direct costs of such services (excluding any overhead costs).

The parent company agreement also provides that, for the three-year period following the closing of the merger, El Paso Corporation will make transition support payments to Enterprise 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.

The parent company agreement also provides that Enterprise and its general partner and GulfTerra GP Holding Company will enter into an exchange and registration rights agreement. Under that agreement, GulfTerra GP Holding Company will have a three-year right, commencing 180 days following the closing of the merger, or earlier in certain circumstances, to contribute all of its 9.9% membership interest in the Enterprise general partner to the Enterprise general partner for a number of Enterprise common units, an amount of cash or a combination of Enterprise common units and cash computed by reference to the cash distribution associated with the exchanged membership interest in the Enterprise general partner. Under that agreement, Enterprise is also obligated, subject to certain limitations and conditions, to register for resale the 13,454,499 Enterprise common units to be owned by subsidiaries of El Paso Corporation following the closing of the merger and any Enterprise common units received by GulfTerra GP Holding Company in respect of the exchange right.

Acquisition of South Texas Midstream Assets

On December 15, 2003, Enterprise, as purchaser, and El Paso Corporation and certain of its subsidiaries, as sellers, executed a purchase and sale agreement for 100% of the equity interests of El Paso Hydrocarbons, L.P. and El Paso NGL Marketing Company, L.P. for a price of $150 million plus the value of related inventory then outstanding. Through its purchase of the equity interests of these companies, Enterprise will 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. Located across South Texas, these assets have historically been associated with and are integral to GulfTerra s Texas intrastate natural gas pipeline system. The closing of this purchase is effectively conditioned upon, and is expected to occur immediately following, the closing of the merger. The closing of the merger, however, is not conditioned upon the closing of this purchase, provided that neither party breaches its obligations under the purchase and sale agreement. We refer to the assets that Enterprise will acquire from El Paso Corporation pursuant to the purchase and sale agreement as the South Texas midstream assets and to this transaction as Step Three of the merger transactions.

The Special Unitholder Meetings

GulfTerra Special Unitholder Meeting

Where and when: The GulfTerra special unitholder meeting will take place at Room C-100, 4 Greenway Plaza, Houston, Texas 77046, on July 29, 2004 at 10:30 a.m., local time.

GulfTerra has agreed to call and hold the special meeting regardless of whether it receives a proposal that it believes to be superior to the merger or whether the board of directors of its general partner changes its recommendation that GulfTerra s unitholders approve and adopt the merger agreement.

What you are being asked to vote on: At the GulfTerra meeting, GulfTerra unitholders will vote on the approval and adoption of the merger agreement. GulfTerra unitholders also may be asked to consider other matters as may properly come before the meeting. GulfTerra knows of no other matters that will be presented for consideration of its unitholders at the meeting.

Who may vote: You may vote at the GulfTerra meeting if you owned GulfTerra common units at the close of business on the record date, June 22, 2004. On that date, there were 59,698,129 GulfTerra common units outstanding and entitled to vote. You may cast one vote for each GulfTerra common unit that you owned on the record date.

What vote is needed: The affirmative vote of the holders of at least a majority of the outstanding GulfTerra common units is required to approve and adopt the merger agreement.

Series C Units. GulfTerra currently has 10,937,500 Series C Units outstanding, all of which are owned by a subsidiary of El Paso Corporation. The Series C Units are a class of GulfTerra limited partner interests that are similar to GulfTerra s common units, except that the Series C Units are generally non-voting. Holders of the Series C Units are, however, entitled to vote separately as a class on any amendment to GulfTerra s partnership agreement that has a material adverse effect on the rights or preferences of the Series C Units. The affirmative vote of the holders of at least a majority of the outstanding Series C Units is required to approve any such amendment to GulfTerra s partnership agreement. Holders of the Series C Units will vote these units at the special meeting because the merger agreement may be viewed as an amendment to GulfTerra s partnership agreement.

Subsidiaries of El Paso Corporation owned approximately 17.3% of the GulfTerra common units and 100% of the GulfTerra Series C Units as of the record date for the special meeting. Pursuant to a voting agreement and proxy, El Paso Corporation and its subsidiaries have agreed with Enterprise to vote all of their common units and all of the Series C Units in favor of the merger agreement. Additionally, El Paso Corporation and its subsidiaries have granted a proxy to Enterprise that allows an officer of Enterprise to vote all such common units and Series C Units in favor of the merger agreement.

Enterprise Special Unitholder Meeting

Where and when: The Enterprise special unitholder meeting will take place at the Sheraton Houston Brookhollow Hotel, 3000 North Loop West, Houston, Texas 77092, on July 29, 2004, at 9:00 a.m., local time.

What you are being asked to vote on: At the Enterprise meeting, Enterprise unitholders will vote on approval of the issuance of Enterprise common units pursuant to the merger agreement, which we estimate could be up to 117,613,202 Enterprise common units (assuming the exercise of all outstanding GulfTerra options and the maximum number of GulfTerra common units are issued upon conversion of GulfTerra s Series F Convertible Units). Enterprise is also proposing that the common unitholders approve the conversion of Enterprise s Class B special units into common units on a one-for-one basis. Enterprise unitholders also may be asked to consider other matters as may properly come before the meeting. Enterprise knows of no other matters that will be presented for consideration of its unitholders at the meeting.

Who may vote: You may vote at the Enterprise meeting if you owned Enterprise common units at the close of business on the record date, June 22, 2004. On that date, there were 233,761,345 Enterprise common units outstanding and entitled to vote. You may cast one vote for each Enterprise common unit that you owned on the record date.

What vote is needed: The affirmative vote of the holders of at least a majority of the outstanding Enterprise common units present and entitled to vote at the meeting is required to approve both the issuance of Enterprise common units pursuant to the merger agreement and the conversion of Enterprise s Class B special units into common units on a one-for-one basis.

Dan L. Duncan, Enterprise s co-founder and the chairman of its general partner, and certain other Enterprise affiliates beneficially owned approximately 51.4% of Enterprise s outstanding common units as of the record date for the special meeting. Pursuant to a voting agreement and proxy, so long as the board of directors of Enterprise s general partner does not withdraw its recommendation of the merger, Mr. Duncan and these other affiliates have agreed with GulfTerra to vote all of the Enterprise common units owned by them in favor of the approval of the issuance of Enterprise common units pursuant to the merger agreement. Additionally, Mr. Duncan and these other affiliates granted a proxy to GulfTerra that allows an officer of GulfTerra to vote these common units in favor of the issuance of Enterprise common units pursuant to the merger agreement. The common units owned by Mr. Duncan and these other affiliates represent a number of votes sufficient to approve both the issuance of Enterprise common units pursuant to the merger agreement and the conversion of Enterprise s Class B special units into common units.

What GulfTerra Unitholders Will Receive in the Merger

Each GulfTerra common unitholder will receive 1.81 Enterprise common units for each GulfTerra common unit that the unitholder owns at the effective time of the merger. Instead of receiving fractional common units, GulfTerra common unitholders will receive cash from Enterprise in an amount equal to the amount of such fractional interest multiplied by the average closing price of Enterprise common units on the NYSE Composite Transaction Reporting System over the four trading days ending on the third business day prior to the closing of the merger. None of the 2,876,620 GulfTerra common units or the 10,937,500 GulfTerra Series C Units to be purchased by Enterprise from subsidiaries of El Paso Corporation immediately prior to the merger will be converted into the right to receive Enterprise common units.

Under the merger agreement, Enterprise has agreed, subject to the terms of its partnership agreement, to increase the quarterly cash distribution for the next regular quarterly distribution date following completion of the merger to at least $0.395 per unit, representing an increase of $0.005 per GulfTerra common unit based on the 1.81 exchange ratio. In addition, as holders of Enterprise common units following the merger, GulfTerra s common unitholders will benefit from a reduction, from 49% to 25%, of the cap on incentive distributions payable to the general partner of the combined partnership. For a description of Enterprise s distribution policy, please read Comparison of the Rights of Enterprise and GulfTerra Common Unitholders.

U.S. Federal Income Tax Consequences

Tax matters are very complicated. The tax consequences of the merger to you will depend on your own situation. We urge you to consult your tax advisor for a full understanding of the U.S. federal, state, local and foreign tax consequences of the merger to you. For a more detailed discussion of the expected tax consequences of the merger, please read Material Federal Income Tax Consequences beginning on page 131 of this document.

For U.S. federal income tax purposes, except as described below with respect to a net decrease in a unitholder s share of nonrecourse liabilities, no gain or loss will be recognized by a GulfTerra unitholder or an Enterprise unitholder as a result of the merger. The merger will, however, result in the recalculation of each Enterprise and GulfTerra common unitholder s share of nonrecourse liabilities. Each Enterprise and GulfTerra unitholder will be treated as receiving a deemed cash distribution equal to the excess, if any, of the unitholder s share of the nonrecourse liabilities immediately before the merger and the unitholder s share of the nonrecourse liabilities immediately following the merger. If the amount of the deemed cash distribution received by a GulfTerra or Enterprise common unitholder exceeds such unitholder s basis in its partnership interest, such unitholder will recognize gain in an amount equal to such excess.

The application of the rules governing the allocation of nonrecourse liabilities in the context of the merger is complex and subject to uncertainty. Enterprise has agreed to apply these rules, to the extent permissible, in a manner that minimizes the amount of any net decrease in the amount of nonrecourse liabilities allocable to the GulfTerra and Enterprise unitholders. Enterprise and GulfTerra do not anticipate that there will be a material decrease in the amount of nonrecourse liabilities allocable to a GulfTerra common unitholder or an Enterprise common unitholder as a result of the merger.

Directors and Management of Enterprise Following the Merger

Under the limited liability company agreement of the general partner of the combined company, Dan L. Duncan, acting through a wholly-owned limited liability company, will have the right to designate the persons who will serve on the board of directors of the general partner. The combined company s board of directors will consist of no fewer than five and no more than ten persons, a majority of whom must be independent under the NYSE s independence standards. Mr. Duncan s designees to the board of directors of the combined company s general partner are as follows:

Name	Position with General Partner of Combined Company	Current Affiliation
Dan L. Duncan	Director and Chairman of the Board	Enterprise
O.S. Andras	Director, Vice Chairman of the Board and Chief Executive Officer	Enterprise
Robert G. Phillips	Director, President and Chief Operating Officer	GulfTerra
Dr. Ralph S. Cunningham	Director*	Enterprise
Lee W. Marshall, Sr.	Director*	Enterprise
Richard S. Snell	Director*	Enterprise
W. Matt Ralls	Director*	GulfTerra

* Independent directors

Mr. Duncan and his affiliated companies will own approximately 35.4% of the limited partner interests in the combined company, and 90.1% of the general partner of the combined company. Enterprise and its general partner are now, and the combined company and its general partner will be, separate entities from Mr. Duncan and his affiliated companies, with separate assets and liabilities, including separate indebtedness secured by those assets, from those of Mr. Duncan and his other affiliates.

El Paso Corporation, through its 9.9% membership interest in the general partner of the combined company, will have protective consent rights on certain material transactions affecting the combined company, such as any merger or consolidation resulting in a change of control of the combined company, a disposition of all or substantially all of the assets or properties of the general partner and the combined company taken as a whole, certain amendments to the combined company s partnership agreement that adversely affect the general partner or El Paso Corporation and the taking by the combined company of certain actions in respect of its bankruptcy or insolvency.

Market Prices of Enterprise and GulfTerra Common Units Prior to Announcing the Proposed Merger

Enterprise common units are traded on the NYSE under the symbol EPD . GulfTerra common units are traded on the NYSE under the symbol GTM . The following table shows the closing per unit sales prices of Enterprise and GulfTerra common units on December 12, 2003 (the last full trading day before Enterprise and GulfTerra announced the proposed merger).

Date	Enterprise Common Units	GulfTerra Common Units
December 12, 2003	$22.80	$40.39

Recommendations to Unitholders

To GulfTerra Unitholders:

The board of directors of GulfTerra s general partner has unanimously approved and adopted the merger agreement and determined that it is advisable and in the best interests of GulfTerra and

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GulfTerra s common unitholders. Accordingly, the board recommends that GulfTerra unitholders vote to approve and adopt the merger agreement.

The audit and conflicts committee of the board of directors of GulfTerra s general partner, comprised of directors who are deemed to be independent of the interests of GulfTerra s general partner, has considered the benefits of the merger as well as the associated risks and has unanimously recommended the merger as being in the best interests of GulfTerra s common unitholders. GulfTerra s common unitholders are urged to review carefully the background and reasons for the merger and the risks associated with the merger described under Risk Factors.

As of the record date for the special meeting, approximately 18.0% of GulfTerra s outstanding common units were held by directors and executive officers of GulfTerra Energy Company, L.L.C. and their respective affiliates (including affiliates of El Paso Corporation).

To Enterprise Unitholders:

The board of directors of Enterprise s general partner has unanimously approved and adopted the merger agreement and approved the issuance of Enterprise common units pursuant to the merger agreement and determined that they are advisable and in the best interests of Enterprise and Enterprise s unitholders. Accordingly, the board recommends that Enterprise unitholders vote to approve the issuance of Enterprise common units pursuant to the merger agreement.

The audit and conflicts committee of the board of directors of Enterprise s general partner, comprised of directors who are deemed to be independent of the interests of Enterprise s general partner, has considered the benefits and risks of the merger and has unanimously approved the merger as being in the best interests of Enterprise s common unitholders. Enterprise s common unitholders are urged to review carefully the background and reasons for the merger and the risks associated with the merger described under Risk Factors.

As of the record date for the special meeting, approximately 53.0% of Enterprise s outstanding common units were held by directors and executive officers of Enterprise Products GP, LLC and their respective affiliates.

GulfTerra s Reasons for the Merger

The board of directors of GulfTerra s general partner, and the audit and conflicts committee of that board (which consists solely of directors meeting the independent director requirements established by the NYSE and the Sarbanes-Oxley Act of 2002), considered many factors in approving and adopting the merger and the merger agreement, including the following expected benefits of the merger to GulfTerra and its unitholders:

- the creation of North America s leading midstream company, with geographic and product diversity and balance, serving key natural gas basins;
- enhanced growth prospects;
- the continuation of and improvement on GulfTerra s previous independence initiatives;
- a lower cost of capital;
- increased market liquidity of common units;
- long-term accretion to distributable cash flow per unit;
- the strengths of the combined management teams;
- growth and diversification of sources of cash flow; and
- potential cost savings and interest savings.

For more information on GulfTerra s reasons for the merger, please read The Merger Recommendation of the Board of Directors of GulfTerra s General Partner and Reasons for the Merger.

Enterprise s Reasons for the Merger

The board of directors of Enterprise s general partner considered various factors in approving and adopting the merger agreement and approving the issuance of Enterprise s common units pursuant to the merger agreement, including the following potential benefits of the merger to the combined company:

significant increases in the diversity and scale of operations of the combined company;

greater cash flow stability;

incremental growth opportunities;

potential cost savings; and

long-term accretion to distributable cash flow per unit to Enterprise unitholders.

For more information on Enterprise s reasons for the merger, please read The Merger Recommendation of the Board of Directors of Enterprise s General Partner and Reasons for the Merger.

Interests of Our Executive Officers and Directors in the Merger

In considering the recommendations of the respective boards of directors of the general partners of GulfTerra and Enterprise with respect to the merger, unitholders of both companies should be aware that some of the executive officers and directors of the general partners have interests in the transaction that differ from the interests of common unitholders generally. For a detailed discussion of such interests, please read The Merger Interests of Certain Persons in the Merger.

Opinions of Financial Advisors

The opinions of Enterprise s and GulfTerra s financial advisors are attached to this document as Annexes B and C, respectively. We encourage you to read those opinions carefully, as well as the descriptions of the analyses and assumptions on which the opinions were based set forth under The Merger Opinions of Financial Advisors. *Each opinion is directed to the audit and conflicts committee of the applicable general partner s board of directors and does not constitute a recommendation to any unitholder as to any matter relating to the merger.*

Opinion of Financial Advisor to Enterprise and the Audit and Conflicts Committee

Lehman Brothers Inc., Enterprise s financial advisor, delivered its opinion to the board of directors and the audit and conflicts committee of the board of directors of Enterprise s general partner on December 14, 2003 to the effect that, as of the date of its opinion and subject to the matters and assumptions set forth in the opinion, the aggregate consideration to be paid by Enterprise in the proposed merger and in the related prior transactions is fair, from a financial point of view, to Enterprise.

Opinion of Financial Advisor to GulfTerra and the Audit and Conflicts Committee

UBS Securities LLC, financial advisor to GulfTerra and the audit and conflicts committee of the board of directors of GulfTerra s general partner, delivered its opinion to the audit and conflicts committee on December 14, 2003 to the effect that, as of the date of its opinion and based on and subject to various assumptions made, matters considered and limitations described in the opinion, the exchange ratio of 1.81 Enterprise common units for each GulfTerra common unit in the merger was fair from a financial point of view to GulfTerra s common unitholders, other than El Paso Corporation, Goldman, Sachs & Co. and their respective affiliates.

The Merger Agreement

The merger agreement is attached to this document as Annex A and incorporated by reference into this document. We encourage you to read the merger agreement because it is the legal document that governs the merger. For a detailed discussion of certain terms of the merger agreement, please read The Merger Agreement beginning on page 89 of this document.

What We Need to Do to Complete the Merger

Enterprise and GulfTerra will complete the merger only if the conditions set forth in the merger agreement and the parent company agreement are satisfied or, in some cases, waived. These conditions include:

- the approval and adoption by GulfTerra unitholders of the merger agreement;
- the approval by Enterprise s unitholders of the issuance of Enterprise common units pursuant to the merger agreement;
- the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976;
- the continued effectiveness of the registration statement of which this document is a part;
- the approval for listing on the NYSE of the Enterprise common units to be issued in the merger subject to official notice of issuance;
- the continued accuracy of the representations and warranties contained in the merger agreement and the parent company agreement;
- the closing of the purchase of specified GulfTerra common units and Series C Units from subsidiaries of El Paso Corporation, as described above under Transactions Related to the Merger The Parent Company Agreement, which, in turn, is conditioned upon, among other things, neither party breaching its obligations under the purchase and sale agreement providing for Enterprise s acquisition of the South Texas midstream assets, which is more fully described above under Transactions Related to the Merger Acquisition of South Texas Midstream Assets;
- the performance by each party of its obligations under the merger agreement and the parent company agreement;
- the absence of any decree, order, injunction or law that prohibits the merger or makes the merger unlawful;
- the receipt of legal opinions from counsel for each of Enterprise and GulfTerra as to the treatment of the merger for U.S. federal income tax purposes; and
- the receipt of legal opinions from counsel for each of Enterprise, GulfTerra and El Paso Corporation as to non-contravention with respect to selected material agreements.

Either Enterprise or GulfTerra may choose to complete the merger even though a condition to its obligations has not been satisfied if the necessary unitholder approvals have been obtained and the law allows it to do so.

Termination of the Merger Agreement

Enterprise and GulfTerra can agree to terminate the merger agreement at any time without completing the merger, even after unitholder approvals have been obtained. In addition, either party can terminate the merger agreement on its own without completing the merger if:

- the merger is not completed by March 31, 2005, other than due to a breach of the merger agreement by the terminating party;

- the conditions to closing the merger cannot be satisfied;
- the necessary approval of the unitholders of either party is not obtained at their respective unitholder meetings; or
- any legal prohibition to completing the merger has become final and non-appealable.

Termination Fees

If the merger agreement is terminated because the requisite unitholder approval is not obtained by Enterprise or GulfTerra, as the case may be, at its special meeting or its special meeting is cancelled, then Enterprise or GulfTerra, as the case may be, will be required to pay to the other party a termination fee of $112 million:

- if, in response to a superior transaction, the board of directors of its general partner withdraws or qualifies its recommendation for approval of the transactions contemplated by the merger agreement;
- if it violates the no solicitation covenant in the merger agreement; or
- if a possible alternative or superior transaction with a third party has been publicly announced and the board of directors of its general partner does not reaffirm its recommendation in favor of the merger.

In addition, in the case of GulfTerra, if the requisite unitholder approval is not obtained or if the GulfTerra special meeting is cancelled and (1) a possible alternative or superior transaction not involving Enterprise has been publicly announced, but the board of directors of GulfTerra s general partner reaffirms its recommendation to vote in favor of the merger in accordance with the merger agreement, or (2) no possible alternative transaction or superior transaction has been publicly announced, GulfTerra will be required to pay to Enterprise a termination fee of $15 million. For a detailed discussion of the termination fees and expenses, please read The Merger Agreement Termination Fees and Expenses.

No Solicitation

Enterprise and GulfTerra have generally agreed not to initiate or continue any discussions with any other person regarding a business combination while the merger is pending or to engage in any of those discussions unless required by fiduciary obligations under applicable law.

Other Information Related to the Merger

Antitrust Clearance

The merger is subject to both state and federal antitrust laws. Enterprise and GulfTerra made the required filings with the Federal Trade Commission, or FTC, and the Antitrust Division of the Department of Justice, or DOJ, relating to the merger on January 21, 2004, but they are not permitted to complete the merger until the applicable waiting periods have expired or are otherwise terminated. On February 20, 2004, Enterprise and GulfTerra received a request for additional information and documentary materials from the FTC. Enterprise and GulfTerra are currently responding to the FTC s request. Enterprise and GulfTerra have also received a civil investigative demand for information about the merger from the Office of the Attorney General of the State of Texas. Enterprise or GulfTerra may receive additional requests for information concerning the proposed merger and related transactions from the FTC or the states.

Listing of Common Units to be Issued in the Merger

Enterprise expects to obtain approval to list on the NYSE the common units to be issued pursuant to the merger agreement, which approval is a condition to closing the merger.

Accounting Treatment

Enterprise will account for the merger using the purchase method of accounting. Under that method of accounting, the aggregate consideration that Enterprise pays for GulfTerra will be allocated to GulfTerra s assets and liabilities based on their fair values, with any excess being treated as goodwill. Enterprise currently expects to record approximately $2.6 billion of goodwill upon completion of the merger, but that estimate is subject to change.

Appraisal Rights

Neither Enterprise unitholders nor GulfTerra unitholders have appraisal rights under applicable law or contractual appraisal rights under their respective partnership agreements or the merger agreement.

Enterprise s Class B Special Units

On December 17, 2003, Enterprise sold 4,413,549 Class B special units to an affiliate of Dan L. Duncan, Enterprise s co-founder and the chairman of its general partner, for $100 million in a private transaction. The purchase price for that transaction was $22.6575 per unit, representing a 5% discount from the $23.85 closing price of Enterprise s common units on the NYSE on December 16, 2003. The 5% discount was consistent with the 5% discount available to all of Enterprise s unitholders under its distribution reinvestment plan.

The Class B special units have rights identical to Enterprise s common units with respect to Enterprise s 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 Enterprise s units has been obtained.

Each Class B special unit will become convertible into one common unit upon the receipt of approval of holders of not less than a majority of Enterprise s units (not including for this purpose the Class B special units) present and entitled to vote at a meeting of Enterprise s common unitholders or by the holders of a majority of Enterprise s units (not including for this purpose the Class B special units) pursuant to written consents solicited by Enterprise.

Under the rules of the NYSE an officer or director of Enterprise generally may not purchase newly-issued common units from Enterprise in an amount that exceeds 1% of the total outstanding common units in a single transaction or a series of related transactions without first obtaining approval of Enterprise s unitholders. Based on the number of common units outstanding on December 17, 2003, the number of outstanding common units would have increased by approximately 3.1% upon the conversion of the 4,413,549 Class B special units into an equal number of common units. Therefore, the board of directors of Enterprise s general partner is proposing that the Enterprise common unitholders approve the conversion of the Class B special units into common units in accordance with the above requirements of the NYSE.

As of the record date for the special meeting, Mr. Duncan beneficially owned 120,161,005 common units, representing approximately 51.4% of the common units then outstanding, and all of the 4,413,549 outstanding Class B special units. Upon conversion of the Class B special units, he would beneficially own 124,574,554 common units, representing approximately 52.3% of the common units then outstanding, disregarding the common units issuable in the merger. Mr. Duncan intends to vote all of the common units he beneficially owns in favor of the proposal to convert the Class B special units, thereby assuring its approval. Approval, however, is not a condition to the merger, and completion of the merger is likewise not a condition to the conversion of Enterprise s Class B special units.

Summary Historical and Pro Forma Financial and Operating Information

The following tables set forth, for the periods and at the dates indicated, summary historical financial and operating information for Enterprise and GulfTerra and summary pro forma adjusted financial information for Enterprise after giving effect to the proposed merger with GulfTerra, the post-merger acquisition of the South Texas midstream assets from El Paso Corporation and the May 2004 offering. The summary historical income statement and balance sheet data for the three years in the period ended December 31, 2003 are derived from and should be read in conjunction with the audited financial statements of Enterprise, GulfTerra and the South Texas midstream assets that are incorporated by reference, and the selected historical financial and operating information included elsewhere, in this document. The summary historical income statement data for the three-month periods ended March 31, 2003 and 2004 and balance sheet data at March 31, 2004 are derived from and should be read in conjunction with the unaudited financial statements of Enterprise, GulfTerra and the South Texas midstream assets that are incorporated by reference, and the selected historical financial and operating information included elsewhere, in this document.

The summary pro forma adjusted financial statements of Enterprise show the pro forma effect of

- the proposed merger with GulfTerra through Step Three of that transaction; and

- the application of $353.3 million in net proceeds, including the receipt from Enterprise s general partner of its related net capital contribution, from Enterprise s May 2004 public offering of 17,250,000 of its common units (including the over-allotment amount of 2,250,000 common units) and the use of such proceeds to repay in full the $225 million outstanding under Enterprise s interim term loan and to repay $128.3 million outstanding under Enterprise s revolving credit facilities.

The proposed merger involves the following three steps:

- *Step One.* On December 15, 2003, Enterprise purchased a 50% membership interest in GulfTerra s general partner for $425 million. GulfTerra s general partner owns a 1% general partner interest in GulfTerra. This investment is currently accounted for by Enterprise using the equity method and is already recorded in Enterprise s historical balance sheet at December 31, 2003. 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 are referred to as Step Two and Step 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, Enterprise will own 100% of the limited and general partner interests in GulfTerra. At that time, the proposed merger will be accounted for by Enterprise using the purchase method, and GulfTerra will be a consolidated subsidiary of Enterprise. Step Two of the proposed merger includes the following transactions:

  - El Paso Corporation s exchange of its remaining 50% membership interest in GulfTerra s general partner for a cash payment by Enterprise s general partner of $370 million (which will not be funded or reimbursed by Enterprise) and a 9.9% membership interest in Enterprise s general partner, and the subsequent capital contribution by Enterprise s general partner of such 50% membership interest in GulfTerra s general partner to Enterprise (without increasing Enterprise s general partner s interest in Enterprise s earnings or cash distributions);

  - Enterprise s purchase of 10,937,500 GulfTerra Series C Units and 2,876,620 GulfTerra common units owned by El Paso Corporation for $500 million; and

  - The exchange of each remaining GulfTerra common unit for 1.81 Enterprise common units, resulting in the expected issuance of 104,587,134 of Enterprise s common units to GulfTerra unitholders.

Step Three. Immediately after Step Two is completed, Enterprise expects to purchase the South Texas midstream assets from El Paso Corporation for $150 million plus the value of then outstanding inventory.

Enterprise anticipates that its obligations under Steps Two and Three of the proposed merger to pay El Paso Corporation approximately $650 million will be financed initially with short-term acquisition term loans and with borrowings under its revolving credit facilities.

Enterprise s unaudited pro forma condensed statements of consolidated operations for the year ended December 31, 2003 and for the three months ended March 31, 2004 assume the merger-related transactions and the May 2004 offering all occurred on January 1 of each period presented. Enterprise s unaudited pro forma condensed consolidated balance sheet shows the financial effects of the merger and related transactions and the May 2004 offering as if they had occurred on March 31, 2004. Step One of the proposed merger is already included in the March 31, 2004 unaudited historical balance sheet and the unaudited historical statement of consolidated operations for the three months ended March 31, 2004 of Enterprise.

The non-generally accepted accounting principle, or non-GAAP, financial measures of gross operating margin and earnings before interest, income taxes, depreciation and amortization, which Enterprise refers to as EBITDA, are presented in the summary historical and pro forma financial information for Enterprise. In a supplemental section titled Non-GAAP Financial Measures, Enterprise has provided the necessary explanations and reconciliations for Enterprise s non-GAAP financial measures.

Summary Historical and Pro Forma Financial and Operating Information of Enterprise

	Enterprise Consolidated Historical For Year Ended December 31,			For Year Ended December 31, 2003	
	2001	2002	2003	Through Step Three Enterprise Pro Forma	Adjusted Enterprise Pro Forma
	(Dollars in millions, except per unit amounts)				
Income Statement Data:					
Revenues	$3,154.4	$3,584.8	$5,346.4	$7,153.0	$7,153.0
Costs and expenses:					
Operating costs and expenses	2,862.6	3,382.8	5,046.8	6,474.1	6,474.1
Selling, general and administrative	30.3	42.9	37.5	93.5	93.5
Total costs and expenses	2,892.9	3,425.7	5,084.3	6,567.6	6,567.6
Equity in income (loss) of unconsolidated affiliates	25.3	35.2	(14.0)	(2.6)	(2.6)
Operating income	286.8	194.3	248.1	582.8	582.8
Other income (expense):					
Interest expense	(52.4)	(101.6)	(140.8)	(279.8)	(274.4)
Other, net	10.3	7.3	6.4	(28.5)	(28.5)
Total other income (expense)	(42.1)	(94.3)	(134.4)	(308.3)	(302.9)
Income before provision for income taxes and minority interest	244.7	100.0	113.7	274.5	279.9
Provision for income taxes		(1.6)	(5.3)	(5.3)	(5.3)
Income before minority interest	244.7	98.4	108.4	269.2	274.6
Minority interest	(2.5)	(2.9)	(3.9)	(3.9)	(3.9)
Income from continuing operations	$ 242.2	$ 95.5	$ 104.5	$ 265.3	$ 270.7
Basic earnings per unit (net of general partner interest):					
Income from continuing operations per unit	$ 1.70	$ 0.55	$ 0.42	$ 0.76	$ 0.73
Diluted earnings per unit (net of general partner interest):					
Income from continuing operations per unit	$ 1.39	$ 0.48	$ 0.41	$ 0.74	$ 0.71
Distributions to limited partners:					
Per common unit	$ 1.19	$ 1.36	$ 1.47		
Balance sheet data:					
Total assets	$2,424.7	$4,230.3	$4,802.8		
Total debt	855.3	2,246.5	2,139.5		
Total partners equity	1,146.9	1,200.9	1,706.0		
Other financial data:					

Cash provided by operating activities	$ 283.3	$ 329.8	$ 424.7		
Cash used in investing activities	491.2	1,708.3	657.0		
Cash provided by financing activities	279.5	1,260.3	248.9		
Distributions received from unconsolidated affiliates	45.1	57.7	31.9		
Equity in income (loss) of unconsolidated affiliates	25.4	35.3	(14.0)		
Gross operating margin	375.9	332.3	410.4	$ 887.4	$ 887.4
EBITDA	345.8	284.8	366.4	771.1	771.1
Commodity hedging income (losses)	101.3	(51.3)	(0.6)		
Operating data (in MBPD, except as noted):					
Pipelines:					
Major NGL and petrochemical pipelines	453	1,352	1,343		
Natural gas pipelines (BBtu/d)	1,349	1,201	1,032		
Fractionation:					
NGL fractionation	204	235	227		
Isomerization	80	84	77		
Propylene fractionation	31	55	57		
Processing equity NGL production	63	73	56		
Octane Enhancement	5	5	4		

Summary Historical and Pro Forma Financial and Operating Information of Enterprise (Continued)

	Enterprise Consolidated Historical For Three Months Ended March 31,		For Three Months Ended March 31, 2004	
	2003	2004	Through Step Three Enterprise Pro Forma	Adjusted Enterprise Pro Forma
	(Dollars in millions, except per unit amounts)			
Income Statement Data:				
Revenues	$1,481.6	$1,704.9	$ 2,120.6	$ 2,120.6
Costs and expenses:				
Operating costs and expenses	1,386.7	1,621.5	1,928.3	1,928.3
Selling, general and administrative	11.5	9.5	22.9	22.9
Total costs and expenses	1,398.2	1,631.0	1,951.2	1,951.2
Equity in income of unconsolidated affiliates	1.6	13.4	5.0	5.0
Operating income	85.0	87.3	174.4	174.4
Other income (expense):				
Interest expense	(41.9)	(32.6)	(61.5)	(60.9)
Other, net	2.8	1.4	1.7	1.7
Total other income (expense)	(39.1)	(31.2)	(59.8)	(59.2)
Income before provision for income taxes, minority interest and change in accounting principle	45.9	56.1	114.6	115.2
Provision for income taxes	(3.1)	(1.6)	(1.6)	(1.6)
Income before minority interest	42.8	54.5	113.0	113.6
Minority interest	(2.3)	(3.0)	(3.0)	(3.0)
Income from continuing operations	40.5	51.5	$ 110.0	$ 110.6
Cumulative effect of change in accounting principle		7.0		
Net income	$ 40.5	$ 58.5		
Basic earnings per unit (net of general partner interest):				
Income from continuing operations per unit	$ 0.20	$ 0.21	$ 0.34	$ 0.28
Diluted earnings per unit (net of general partner interest):				
Income from continuing operations per unit	$ 0.19	$ 0.20	$ 0.34	$ 0.28
Distributions to limited partners:				
Per common unit	$ 0.3625	$ 0.3725		
Balance sheet data:				
Total assets	$4,266.4	$4,782.3	$10,528.6	$10,527.6
Total debt	2,001.6	2,210.9	4,789.9	4,436.6
Total partners equity	1,438.8	1,720.9	4,628.4	4,980.7

Other financial data:				
Cash provided by operating activities	$ 141.5	$ 29.6		
Cash used in investing activities	73.1	15.8		
Cash provided by (used in) financing activities	(59.7)	0.5		
Distributions received from unconsolidated affiliates	15.6	15.7		
Equity in income of unconsolidated affiliates	1.6	13.4		
Gross operating margin	126.4	129.7	$ 258.0	$ 258.0
EBITDA	113.1	123.2	231.4	231.4
Commodity hedging losses	(0.8)	(0.1)		
Operating data (in MBPD, except as noted):				
Pipelines:				
Major NGL and petrochemical pipelines	1,313	1,423		
Natural gas pipelines (BBtu/d)	1,034	1,075		
Fractionation:				
NGL fractionation	235	229		
Isomerization	80	60		
Propylene fractionation	60	54		
Processing equity NGL production	54	64		
Octane Enhancement	3	5		

Summary Historical Financial and Operating Information of GulfTerra

	GulfTerra Consolidated Historical				
	For Year Ended December 31,			For Three Months Ended March 31,	
	2001	2002	2003	2003	2004
	(Dollars in millions, except per unit amounts)				
Consolidated Statements of Income Data:					
Operating revenues	$ 193.4	$ 457.4	$ 871.5	$ 230.1	$ 220.3
Operating expenses	134.9	296.6	557.0	155.0	139.1
Operating income	58.5	160.8	314.5	75.1	81.2
Other income (expense):					
Equity in income (loss) of unconsolidated affiliates	8.5	13.6	11.4	3.3	2.2
Interest expense	(41.5)	(81.0)	(127.8)	(34.5)	(28.0)
Loss due to early redemptions of debt		(2.4)	(36.9)	(3.8)	
Other	28.6	1.6	0.2	0.4	0.2
Total other income (expense)	(4.4)	(68.2)	(153.1)	(34.6)	(25.6)
Income from continuing operations	$ 54.1	$ 92.6	$ 161.4	$ 40.5	$ 55.6
Basic and diluted earnings per unit:					
Income from continuing operations per common unit	$ 0.35	$ 0.80	$ 1.30	$ 0.40	$ 0.49
Distributions to limited partners:					
Per common unit	$ 2.31	$ 2.60	$ 2.76	$ 0.68	$ 0.71
Balance sheet data:					
Total assets	$1,357.4	$3,130.9	$3,321.6	$3,167.5	$3,364.0
Total debt	820.0	1,906.3	1,811.8	1,948.7	1,824.2
Total partners equity	500.7	949.9	1,252.6	934.3	1,281.9
Other financial data:					
Cash provided by operating activities	$ 87.4	$ 176.0	$ 268.2	$ 71.4	$ 63.5
Cash used in investing activities	499.7	1,215.4	287.2	79.0	53.5
Cash provided by (used in) financing activities	405.1	1,062.4	13.4	(16.3)	(17.1)
Operating data (in MBPD, except as noted):					
Natural gas pipelines and plants (Gross MDth/d)	2,344	5,302	7,685	7,599	7,647
Oil pipelines	168	154	172	190	164
NGL logistics	63	72	89	86	104
Natural gas platform volumes (Gross MDth/d)	189	151	271	183	385
Oil platform volumes	5	5	5	4	5

Non-GAAP Financial Measures

This document contains the non-GAAP financial measures of gross operating margin and EBITDA for Enterprise, and this section provides reconciliations of these non-GAAP financial measures to their most directly comparable financial measure or measures calculated and presented in accordance with GAAP.

Gross Operating Margin

Enterprise defines gross operating margin as operating income before: (1) depreciation and amortization expense; (2) operating lease expenses for which it does not have the cash payment obligation; (3) gains and losses on the sale of assets; and (4) selling, general and administrative expenses. Enterprise views gross operating margin as an important performance measure of the core profitability of its operations. This measure forms the basis of Enterprise s internal financial reporting and is used by its senior management in deciding how to allocate capital resources among business segments. Enterprise believes that investors benefit from having access to the same financial measures that its management uses. The GAAP measure most directly comparable to gross operating margin is operating income.

EBITDA

Enterprise defines EBITDA as net income (or income from continuing operations, as appropriate) plus interest expense, provision for income taxes and depreciation and amortization expense. EBITDA is used as a supplemental financial measure by Enterprise s management and by external users of financial statements such as investors, commercial banks, research analysts and ratings agencies, to assess:

- the financial performance of Enterprise s assets without regard to financing methods, capital structures or historical cost basis;
- the ability of Enterprise s assets to generate cash sufficient to pay interest costs and support its indebtedness;
- Enterprise s operating performance and return on capital as compared to those of other companies in the midstream energy sector, without regard to financing and capital structure; and
- the viability of projects and the overall rates of return on alternative investment opportunities.

EBITDA should not be considered an alternative to net income or income from continuing operations, operating income, cash flow from operating activities or any other measure of financial performance presented in accordance with GAAP. This non-GAAP financial measure is not intended to represent GAAP-based cash flows. Enterprise has reconciled its historical and pro forma EBITDA amounts to its consolidated net income or income from continuing operations and historical EBITDA amounts further to operating activities cash flows.

Enterprise Non-GAAP Reconciliations

The following table presents a reconciliation of Enterprise s non-GAAP financial measure of total gross operating margin to the GAAP financial measure of operating income and a reconciliation of the non-GAAP financial measure of EBITDA to the GAAP financial measures of net income or income from continuing operations (as appropriate) and of operating activities cash flows, on a historical and pro forma as adjusted basis, as applicable, for each of the periods indicated:

	Enterprise Consolidated Historical for Year Ended December 31,			For Year Ended December 31, 2003	
	2001	2002	2003	Through Step Three Enterprise Pro Forma	Adjusted Enterprise Pro Forma
	(Dollars in millions)				
Reconciliation of Non-GAAP Total Gross Operating Margin to GAAP Operating Income					
Operating Income	$286.8	$ 194.3	$ 248.1	$582.8	$582.8
Adjustments to reconcile Operating Income to Total Gross Operating Margin:					
Depreciation and amortization in operating costs and expenses	48.8	86.0	115.7	220.7	220.7
Retained lease expense, net in operating costs and expenses	10.4	9.1	9.1	9.1	9.1
Gain on sale of assets in operating costs and expenses	(0.4)			(18.7)	(18.7)
Selling, general and administrative costs	30.3	42.9	37.5	93.5	93.5
Total Gross Operating Margin	$375.9	$ 332.3	$ 410.4	$887.4	$887.4
Reconciliation of Non-GAAP EBITDA to GAAP Income from Continuing Operations and GAAP Operating Activities Cash Flows					
Income from Continuing Operations	$242.2	$ 95.5	$ 104.5	$265.3	$270.7
Adjustments to derive EBITDA:					
Interest expense	52.5	101.6	140.8	279.8	274.4
Provision for income taxes		1.6	5.3	5.3	5.3
Depreciation and amortization (excluding amortization component in interest expenses)	51.1	86.1	115.8	220.7	220.7
EBITDA	345.8	284.8	366.4	$771.1	$771.1
Interest expense	(52.5)	(101.6)	(140.8)		
Amortization in interest expense	0.8	8.8	12.6		
Provision for income taxes		(1.6)	(5.3)		
Provision for impairment charge			1.2		
Earnings from unconsolidated affiliates	(25.4)	(35.3)	14.0		
Distributions from unconsolidated affiliates	45.1	57.7	31.9		
Loss (gain) on sale of assets	(0.4)				
Operating lease expense paid by EPCO (excluding minority interest portion)	10.3	9.0	9.0		
Other expenses paid by EPCO			0.4		
Minority interest	2.5	3.0	3.9		
Deferred income tax expense		2.1	10.5		
Changes in fair market value of financial instruments	(5.7)	10.2			
Net effect of changes in operating accounts	(37.2)	92.7	120.9		

Operating Activities Cash Flows	$283.3	$ 329.8	$ 424.7

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Enterprise Non-GAAP Reconciliations (Continued)

	Enterprise Consolidated Historical For Three Months Ended March 31,		For Three Months Ended March 31, 2004	
	2003	2004	Through Step Three Enterprise Pro Forma	Adjusted Enterprise Pro Forma
	(Dollars in millions)			
Reconciliation of Non-GAAP Total Gross Operating Margin to GAAP Operating Income				
Operating Income	$ 85.0	$ 87.3	$174.4	$174.4
Adjustments to reconcile Operating Income to Total Gross Operating Margin:				
Depreciation and amortization in operating costs and expenses	27.6	30.5	58.3	58.3
Retained lease expense, net in operating costs and expenses	2.3	2.3	2.3	2.3
Gain on sale of assets in operating costs and expenses		0.1	0.1	0.1
Selling, general and administrative costs	11.5	9.5	22.9	22.9
Total Gross Operating Margin	$126.4	$129.7	$258.0	$258.0
Reconciliation of Non-GAAP EBITDA to GAAP Net Income or Income from Continuing Operations and GAAP Operating Activities Cash Flows				
Net Income or Income from Continuing Operations	$ 40.5	$ 58.5	$110.0	$110.6
Adjustments to derive EBITDA:				
Interest expense	41.9	32.6	61.5	60.9
Provision for income taxes	3.1	1.6	1.6	1.6
Depreciation and amortization (excluding amortization component in interest expenses)	27.6	30.5	58.3	58.3
EBITDA	113.1	123.2	$231.4	$231.4
Interest expense	(41.9)	(32.6)		
Amortization in interest expense	11.6	0.8		
Provision for income taxes	(3.1)	(1.6)		
Cumulative effect of change in accounting principle		(7.0)		
Earnings from unconsolidated affiliates	(1.6)	(13.4)		
Distributions from unconsolidated affiliates	15.6	15.7		
Loss (gain) on sale of assets		0.1		
Operating lease expense paid by EPCO (excluding minority interest portion)	2.3	2.3		
Minority interest	2.3	3.0		
Deferred income tax expense	2.7	1.7		
Decrease (increase) in restricted cash	(10.0)	5.8		
Net effect of changes in operating accounts	50.5	(68.4)		
Operating Activities Cash Flows	$141.5	$ 29.6		

RISK FACTORS

You should consider carefully the following risk factors, together with all of the other information included in, or incorporated by reference into, this document before deciding how to vote. This document also contains forward-looking statements that involve risks and uncertainties. Please read Information Regarding Forward-Looking Statements.

Risks Related to the Merger and the Related Transactions

Enterprise may not be able to integrate successfully its operations with GulfTerra s operations.

Integration of the two previously independent companies will be a complex, time consuming and costly process. Failure to timely and successfully integrate these companies may have a material adverse effect on the combined company s business, financial condition and results of operations. The difficulties of combining the companies will present challenges to the combined company s management, including:

- operating a significantly larger combined company with operations in geographic areas and business lines in which Enterprise has not previously operated;
- managing relationships with new joint venture partners with whom Enterprise has not previously partnered;
- integrating personnel with diverse backgrounds and organizational cultures;
- experiencing operational interruptions or the loss of key employees, customers or suppliers;
- establishing the internal controls and procedures that the combined company will be required to maintain under the Sarbanes-Oxley Act of 2002; and
- consolidating other corporate and administrative functions.

The combined company will also be exposed to other risks that are commonly associated with transactions similar to the merger, such as unanticipated liabilities and costs, some of which may be material, and diversion of management s attention. As a result, the anticipated benefits of the merger may not be fully realized, if at all.

At the effective time of the merger, the market value of the consideration to GulfTerra unitholders will be determined by the price of Enterprise units, which market value will decrease if the market value of Enterprise units decreases.

At the effective time of the merger, the market value of the consideration that GulfTerra unitholders will receive in the merger will depend on the trading price of Enterprise common units. The 1.81 exchange ratio that determines the number of Enterprise common units that GulfTerra unitholders will receive in the merger is fixed. This means that there is no price protection mechanism contained in the merger agreement that would adjust the number of common units that GulfTerra unitholders will receive based on any decreases in the trading price of Enterprise common units. If Enterprise s common unit price decreases, the market value of the consideration received by GulfTerra common unitholders will also decrease. Consider the following example:

Example: Based on the trading price of Enterprise common units on December 12, 2003, of $22.80 per unit, and based on the fixed 1.81 exchange ratio, the market value of the consideration to be received by GulfTerra s common unitholders would be $41.27 per unit, or $22.80 multiplied by 1.81. If the trading price for Enterprise s common units decreased from $22.80 to $20.00 per unit, then, based on the 1.81 fixed exchange ratio, the market value of the consideration to be received by GulfTerra s common unitholders would decrease from $41.27 to $36.20 per unit, or $20.00 multiplied by 1.81.

For historical and current market prices of Enterprise common units and GulfTerra common units, please read the Market Prices and Distribution Information section of this document.

The transactions contemplated by the merger agreement may not be consummated even if unitholder approval for the merger is obtained.

The merger agreement contains conditions that, if not satisfied or waived, would result in the merger not occurring, even though Enterprise s unitholders and GulfTerra s unitholders may have voted favorably. In addition, GulfTerra and Enterprise can agree not to consummate the merger even if all unitholder approvals have been received. The closing conditions to the merger may not be satisfied, and any unsatisfied conditions may not be waived, which may cause the merger not to occur.

While the merger agreement is in effect, Enterprise and GulfTerra may lose opportunities to enter into different business combination transactions with other parties on more favorable terms, and they may be limited in their ability to pursue other attractive business opportunities.

While the merger agreement is in effect, Enterprise and GulfTerra are each prohibited from entering into or soliciting, initiating or encouraging any inquiries or proposals that may lead to a proposal, or offer to enter into certain transactions such as a merger, sale of assets or other business combination, with any other person, subject to their respective fiduciary obligations under applicable law. In addition, pursuant to a voting agreement and proxy, Dan L. Duncan and his affiliates have agreed with GulfTerra, so long as the board of directors of Enterprise s general partner does not withdraw its recommendation of the merger, to vote all of the Enterprise common units owned by them in favor of the issuance of Enterprise common units pursuant to the merger agreement. Because Mr. Duncan and his affiliates control a number of votes sufficient to approve the issuance of our common units pursuant to the merger agreement, we expect that the voting agreement and proxy will ensure that Enterprise receives the requisite unitholder approval for the proposed merger. Pursuant to a voting agreement and proxy, El Paso Corporation and several of its subsidiaries have agreed with Enterprise to vote approximately 17.3% of the outstanding GulfTerra common units and 100% of the Series C Units in favor of the merger agreement. As a result of these provisions in the merger agreement, and the voting agreements and proxies, Enterprise and GulfTerra may lose opportunities to enter into more favorable transactions.

Moreover, the merger agreement provides for the payment of $112 million in break-up fees under specified circumstances, which fees are intended to provide a financial incentive for each of Enterprise and GulfTerra to seek to complete the proposed merger rather than to explore alternative transactions that potentially could be more favorable to its unitholders. For a detailed discussion of these break-up fees, please read The Merger Agreement Termination Fees and Expenses.

Both Enterprise and GulfTerra have also agreed to refrain from taking certain actions with respect to their businesses and financial affairs pending completion of the merger or termination of the merger agreement. These restrictions and the no-solicitation provisions (described in more detail in The Merger Agreement) could be in effect for an extended period of time if completion of the merger is delayed.

In addition to the economic costs associated with pursuing a merger, each of Enterprise s and GulfTerra s management is devoting substantial time and other human resources to the proposed transaction and related matters, which could limit Enterprise s and GulfTerra s ability to pursue other attractive business opportunities, including potential joint ventures, stand-alone projects and other transactions. If either Enterprise or GulfTerra is unable to pursue such other attractive business opportunities, then its growth prospects and the long-term strategic position of its business could be adversely affected.

Enterprise and GulfTerra could be required to divest significant assets to complete the merger.

We cannot complete the merger until the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 has expired or is otherwise terminated. As a prerequisite to obtaining FTC approval for the proposed merger (or to avoid an injunction by the State of Texas or other states), the combined company may be required to divest certain Enterprise or GulfTerra assets. The divestiture of any assets required by the FTC or a state is also a condition to the merger. GulfTerra is required to divest any assets required by the FTC or a state to the extent such divestitures are recommended by Enterprise, and

Enterprise is required to divest any assets required by the FTC or a state to the extent such divestitures, together with all required GulfTerra divestitures (but excluding the FTC consent decree assets), do not exceed $150 million. In addition, if such divestitures required by the FTC or a state exceed $150 million, Enterprise and, with its consent, GulfTerra have the right to comply with such divestiture requirements to consummate the merger.

Divestitures of assets can be time consuming and may delay completion of the proposed merger. Because there may be a limited number of potential buyers for the assets subject to divestiture and because potential buyers will likely be aware of the circumstances of the sale, these assets could be sold at prices lower than their fair market values or the prices Enterprise or GulfTerra paid for these assets. Asset divestitures could also significantly reduce the value of the combined company, eliminate potential cost savings opportunities or lessen the anticipated benefits of the merger.

Some of the directors and executive officers of GulfTerra s general partner have interests that differ in several respects from GulfTerra s unitholders.

In considering the recommendation of the board of directors of GulfTerra s general partner to approve the merger agreement and the merger, you should consider that some of the directors and executive officers of GulfTerra s general partner have interests that differ from, or are in addition to, their interests as GulfTerra unitholders generally. These interests include the expectation of being elected a director or appointed an officer of the general partner of the combined company and the consideration that such directors and officers may receive in connection with the repurchase of their outstanding GulfTerra options pursuant to the merger agreement. For a detailed discussion of the interests of the directors and executive officers of GulfTerra s general partner, please read The Merger Interests of Certain Persons in the Merger.

Risks Related to the Combined Company s Leverage

The combined company s debt level may limit its future financial and operating flexibility.

As of March 31, 2004, Enterprise had approximately $2.2 billion of consolidated debt outstanding. As of the same date, GulfTerra had approximately $1.8 billion of consolidated debt outstanding. The consolidated balance sheet of the combined company will have significant leverage. Assuming that the merger and May 2004 offering had been completed on March 31, 2004, the combined company would have had approximately $4.4 billion of consolidated debt on a pro forma as adjusted basis. The amount of the combined company s debt could have several important effects on its future operations, including, among other things:

- a significant portion of the combined company s cash flow from operations will be dedicated to the payment of principal and interest on outstanding debt and will not be available for other purposes, including payment of distributions;
- credit rating agencies may view the combined company s debt level negatively;
- covenants contained in Enterprise s and GulfTerra s existing debt arrangements will require the combined company to continue to meet financial tests that may affect its flexibility in planning for and reacting to changes in its business;
- the combined company s ability to obtain additional financing for working capital, capital expenditures, acquisitions and general partnership purposes may be limited;
- the combined company may be at a competitive disadvantage relative to similar companies that have less debt; and
- the combined company may be more vulnerable to adverse economic and industry conditions as a result of its significant debt level.

Enterprise s public debt indentures currently do not limit the amount of future indebtedness that it can create, incur, assume or guarantee. Enterprise s revolving credit facilities and the merger agreement, however, restrict Enterprise s ability to incur additional debt, though any debt it may incur in compliance

with these restrictions may still be substantial. Likewise, GulfTerra s public debt indentures, its revolving credit facility and the merger agreement restrict its ability to incur additional debt; however, any debt that it may incur in compliance with these restrictions may still be substantial. The incurrence of additional debt by Enterprise or GulfTerra could exacerbate any risks associated with the liquidity of the combined company.

Each of Enterprise s and GulfTerra s revolving credit facilities and indentures for its public debt contain conventional financial covenants and other restrictions. A breach of any of these restrictions by Enterprise or GulfTerra, as applicable, could permit the lenders to declare all amounts outstanding under those debt agreements to be immediately due and payable and, in the case of the credit facilities, to terminate all commitments to extend further credit.

In May 2004, both Moody s Investors Service and Standard & Poor s Ratings Services lowered their corporate credit ratings on Enterprise. Moody s lowered its rating on Enterprise from Baa2 to Baa3 with a negative outlook. Standard & Poor s lowered its rating on Enterprise from BBB- with a negative outlook to BB+ with a stable outlook. After completion of the merger, these credit rating agencies may continue to view Enterprise s debt, and therefore the debt of the combined company, negatively.

The combined company s ability to access the capital markets on favorable terms will be affected by the combined company s debt level, the amount of its debt maturing in the next several years and current maturities, and by adverse market conditions resulting from, among other things, general economic conditions, contingencies and uncertainties that are difficult to predict and impossible to control. If the combined company is unable to access the capital markets on favorable terms in the future, it might be forced to seek extensions for some of its short-term securities or to refinance some of its debt obligations through bank credit, as opposed to long-term public debt securities or equity securities. The price and terms upon which the combined company might receive such extensions or additional bank credit, if at all, could be more onerous than those contained in existing debt agreements. Any such arrangements could, in turn, increase the risk that the combined company s leverage may adversely affect its future financial and operating flexibility and its ability to pay cash distributions at expected rates.

The closing of the merger will trigger a repurchase obligation with respect to GulfTerra s outstanding senior notes and senior subordinated notes and will effectively require the amendment or refinancing of GulfTerra s credit facility.

The closing of the merger will constitute a change of control under GulfTerra s indentures for its senior notes and senior subordinated notes. As a result, GulfTerra (as a wholly owned subsidiary of Enterprise after the merger) will be obligated to offer to purchase each holder s senior subordinated notes at 101% of their principal amount, plus accrued interest. GulfTerra will also be obligated to offer to purchase each holder s senior notes at 101% of their principal amount, plus accrued interest, unless, among other things, the change of control (1) does not result in a ratings downgrade of the GulfTerra senior notes by either Moody s Investors Service or Standard & Poor s no later than 30 days after the change of control has occurred and (2) less than $250 million in aggregate principal amount of the GulfTerra senior subordinated notes are repurchased in response to the same change of control. GulfTerra currently has $250 million aggregate principal amount of senior notes outstanding and $672 million aggregate principal amount of senior subordinated notes outstanding.

In connection with completion of the merger, GulfTerra or the combined company will need to make an offer to repurchase these notes, or GulfTerra may seek to amend the indentures to waive the repurchase obligation or otherwise refinance its senior and senior subordinated notes. If GulfTerra or the combined company makes an offer to repurchase the notes, it is possible that holders of a large amount of GulfTerra s notes may exercise their repurchase right, in which case the combined company would be required to raise significant amounts of capital in the short term to fulfill GulfTerra s repurchase obligations. If GulfTerra or the combined company were unable to meet the repurchase obligations, it would result in an event of default under GulfTerra s indentures, which would trigger an event of default

under GulfTerra s credit facility and, accordingly, have a material adverse effect on the combined company.

The closing of the merger will also constitute a change of control and, thus, an event of default under GulfTerra s credit facility. To avoid a default, Enterprise, GulfTerra or the combined company must refinance or amend that facility at or before the closing of the merger. Enterprise currently intends to refinance GulfTerra s credit facility at or before the closing of the merger; however, if Enterprise is not able to do so, it has reasonable grounds to believe that it will have the ability to amend the facility prior to the closing of the merger. If GulfTerra s credit facility is not refinanced or amended prior to closing, the resulting default would have a material adverse effect on the combined company.

Increases in interest rates could adversely affect the combined company s business.

The combined company will have significant exposure to increases in interest rates. Assuming that the merger and May 2004 offering had been completed on March 31, 2004, the combined company would have approximately $4.4 billion of consolidated debt on a pro forma as adjusted basis, of which $2.9 billion would be at fixed interest rates and $1.5 billion would be at variable interest rates. However, the combined company s results of operations, cash flows and financial position could be materially adversely affected by significant increases in interest rates above current levels.

Risks Related to the Combined Company s Business

Changes in the prices of hydrocarbon products may adversely affect the results of operations, cash flows and financial position of the combined company.

The combined company will operate predominantly in the midstream energy sector, which includes gathering, transporting, processing, fractionating and storing natural gas, NGLs and crude oil. As such, the combined company s results of operations, cash flows and financial position may be adversely affected by changes in the prices of these hydrocarbon products and by changes in the relative price levels among these hydrocarbon products. In general terms, the prices of natural gas, NGLs, crude oil and other hydrocarbon products are subject to fluctuations in response to changes in supply, market uncertainty and a variety of additional factors that are impossible to control. These factors include:

- the level of domestic production;
- the availability of imported oil and natural gas;
- actions taken by foreign oil and natural gas producing nations;
- the availability of transportation systems with adequate capacity;
- the availability of competitive fuels;
- fluctuating and seasonal demand for oil, natural gas and NGLs; and
- conservation and the extent of governmental regulation of production and the overall economic environment.

The profitability of the combined company s NGL and natural gas processing operations will be influenced by the spread between NGL product prices and natural gas prices. A reduction in the spread between NGL product prices and natural gas prices can result in a decrease in demand for fractionation, processing, NGL storage and NGL transportation services and, thus, may adversely affect the combined company s results of operations and cash flows.

The combined company will also be exposed to natural gas and NGL commodity price risk under natural gas processing and gathering and NGL fractionation contracts that provide for the combined company s fee to be calculated based on a regional natural gas or NGL price index or to be paid in-kind by taking title to natural gas or NGLs. A decrease in natural gas and NGL prices can result in lower

margins from these contracts, which may materially adversely affect the combined company s results of operations, cash flows and financial position.

A decline in the volume of natural gas, NGLs and crude oil delivered to the combined company s facilities could adversely affect the results of operations, cash flows and financial position of the combined company.

The combined company s profitability could be materially affected by a decline in the volume of natural gas, NGLs and crude oil transported, gathered or processed at its facilities. A material decrease in natural gas or crude oil production or crude oil refining, as a result of depressed commodity prices, a decrease in the exploration and development activities or otherwise, could result in a decline in the volume of natural gas, NGLs and crude oil handled by the combined company s facilities.

The crude oil, natural gas and NGLs available to the combined company s facilities will be derived from reserves produced from existing wells, which reserves naturally decline over time. To offset this natural decline, the combined company s facilities will need access to additional reserves. Additionally, some of the combined company s facilities will be dependent on reserves that are expected to be produced from newly discovered properties that are currently being developed.

Exploration and development of new oil and natural gas reserves is capital intensive, particularly offshore in the Gulf of Mexico. Many economic and business factors are out of the combined company s control and can adversely affect the decision by producers to explore for and develop new reserves. These factors include relatively low oil and natural gas prices, cost and availability of equipment, regulatory changes, capital budget limitations or the lack of available capital. For example, a sustained decline in the price of natural gas and crude oil could result in a decrease in natural gas and crude oil exploration and development activities in the regions where the combined company s facilities are located. This could result in a decrease in volumes to the combined company s offshore platforms, natural gas processing plants, natural gas, crude oil and NGL pipelines, and NGL fractionators which would have a material adverse affect on the combined company s results from operations, cash flows and financial position. Additional reserves, if discovered, may not be developed in the near future or at all.

A decrease in demand for NGL products by the petrochemical, refining or heating industries could materially adversely affect the combined company s results of operations, cash flows and financial position.

A decrease in demand for NGL products by the petrochemical, refining or heating industries, whether because of general economic conditions, reduced demand by consumers for the end products made with NGL products, increased competition from petroleum-based products due to pricing differences, adverse weather conditions, government regulations affecting prices and production levels of natural gas or the content of motor gasoline or other reasons, could materially adversely affect the combined company s results of operations, cash flows and financial position. For example:

Ethane. If natural gas prices increase significantly in relation to ethane prices, it may be more profitable for natural gas producers to leave the ethane in the natural gas stream to be burned as fuel than to extract the ethane from the mixed NGL stream for sale.

Propane. The demand for propane as a heating fuel is significantly affected by weather conditions. Unusually warm winters could cause the demand for propane to decline significantly and could cause a significant decline in the volumes of propane that the combined company transports.

Isobutane. Any reduction in demand for motor gasoline additives may reduce demand for isobutane. During periods in which the difference in market prices between isobutane and normal butane is low or inventory values are high relative to current prices for normal butane or isobutane, the combined company s operating margin from selling isobutane could be reduced.

Propylene. Any downturn in the domestic or international economy could cause reduced demand for propylene, which could cause a reduction in the volumes of propylene that the combined

company produces and expose the combined company s investment in inventories of propane/propylene mix to pricing risk due to requirements for short-term price discounts in the spot or short-term propylene markets.

The combined company will face competition from third parties in its midstream businesses.

Even if reserves exist in the areas accessed by the combined company s facilities and are ultimately produced, the combined company may not be chosen by the producers in these areas to gather, transport, process, fractionate, store or otherwise handle the hydrocarbons that are produced. The combined company will compete with others, including producers of oil and natural gas, for any such production on the basis of many factors, including:

- geographic proximity to the production;
- costs of connection;
- available capacity;
- rates; and
- access to markets.

The combined company may not be able to fully execute its growth strategy if it encounters illiquid capital markets or increased competition for qualified assets.

The strategy of the combined company will contemplate growth through the development and acquisition of a wide range of midstream and other energy infrastructure assets while maintaining a strong balance sheet. This strategy will include constructing and acquiring additional assets and businesses to enhance the combined company s ability to compete effectively and diversify its asset portfolio thereby providing more stable cash flow. Both companies regularly consider and enter into discussions regarding, and are currently contemplating, potential joint ventures, stand-alone projects or other transactions that they believe will present opportunities to realize synergies, expand their respective roles in the energy infrastructure business and increase their respective market positions.

The combined company may require substantial new capital to finance the future development and acquisition of assets and businesses. Limitations on the combined company s access to capital will impair its ability to execute this strategy. Expensive capital will limit the combined company s ability to develop or acquire assets. This strategy may require substantial capital, and the combined company may not be able to raise the necessary funds on satisfactory terms, if at all.

In addition, both companies are experiencing increased competition for the assets they purchase or contemplate purchasing. Increased competition for a limited pool of assets could result in the combined company losing to other bidders more often or the combined company acquiring assets at higher relative prices than those they have paid historically. Either occurrence would limit the combined company s ability to fully execute its growth strategy and, thus, might materially adversely impact the market price of its securities.

The combined company s growth strategy may adversely affect its results of operations if it does not successfully integrate the businesses that it acquires or if the combined company substantially increases its indebtedness and contingent liabilities to make acquisitions.

The combined company s ability to successfully execute its growth strategy is dependent upon making accretive acquisitions. As a result, from time to time, the combined company will evaluate and acquire assets and businesses that it believes complement its existing operations. Similar to the risks associated with integrating Enterprise s operations with GulfTerra s operations, the combined company may be unable to integrate successfully businesses it acquires in the future. The combined company may incur substantial expenses or encounter delays or other problems in connection with its growth strategy that could negatively

impact its results of operations, cash flows and financial position. Moreover, acquisitions and business expansions involve numerous risks, including:

- difficulties in the assimilation of the operations, technologies, services and products of the acquired companies or business segments;
- inefficiencies and complexities that can arise because of unfamiliarity with new assets and the businesses associated with them, including with their markets; and
- diversion of the attention of management and other personnel from day-to-day business to the development or acquisition of new businesses and other business opportunities.

If consummated, any acquisition or investment would also likely result in the incurrence of indebtedness and contingent liabilities and an increase in interest expense and depreciation, depletion and amortization expenses. As a result, the combined company s capitalization and results of operations may change significantly following an acquisition. A substantial increase in the combined company s indebtedness and contingent liabilities could have an adverse effect on its business.

The combined company s operating cash flows from its capital projects may not be immediate.

GulfTerra is engaged in several capital expansion projects and greenfield projects for which significant capital has been expended, and the combined company s operating cash flow from a particular project may not increase immediately following its completion. For instance, if the combined company builds a new pipeline or platform or expands an existing facility, the design, construction, development and installation may occur over an extended period of time and the combined company may not receive any material increase in operating cash flow from that project until after it is placed in service. If the combined company experiences unanticipated or extended delays in generating operating cash flow from these projects, then it may need to reduce or reprioritize its capital budget, sell non-core assets, access the capital markets or decrease distributions to unitholders to meet its capital requirements.

The combined company s actual construction, development and acquisition costs could exceed forecasted amounts.

The combined company will have significant expenditures for the development, construction or other acquisition of energy infrastructure assets, including some construction and development projects with significant technological challenges. For example, underwater operations, especially those in water depths in excess of 600 feet, are very expensive and involve much more uncertainty and risk, and if a problem occurs, the solution, if one exists, may be very expensive and time consuming. Accordingly, there is an increase in the frequency and amount of cost overruns related to underwater operations. The combined company may not be able to complete its projects, whether in deep water or otherwise, at the costs currently estimated.

The combined company will be unable to cause its joint ventures to take or not to take certain actions unless some or all of its joint venture participants agree.

Enterprise and GulfTerra participate in several joint ventures, and the combined company will continue that participation after the merger. Due to the nature of some of those joint ventures, each participant in each of these joint ventures has made substantial investments in the joint venture and, accordingly, has required that the relevant organizational documents contain certain features designed to provide each participant with the opportunity to participate in the management of the joint venture and to protect its investment in that joint venture, as well as any other assets which may be substantially dependent on or otherwise affected by the activities of that joint venture. These participation and protective features include a corporate governance structure that requires at least a majority in interest vote to authorize many basic activities and requires a greater voting interest (sometimes up to 100%) to authorize more significant activities. Examples of these more significant activities are large expenditures or contractual commitments, the construction or acquisition of assets, borrowing money or otherwise raising

capital, transactions with affiliates of a joint venture participant, litigation and transactions not in the ordinary course of business, among others. Thus, without the concurrence of joint venture participants with enough voting interests, the combined company may be unable to cause any of its joint ventures to take or not to take certain actions, even though those actions may be in the best interest of the particular joint venture or the combined company.

Moreover, any joint venture owner may sell, transfer or otherwise modify its ownership interest in a joint venture, whether in a transaction involving third parties or the other joint venture owners. Any such transaction could result in the combined company partnering with different or additional parties.

The interruption of distributions to the combined company from its subsidiaries and joint ventures may affect the combined company s ability to satisfy its obligations and to make cash distributions to its unitholders.

Like Enterprise and GulfTerra, the combined company will be a holding company with no business operations. The only significant asset of the combined company will be the equity interests it owns in its subsidiaries and joint ventures. As a result, the combined company will depend upon the earnings and cash flow of its subsidiaries and joint ventures and the distribution of that cash to the combined company in order to meet the combined company s obligations and to allow it to make distributions to its unitholders.

GulfTerra is party to senior and senior subordinated note indentures under which approximately $1.1 billion in principal amount of debt securities was outstanding as of March 31, 2004. These indentures restrict GulfTerra s and its subsidiaries ability to make cash distributions. If GulfTerra and the combined company are not able to effect amendments to these indentures or to refinance the senior and senior subordinated notes, then these restrictions could significantly limit GulfTerra s ability to distribute cash to Enterprise after the merger.

Some of the joint ventures in which the combined company will participate have separate credit arrangements that contain various restrictive covenants. Among other things, those covenants may limit or restrict the joint venture s ability to make distributions to the combined company under certain circumstances. In addition, each joint venture s charter documents typically vest in its management committee sole discretion regarding the occurrence and amount of distributions. Accordingly, following the merger, the combined company s joint ventures may not make distributions to the combined company at current levels or at all.

A natural disaster, catastrophe or other event could result in severe personal injury, property damage and environmental damage, which could curtail the combined company s operations and otherwise materially adversely affect its cash flow.

Some of the combined company s operations will involve risks of personal injury, property damage and environmental damage, which could curtail the combined company s operations and otherwise materially adversely affect its cash flow. For example, natural gas facilities operate at high pressures, sometimes in excess of 1,100 pounds per square inch. The combined company also will operate oil and natural gas facilities located underwater in the Gulf of Mexico, which can involve complexities, such as extreme water pressure. Virtually all of the combined company s operations will be exposed to potential natural disasters, including hurricanes, tornadoes, storms, floods and earthquakes.

If one or more facilities that are owned by the combined company or that deliver oil, natural gas or other products to the combined company are damaged by severe weather or any other disaster, accident, catastrophe or event, the combined company s operations could be significantly interrupted. Similar interruptions could result from damage to production or other facilities that supply the combined company s facilities or other stoppages arising from factors beyond its control. These interruptions might involve significant damage to people, property or the environment, and repairs might take from a week or less for a minor incident to six months or more for a major interruption. Additionally, some of the storage contracts that the combined company will be a party to will obligate it to indemnify its customers for any damage or injury occurring during the period in which the customers natural gas is in its possession. Any

event that interrupts the fees generated by the combined company s energy infrastructure assets, or which causes it to make significant expenditures not covered by insurance, could reduce the combined company s cash available for paying its interest obligations as well as unitholder distributions and, accordingly, adversely affect the market price of the combined company s securities.

We expect that the combined company will maintain adequate insurance coverages, although it will not cover many types of interruptions that might occur. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially, and in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. As a result, the combined company may not be able to renew its existing insurance policies or procure other desirable insurance on commercially reasonable terms, if at all. If the combined company were to incur a significant liability for which it were not fully insured, it could have a material adverse effect on the combined company s financial position, results of operations and cash flows. In addition, the proceeds of any such insurance may not be paid in a timely manner and may be insufficient if such an event were to occur.

An impairment of goodwill could reduce the combined company s earnings.

Enterprise had recorded only $82.4 million of goodwill on its consolidated balance sheet as of March 31, 2004. Enterprise currently expects to record approximately $2.6 billion of goodwill upon completion of the merger, but that estimate is subject to change. Consequently, following the merger, we expect that approximately $2.7 billion, representing approximately 25% of the combined company s consolidated assets on a pro forma as adjusted basis, may be recorded as goodwill. Goodwill is recorded when the purchase price of a business exceeds the fair market value of the tangible and separately measurable intangible net assets. GAAP will require the combined company to test goodwill for impairment on an annual basis or when events or circumstances occur indicating that goodwill might be impaired. If the combined company were to determine that any of its remaining balance of goodwill was impaired, it would be required to take an immediate charge to earnings with a corresponding reduction of partners equity and increase in balance sheet leverage as measured by debt to total capitalization.

The use of derivative financial instruments could result in material financial losses to the combined company.

Both Enterprise and GulfTerra historically have sought to limit a portion of the adverse effects resulting from changes in oil and natural gas commodity prices and interest rates by using financial derivative instruments and other hedging mechanisms from time to time. To the extent that the combined company hedges its commodity price and interest rate exposures, it will forego the benefits it would otherwise experience if commodity prices or interest rates were to change in its favor. In addition, hedging activities can result in losses. Such losses could occur under various circumstances, including if a counterparty does not perform its obligations under the hedge arrangement, the hedge is imperfect, or hedging policies and procedures are not followed.

Terrorist attacks aimed at the combined company s facilities could adversely affect its business.

Since the September 11, 2001 terrorist attacks on the United States, the United States government has issued warnings that energy assets, including our nation s pipeline infrastructure, may be the future target of terrorist organizations. Any terrorist attack on the combined company s facilities, those of its customers and, in some cases, those of other pipelines, could have a material adverse effect on the combined company s business. An escalation of political tensions in the Middle East and elsewhere could result in increased volatility in the world s energy markets and result in a material adverse effect on the combined company s business.

The combined company s pipeline integrity program may impose significant costs and liabilities on it.

In December 2003, the U.S. Department of Transportation issued a final rule (effective as of February 14, 2004) requiring pipeline operators to develop integrity management programs to

comprehensively evaluate their pipelines, and take measures to protect pipeline segments located in what the rule refers to as high consequence areas. The final rule resulted from the enactment of the Pipeline Safety Improvement Act of 2002. At this time, we cannot predict the outcome of this rule on the combined company. However, the combined company will continue Enterprise s and GulfTerra s pipeline integrity testing programs, which are intended to assess and maintain the integrity of their pipelines. While the costs associated with the pipeline integrity testing itself are not large, the results of these tests could cause the combined company to incur significant and unanticipated capital and operating expenditures for repairs or upgrades deemed necessary to ensure the continued safe and reliable operation of its pipelines.

Environmental costs and liabilities and changing environmental regulation could materially affect the combined company s cash flow.

The combined company s operations will be subject to extensive federal, state and local regulatory requirements relating to environmental affairs, health and safety, waste management and chemical and petroleum products. Governmental authorities have the power to enforce compliance with applicable regulations and permits and to subject violators to civil and criminal penalties, including substantial fines, injunctions or both. Third parties may also have the right to pursue legal actions to enforce compliance.

The combined company will make expenditures in connection with environmental matters as part of normal capital expenditure programs. However, future environmental law developments, such as stricter laws, regulations, permits or enforcement policies, could significantly increase some costs of the combined company s operations, including the handling, manufacture, use, emission or disposal of substances and wastes. Moreover, as with other companies engaged in similar or related businesses, the combined company s operations will have some risk of environmental costs and liabilities because it handles petroleum products.

Federal and state regulatory measures could materially adversely affect the business of the combined company.

The Federal Energy Regulatory Commission (FERC) will regulate the interstate natural gas pipelines and interstate NGL and petrochemical pipelines of the combined company, while state regulatory agencies will regulate the intrastate natural gas and NGL pipelines, intrastate storage facilities and gathering lines of the combined company. This federal and state regulation extends to such matters as:

- rate structures;
- rates of return on equity;
- recovery of costs;
- the services that the regulated assets of the combined company are permitted to perform;
- the acquisition, construction and disposition of assets; and
- to an extent, the level of competition in that regulated industry.

Enterprise s and GulfTerra s 2003 Annual Reports on Form 10-K, which are incorporated by reference into this document, contain a general overview of FERC and state regulation applicable to their and to the combined company s energy infrastructure assets. This regulatory oversight can affect certain aspects of the combined company s business and the market for its products and could materially adversely affect its cash flow.

Under the Natural Gas Act, FERC has authority to regulate the combined company s natural gas assets that provide natural gas pipeline transportation services in interstate commerce. Its authority to regulate those services includes the rates charged for the services, terms and conditions of service, certification and construction of new facilities, the extension or abandonment of services and facilities, the maintenance of accounts and records, the acquisition and disposition of facilities, the initiation and discontinuation of services, and various other matters. Pursuant to FERC s jurisdiction over interstate gas

pipeline rates, existing pipeline rates may be challenged by complaint and proposed rate increases may be challenged by protest.

FERC also has authority under the Interstate Commerce Act (ICA) to regulate the rates, terms, and conditions applied to the combined company s interstate pipelines engaged in the transportation of NGLs and petrochemicals (commonly known as oil pipelines). Pursuant to the ICA, oil pipeline rates can be challenged at FERC either by protest, when they are initially filed or increased, or by complaint at any time they remain on file with the jurisdictional agency.

The combined company will have interests in offshore natural gas pipeline facilities offshore from Texas and Louisiana. These facilities are subject to regulation by FERC and other federal agencies, including the Department of Interior, under the Outer Continental Shelf Lands Act and by the Department of Transportation s Office of Pipeline Safety under the Natural Gas Pipeline Safety Act.

The combined company s intrastate NGL and gas pipelines will be subject to regulation by state regulatory agencies, and its natural gas gathering lines will also be subject to regulation in many states. Although state regulation is typically less onerous than at FERC, proposed and existing rates subject to state regulation are also subject to challenge by protest and complaint, respectively. For example, GulfTerra owns interests in gathering systems in Alabama, Colorado, Mississippi, New Mexico and Texas that are regulated by state regulatory agencies. GulfTerra also has intrastate natural gas pipelines regulated by state regulatory agencies in Alabama and Texas. GulfTerra s NGL gathering and intrastate transportation pipelines are located in Texas. All of these facilities are regulated to some degree by state regulatory agencies.

The combined company will be subject to ratable take and common purchaser statutes in certain states where it operates. Ratable take statues generally require gatherers to take, without undue discrimination, natural gas production that may be tendered to the gatherer for handling. Similarly, common purchaser statutes generally require gatherers to purchase without undue discrimination as to source of supply or producer. These statutes will have the effect of restricting the combined company s right, as an owner of gathering facilities, to decide with whom it will contract to purchase or transport natural gas. Federal law leaves any economic regulation of natural gas gathering to the states, and some of the states in which the combined company will operate have adopted complaint-based or other limited economic regulation of natural gas gathering activities. States in which the combined company will operate that have adopted some form of complaint-based regulation, like Texas, generally allow natural gas producers and shippers to file complaints with state regulators in an effort to resolve grievances relating to natural gas gathering access and rate discrimination.

If the proposed merger is consummated, the combined company will be subject to increased regulatory oversight by FERC and state regulatory agencies as certain of GulfTerra s subsidiaries, assets and service are regulated by FERC, including its interstate natural gas pipeline system, interstate natural gas storage facilities and the services provided by its intrastate natural gas pipelines pursuant to Section 311 of the Natural Gas Policy Act. For example, GulfTerra s subsidiary, High Island Offshore System, L.L.C. (HIOS), which owns an interstate natural gas pipeline, is subject to a pending rate case before FERC. GulfTerra is seeking to increase its transportation rates, but several parties have protested the increased rate. FERC has accepted HIOS tariff sheets implementing the new rates subject to refund and set certain issues for hearing. On April 22, 2004, the Administrative Law Judge in this case issued an initial decision for which GulfTerra is filing briefs on exception. FERC s final decision will dictate HIOS rates, thereby affecting the combined company s cash flow.

Additionally, in December 1999, GulfTerra Texas Pipeline, L.P. (formerly EPGT Texas Pipeline, L.P.) filed a petition with the FERC for approval of its rates for interstate transportation service pursuant to Section 311 of the NGPA. In June 2002, the FERC issued an order that required revisions to GulfTerra Texas proposed maximum rates. The changes ordered by the FERC involve reductions to rate of return and depreciation rates, and revisions to the proposed rate design, including a requirement to state separately rates for gathering service. The FERC also ordered refunds to customers for the difference, if any, between the originally proposed levels and the revised rates ordered by the FERC. GulfTerra believes

the amount of any rate refund would be minimal since most transportation services are discounted from the maximum rate. GulfTerra Texas has established a reserve for refunds. In July 2002, GulfTerra Texas requested rehearing on certain issues raised by the FERC s order, including the depreciation rates and the requirement to state separately a gathering rate. On February 25, 2004, the FERC issued an order denying GulfTerra Texas request for rehearing and ordering GulfTerra Texas to file, within 45 days from the issuance of the order, a calculation of refunds and a refund plan. Subsequently, the FERC extended that filing deadline to July 12, 2004. Additionally, the FERC s February 25, 2004 order directed GulfTerra Texas to file a new rate case or justification of existing rates within three years. GulfTerra Texas has filed a timely request for rehearing of that requirement, which request is currently pending.

GulfTerra s offshore oil and gas pipelines also are subject to oversight by FERC and other federal agencies under Outer Continental Shelf Lands Act, and the Department of Transportation s Office of Pipeline Safety under the Natural Gas Pipeline Safety Act of 1968.

Risks Related to Enterprise s Common Units as a Result of Its Partnership Structure

Enterprise may issue additional securities without the approval of common unitholders.

Following the merger and subject to NYSE rules, Enterprise may issue an unlimited number of limited partner interests of any type (to parties other than affiliates of Enterprise) without the approval of the unitholders. Enterprise s partnership agreement does not give the common unitholders the right to approve its issuance of equity securities ranking equal or junior to the common units. The issuance of additional common units or other equity securities of equal rank will have the following effects:

the proportionate ownership interest of a common unit will decrease;

the amount of cash available for distributions on each unit may decrease;

the relative voting strength of each previously outstanding unit may be diminished; and

the market price of the Enterprise common units may decline.

Enterprise may not have sufficient cash from operations to pay distributions at the current level following establishment of cash reserves and payments of fees and expenses, including payments to its general partner.

Because distributions on Enterprise s common units are dependent on the amount of cash it generates, distributions may fluctuate based on its performance. Enterprise cannot guarantee that it will continue to pay distributions at the current level each quarter. The actual amount of cash that is available to be distributed each quarter will depend upon numerous factors, some of which are beyond Enterprise s control and the control of its general partner. These factors include but are not limited to the following:

the level of Enterprise s operating costs;

the level of competition in Enterprise s business segments;

prevailing economic conditions;

the level of capital expenditures Enterprise makes;

the restrictions contained in Enterprise s debt agreements and its debt service requirements;

fluctuations in Enterprise s working capital needs;

the cost of acquisitions, if any; and

the amount, if any, of cash reserves established by Enterprise s general partner, in its discretion.

In addition, you should be aware that Enterprise s ability to pay the minimum quarterly distribution each quarter depends primarily on its cash flow, including cash flow from financial reserves, working capital borrowings and, after, distributions from GulfTerra and its unconsolidated affiliates, and not solely

on profitability, which is affected by non-cash items. As a result, Enterprise may make cash distributions during periods when it records losses and it may not make distributions during periods when it records net income.

Enterprise does not have the same flexibility as other types of organizations to accumulate cash and equity to protect against illiquidity in the future.

Unlike a corporation, Enterprise s partnership agreement requires it to make quarterly distributions to its unitholders of all available cash reduced by any amounts of reserves for commitments and contingencies, including capital and operating costs and debt service requirements. The value of Enterprise s units and other limited partner interests will decrease in direct correlation with decreases in the amount Enterprise distributes per unit. Accordingly, if Enterprise experiences a liquidity problem in the future, it may not be able to issue more equity to recapitalize.

Cost reimbursements due Enterprise s general partner may be substantial and will reduce Enterprise s cash available for distribution to holders of common units.

Prior to making any distribution on its common units, Enterprise will reimburse its general partner and its affiliates, including officers and directors of Enterprise s general partner, for expenses they incur on Enterprise s behalf. The reimbursement of expenses could adversely affect Enterprise s ability to pay cash distributions to holders of common units. Enterprise s general partner has sole discretion to determine the amount of these expenses. In addition, Enterprise s general partner and its affiliates may provide Enterprise other services for which Enterprise will be charged fees as determined by its general partner.

Enterprise s general partner and its affiliates have limited fiduciary responsibilities and conflicts of interest with respect to Enterprise s partnership.

The directors and officers of Enterprise s general partner and its affiliates have duties to manage the general partner in a manner that is beneficial to the general partner s members. At the same time, Enterprise s general partner has duties to manage Enterprise in a manner that is beneficial to Enterprise s partners. Therefore, Enterprise s general partner s duties to Enterprise s partners may conflict with the duties of its officers and directors to the general partner s members.

Such conflicts may include, among others, the following:

- decisions of Enterprise s general partner regarding the amount and timing of asset purchases and sales, cash expenditures, borrowings, issuances of additional units and reserves in any quarter may affect the level of cash available to pay quarterly distributions to unitholders and the general partner;

- under Enterprise s partnership agreement, Enterprise s general partner determines which costs incurred by it and its affiliates are reimbursable by Enterprise;

- Enterprise s general partner is allowed to take into account the interests of parties other than Enterprise, such as Enterprise s parent, in resolving conflicts of interest, which has the effect of limiting its fiduciary duty to unitholders;

- affiliates of Enterprise s general partner may compete with Enterprise in certain circumstances;

- Enterprise s general partner may limit its liability and reduce its fiduciary duties, while also restricting the remedies available to unitholders for actions that might, without the limitations, constitute breaches of fiduciary duty. As a result of purchasing units, you are deemed to consent to some actions and conflicts of interest that might otherwise constitute a breach of fiduciary or other duties under applicable law; and

- Enterprise does not have any employees and it relies solely on employees of the general partner and its affiliates.

Even if unitholders are dissatisfied, they cannot remove Enterprise s general partner without its consent.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting Enterprise s business and, therefore, limited ability to influence management s decisions regarding Enterprise s business. Unitholders did not elect Enterprise s general partner or the directors of the general partner and will have no right to elect its general partner or the directors of Enterprise s general partner on an annual or other continuing basis.

Furthermore, if unitholders are dissatisfied with the performance of Enterprise s general partner, they will have little ability to remove Enterprise s general partner. Enterprise s general partner may not be removed except upon the vote of the holders of at least 66 2/3% of the outstanding units voting together as a single class. Because affiliates of Enterprise s general partner own more than one-third of Enterprise s outstanding units, the general partner currently cannot be removed without the consent of the general partner and its affiliates.

Unitholders voting rights are further restricted by the partnership agreement provision stating that any units held by a person that owns 20% or more of any class of units then outstanding, other than Enterprise s general partner and its affiliates, cannot be voted on any matter. In addition, the partnership agreement contains provisions limiting the ability of unitholders to call meetings or to acquire information about Enterprise s operations, as well as other provisions limiting the unitholders ability to influence the manner or direction of management.

As a result of these provisions, the price at which the common units will trade may be lower because of the absence or reduction of a takeover premium in the trading price.

Enterprise s general partner has a limited call right that may require common unitholders to sell their units at an undesirable time or price.

If at any time Enterprise s general partner and its affiliates own 85% or more of the common units then outstanding, the general partner will have the right (which it may assign to any of its affiliates or to Enterprise), but not the obligation, to acquire all, but not less than all, of the remaining common units held by unaffiliated persons at a price not less than their then current market price. As a result, common unitholders may be required to sell their common units at an undesirable time or price and may therefore not receive any return on their investment. They may also incur a tax liability upon a sale of their units.

Common unitholders may not have limited liability if a court finds that limited partner actions constitute control of Enterprise s business.

Under Delaware law, common unitholders could be held liable for Enterprise s obligations to the same extent as a general partner if a court determined that the right of limited partners to remove Enterprise s general partner or to take other action under the partnership agreement constituted participation in the control of Enterprise s business.

Under Delaware law, the general partner generally has unlimited liability for the obligations of the partnership, such as its debts and environmental liabilities, except for those contractual obligations of the partnership that are expressly made without recourse to the general partner.

In addition, Section 17-607 of the Delaware Revised Uniform Limited Partnership Act provides that, under some circumstances, a limited partner may be liable to Enterprise for the amount of a distribution for a period of three years from the date of the distribution.

A large number of outstanding Enterprise common units may be sold in the public market, which may depress the market price of the combined company s common units.

Sales of a substantial number of Enterprise s common units in the public market could cause the market price of its common units to decline.

Immediately after the merger occurs, we estimate that a total of 342,762,028 of Enterprise s common units (including those issued upon the conversion of the 4,413,549 Enterprise Class B special units) will be outstanding. Shell US Gas & Power LLC, a unit of Shell Oil Company that owns 41,000,000 of Enterprise s common units, representing approximately 12.0% of Enterprise s outstanding common units following the merger, has publicly announced its intention to reduce its holdings of Enterprise s common units on an orderly schedule over a period of years, taking into account market conditions. Under a registration rights agreement, Enterprise is obligated, subject to certain limitations and conditions, to register the common units held by Shell US Gas & Power for resale. An affiliate of Goldman, Sachs & Co. beneficially owns 5,552,367 GulfTerra common units, or 10,049,784, or 2.9% of, Enterprise s outstanding common units following the merger. GulfTerra also has outstanding 35 Series F1 convertible units and 80 Series F2 convertible units, all of which are owned by one holder who, subject to certain limitations may, upon payment of a conversion price determined by reference to the market price of GulfTerra s (or, following the merger, Enterprise s) common units at the time of conversion, convert its Series F convertible units into a maximum of 7,183,261 GulfTerra common units, or 13,001,702, or approximately 3.7%, of Enterprise s outstanding common units following the merger.

Sales of a substantial number of these common units in the trading markets, whether in a single transaction or series of transactions, or the possibility that these sales may occur, could reduce the market price of Enterprise s outstanding common units.

Tax Risks Related to the Merger and to Owning Enterprise Common Units

You are urged to read the Material Federal Income Tax Consequences section of this document for a more complete discussion of the following federal income tax risks related to the merger and owning and disposing of common units received in the merger.

No ruling has been obtained with respect to the tax consequences of the merger.

While it is anticipated that no gain or loss will be recognized by an Enterprise unitholder or GulfTerra unitholder as a result of the merger (except with respect to a net decrease in a unitholder s share of nonrecourse liabilities discussed below), no ruling has been or will be requested from the Internal Revenue Service with respect to the tax consequences of the merger. Instead, Enterprise and GulfTerra are relying on the opinions of their respective counsel as to the tax consequences of the merger, and counsel s conclusions may not be sustained if challenged by the Internal Revenue Service.

The merger may result in income recognition by GulfTerra and Enterprise unitholders.

As a result of the merger, each Enterprise and GulfTerra common unitholder s share of nonrecourse liabilities will be recalculated. Each Enterprise and GulfTerra unitholder will be treated as receiving a deemed cash distribution equal to the excess, if any, of such unitholder s share of nonrecourse liabilities immediately before the merger and such unitholder s share of nonrecourse liabilities immediately following the merger. If the amount of the deemed cash distribution received by a GulfTerra or Enterprise common unitholder exceeds the unitholder s basis in its partnership interest, such unitholder will recognize gain in an amount equal to such excess. The application of the rules governing the allocation of nonrecourse liabilities in the context of the merger is complex and subject to uncertainty. While Enterprise has agreed to apply these rules, to the extent permissible, in a manner that minimizes the amount of any net decrease in the amount of debt allocable to the GulfTerra and Enterprise unitholders, there can be no assurance that there will not be a net decrease in the amount of nonrecourse liabilities allocable to a GulfTerra common unitholder or an Enterprise common unitholder as a result of the merger.

The merger may further limit the ability of a GulfTerra common unitholder to utilize suspended passive activity losses.

Passive loss limitations generally provide that specific taxpayers may only deduct losses from passive activities to the extent of the taxpayer s income from passive activities. The passive loss limitations are

applied separately with respect to each publicly-traded partnership. There is no guidance as to whether suspended passive losses related to GulfTerra common units will be available to offset future passive income from Enterprise following the merger. Accordingly, a GulfTerra common unitholder s ability to utilize suspended GulfTerra passive losses to offset Enterprise taxable income following the merger may be limited.

The intended tax consequences of the merger are dependent upon Enterprise being treated as a partnership for tax purposes.

The treatment of the exchange of GulfTerra common units for Enterprise common units in the merger as a tax-free exchange is dependent upon Enterprise being treated as a partnership for federal income tax purposes. If Enterprise were treated as a corporation for federal income tax purposes, it is likely the exchange would be a taxable transaction for a GulfTerra common unitholder.

The IRS could treat Enterprise as a corporation for tax purposes, which would substantially reduce the cash available for distribution to common unitholders following the merger.

The anticipated after-tax economic benefit of owning Enterprise common units depends largely on Enterprise being treated as a partnership for federal income tax purposes. Enterprise has not requested, and does not plan to request, a ruling from the IRS on this or any other matter affecting it.

If Enterprise were classified as a corporation for federal income tax purposes, it would pay federal income tax on its income at the corporate tax rate, which is currently a maximum of 35%, and it likely would pay state taxes as well. Distributions to you would generally be taxed again to you as corporate distributions, and no income, gains, losses or deductions would flow through to you. Because a tax would be imposed upon Enterprise as a corporation, the cash available for distribution to you would be substantially reduced. Therefore, treatment of Enterprise as a corporation would result in a material reduction in the after-tax return to you, likely causing a substantial reduction in the value of Enterprise common units.

A change in current law or a change in Enterprise s business could cause Enterprise to be taxed as a corporation for federal income tax purposes or otherwise subject it to entity-level taxation. Enterprise s partnership agreement provides that, if a law is enacted or existing law is modified or interpreted in a manner that subjects it to taxation as a corporation or otherwise subjects it to entity-level taxation for federal, state or local income tax purposes, then the minimum quarterly distribution and the target distribution levels will be decreased to reflect that impact on it.

A successful IRS contest of the federal income tax positions Enterprise takes may adversely impact the market for common units, and the costs of any contests will be borne by Enterprise unitholders and its general partner.

Enterprise has not requested a ruling from the IRS with respect to any matter affecting it. The IRS may adopt positions that differ from the conclusions of Enterprise s counsel expressed in this document or from the positions Enterprise takes. It may be necessary to resort to administrative or court proceedings to sustain some or all of Enterprise s counsel s conclusions or the positions Enterprise takes. A court may not concur with Enterprise s counsel s conclusions or the positions Enterprise takes. Any contest with the IRS may materially and adversely impact the market for common units and the price at which they trade. In addition, the costs of any contest with the IRS, principally legal, accounting and related fees, will be borne indirectly by Enterprise s unitholders and its general partner.

Common unitholders may be required to pay taxes even if they do not receive any cash distributions.

Common unitholders are required to pay federal income taxes and, in some cases, state, local and foreign income taxes on their share of Enterprise s taxable income even if they do not receive any cash distributions from Enterprise. They may not receive cash distributions from Enterprise equal to their share

of Enterprise s taxable income or even equal to the actual tax liability that results from their share of Enterprise s taxable income.

Tax gain or loss on disposition of common units could be different than expected.

If you sell Enterprise common units, you will recognize gain or loss equal to the difference between the amount realized and your tax basis in those common units. Prior distributions to you in excess of the total net taxable income you were allocated for a common unit, which decreased your tax basis in that common unit, will, in effect, become taxable income to you if the common unit is sold at a price greater than your tax basis in that common unit, even if the price you receive is less than your original cost. A substantial portion of the amount realized, whether or not representing gain, may be ordinary income to you. Should the IRS successfully contest some positions Enterprise takes, you could recognize more gain on the sale of units than would be the case under those positions without the benefit of decreased income in prior years. Also, if you sell units, you may incur a tax liability in excess of the amount of cash you receive from the sale.

Tax-exempt entities, regulated investment companies and foreign persons face unique tax issues from owning common units that may result in adverse tax consequences to them.

Ownership of Enterprise common units by tax-exempt entities, such as individual retirement accounts (known as IRAs), regulated investment companies (known as mutual funds) and foreign persons raises issues unique to them. For example, virtually all of Enterprise s income allocated to unitholders who are organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, will be unrelated business taxable income and will be taxable to them. Very little of Enterprise s income will be qualifying income to a regulated investment company or mutual fund. Distributions to foreign persons will be reduced by withholding taxes at the highest effective U.S. federal income tax rate for individuals, and foreign persons will be required to file federal income tax returns and pay tax on their share of Enterprise s taxable income.

Enterprise is registered as a tax shelter, which may increase the risk of an IRS audit of Enterprise or a unitholder.

Enterprise is registered with the IRS as a tax shelter. Enterprise s tax shelter registration number is 990610007. The tax laws require that some types of entities, including some partnerships, register as tax shelters in response to the perception that they claim tax benefits that may be unwarranted. As a result, Enterprise may be audited by the IRS and tax adjustments could be made. Any unitholder owning less than a 1% profits interest in Enterprise has very limited rights to participate in the income tax audit process. Further, any adjustments in Enterprise s tax returns will lead to adjustments in Enterprise s unitholders tax returns and may lead to audits of unitholders tax returns and adjustments of items unrelated to Enterprise. You will bear the cost of any expense incurred in connection with an examination of your personal tax return and indirectly bear a portion of the cost of an audit of Enterprise.

Enterprise will treat each purchaser of common units as having the same tax benefits without regard to the units purchased. The IRS may challenge this treatment, which could adversely affect the value of Enterprise s common units.

Because Enterprise cannot match transferors and transferees of common units, it adopts depreciation and amortization positions that may not conform with all aspects of applicable Treasury regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to a common unitholder. It also could affect the timing of these tax benefits or the amount of gain from a sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to the common unitholder s tax returns.

Enterprise s common unitholders will likely be subject to state and local taxes in states where they do not live as a result of an investment in Enterprise s common units.

In addition to federal income taxes, Enterprise common unitholders will likely be subject to other taxes, including state and local income taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which Enterprise does business or owns property and in which they do not reside. Enterprise common unitholders may be required to file state and local income tax returns and pay state and local income taxes in many or all of the jurisdictions in which Enterprise does business or owns property. Further, they may be subject to penalties for failure to comply with those requirements. It is the responsibility of the unitholder to file all United States federal, state and local tax returns. Enterprise s counsel has not rendered an opinion on the state or local tax consequences of ownership of the common units.

THE MERGER PARTIES

GulfTerra

Formed in 1993, GulfTerra is one of the largest publicly-traded MLPs in terms of market capitalization. GulfTerra manages a balanced, diversified portfolio of interests and assets relating to the midstream energy sector, which involves gathering, transporting, separating, handling, processing, fractionating and storing natural gas, oil and NGLs. GulfTerra considers this portfolio, which generates relatively stable cash flows, to be balanced due to its diversity of geographic locations, business segments, customers and product lines. GulfTerra s interests and assets include:

offshore oil and natural gas pipelines, platforms, processing facilities and other energy infrastructure in the Gulf of Mexico, primarily offshore Louisiana and Texas;

onshore natural gas pipelines and processing facilities in Alabama, Colorado, Louisiana, Mississippi, New Mexico and Texas;

onshore NGL pipelines and fractionation facilities in Texas; and

onshore natural gas and NGL storage facilities in Louisiana, Mississippi and Texas.

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 New Mexico. These regions, especially the deeper water regions of the Gulf of Mexico, one of the United States fastest growing oil and natural gas producing regions, offer GulfTerra significant infrastructure growth potential through the acquisition and construction of pipelines, platforms, processing and storage facilities and other infrastructure.

Enterprise

Formed in 1998 as a limited partnership, Enterprise is a leading North American midstream energy company that provides a wide range of services to producers and consumers of natural gas and NGLs. Enterprise provides integrated services to its customers and generates fee-based cash flow from multiple sources along its natural gas and NGL value chain. Enterprise s services include the:

gathering and transmission of raw natural gas from both onshore and offshore Gulf of Mexico developments;

processing of raw natural gas into a marketable product that meets industry quality specifications by removing mixed NGLs and impurities;

purchase of natural gas for resale to our industrial, utility and municipal customers;

transportation of mixed NGLs to fractionation facilities by pipeline;

fractionation (or separation) of mixed NGLs produced as by-products of crude oil refining and natural gas production into component NGL products: ethane, propane, isobutane, normal butane and natural gasoline;

transportation of NGL products to end-users by pipeline, railcar and truck;

import and export of NGL products and petrochemical products through our dock facilities;

fractionation of refinery-sourced propane/propylene mix into high purity propylene, propane and mixed butane;

transportation of high purity propylene to end-users by pipeline;

storage of natural gas, mixed NGLs, NGL products and petrochemical products;

conversion of normal butane to isobutane through the process of isomerization;

production of high-octane additives for motor gasoline from isobutane; and

sale of NGLs and petrochemical products we produce and/or purchase for resale.

In addition to its current strategic position in the Gulf of Mexico, Enterprise has access to major natural gas and NGL supply basins throughout the United States and Canada, including the Rocky Mountains, the San Juan and Permian basins, the Mid-Continent region and, through third-party pipeline connections, north into Canada s Western Sedimentary basin. Enterprise s asset platform in the Gulf Coast region of the United States, combined with its Mid-America and Seminole pipeline systems, creates the only integrated natural gas and NGL transportation, fractionation, processing, storage and import/export network in North America.

THE MERGER PARTIES BUSINESSES

GulfTerra s Business

This section summarizes information from GulfTerra s Annual Report on Form 10-K for the year ended December 31, 2003 and its other filings incorporated into this document by reference. For a more detailed discussion of GulfTerra s business, please read GulfTerra s 2003 Annual Report on Form 10-K and its other filings incorporated into this document by reference.

Business Segments

GulfTerra s business activities are segregated into four distinct operating segments:

Natural gas pipelines and plants;

Oil and NGL logistics;

Natural gas storage; and

Platform services.

These segments are strategic business units that provide a variety of energy related services. For information relating to revenues from external customers, operating income and total assets of each segment, please read the financial statements incorporated by reference into this document.

Natural Gas Pipelines and Plants

GulfTerra owns interests in natural gas pipeline systems extending over 15,500 miles, with a combined maximum design capacity (net to GulfTerra s interest) of over 10.9 billion cubic feet per day, or Bcf/d, of natural gas. GulfTerra owns or has interests in gathering systems onshore in Alabama, Colorado, Louisiana, Mississippi, New Mexico and Texas, including the San Juan gathering system and the Texas Intrastate system. In addition to its onshore natural gas pipeline systems, GulfTerra s offshore natural gas pipeline systems are strategically located to serve production activities in some of the most active drilling and development regions in the Gulf of Mexico, including select locations offshore of Texas, Louisiana and Mississippi, and to provide relatively low cost access to long-line transmission pipelines that access multiple markets in the eastern half of the United States.

GulfTerra also owns interests in five processing and treating plants in Louisiana, New Mexico, Texas and Colorado. These plants have a combined maximum capacity of over 1.5 Bcf/d of natural gas and 50 thousand barrels per day, or MBbl/d, of NGL, including the Chaco cryogenic natural gas processing plant, the fifth largest natural gas processing plant in the United States measured by liquids produced.

Oil and NGL Logistics

GulfTerra owns interests in three offshore oil pipeline systems, which extend over 340 miles and have a combined capacity of approximately 635 MBbl/d of oil with the addition of pumps and the use of friction reducers, and is constructing the 390 mile Cameron Highway Oil Pipeline. In addition to being strategically located in the vicinity of some prolific oil-producing regions in the Gulf of Mexico, GulfTerra s oil pipeline systems are parallel to and interconnect with key segments of some of its natural gas pipeline systems and offshore platforms, which contain separation and handling facilities. This distinguishes GulfTerra from its competitors by allowing it to provide some producing properties with a unique single point of contact through which they may access a wide range of midstream services and assets.

GulfTerra also owns over 1,000 miles of intrastate NGL gathering and transportation pipelines and four fractionation plants, all located in Texas and delivering fractionated and unfractionated NGL from South Texas to Houston and refineries and petrochemical plants along the Texas Gulf Coast. GulfTerra s fractionation facilities have a combined capacity of approximately 187 MBbl/d.

Additionally, GulfTerra owns a 3.3 million barrel, or MMBbl, propane storage and leaching business in Mississippi (which it is converting into natural gas storage facilities) and owns or leases NGL storage facilities in Louisiana and Texas with aggregate capacity of approximately 21.3 MMBbls.

Natural Gas Storage

GulfTerra owns the Petal and Hattiesburg salt dome natural gas storage facilities located in Mississippi, which are strategically situated to serve the Northeast, Mid-Atlantic and Southeast natural gas markets. These two facilities have a combined current working capacity of 13.5 Bcf, and are capable of delivering in excess of 1.2 Bcf/d of natural gas into five interstate pipeline systems: Transco, Destin Pipeline, Gulf South Pipeline, Southern Natural Gas Pipeline and Tennessee Gas Pipeline. Each of these facilities is capable of making deliveries at the high rates necessary to satisfy peak requirements in the electric generation industry. In addition, GulfTerra has the exclusive right to use the Wilson natural gas storage facility, which is comprised of 62 acres in Wharton County, Texas, and consists of four caverns with a working gas capacity of 6.4 Bcf and a maximum withdrawal capacity of 800 MMcf/d of natural gas.

Platform Services

Offshore platforms are critical components of the offshore infrastructure in the Gulf of Mexico, supporting drilling and production operations, and therefore play a key role in the overall development of offshore oil and natural gas reserves. Platforms are used to:

- interconnect the offshore pipeline grid;
- provide an efficient means to perform pipeline maintenance;
- locate compression, separation, production handling and other facilities; and
- conduct drilling operations during the initial development phase of an oil and natural gas property.

GulfTerra has interests in seven multi-purpose offshore hub platforms in the Gulf of Mexico with a combined handling capacity of approximately 1,110 MMcf/d of natural gas and 187 MBbls/d of oil and condensate, including the Marco Polo tension leg platform, which was installed during the first quarter of 2004. These platforms were specifically designed to be used as deepwater hubs and production handling and pipeline maintenance facilities. Through these facilities, GulfTerra is able to provide a variety of midstream services to increase deliverability for, and attract new volumes into, its offshore pipeline systems.

Other Assets

GulfTerra owns interests in four oil and natural gas properties located in waters offshore of Louisiana. Production is gathered, transported, and processed through its pipeline systems and platform facilities, and sold to various third parties. GulfTerra has announced that it intends to continue to concentrate on fee-based operations that traditionally provide more stable cash flow and de-emphasize its commodity-based activities, including withdrawal from the oil and natural gas production business by not acquiring additional properties.

Enterprise s Business

This section summarizes information from Enterprise s Annual Report on Form 10-K for the year ended December 31, 2003. For a more detailed discussion of Enterprise s business, please read the Business and Properties section contained in its 2003 Annual Report on Form 10-K.

Business Segments

Enterprise s business has five reportable segments:

- Pipelines;
- Fractionation;
- Processing;
- Octane Enhancement; and
- Other.

Pipelines

Enterprise s Pipelines segment includes approximately 14,000 miles of NGL, petrochemical and natural gas pipelines located primarily in the Rocky Mountain, Mid-Continent and Gulf Coast regions of the United States. This segment also includes Enterprise s storage and import/ export terminalling businesses.

Fractionation

Enterprise s Fractionation segment includes six active NGL fractionators, the largest commercial isomerization complex in the United States and four propylene fractionation facilities. NGL fractionators separate mixed NGL streams produced as by-products of natural gas production and crude oil refining into discrete NGL products: ethane, propane, isobutene, normal butane and natural gasoline. Enterprise s isomerization complex converts normal butane into mixed butane, which is subsequently fractionated into normal butane, isobutene and high purity isobutene. Enterprise s propylene fractionators separate refinery-sourced propane/ propylene mix into propane, propylene and mixed butane.

Processing

Enterprise s Processing segment is comprised of its natural gas processing business and related NGL marketing activities. At the core of Enterprise s natural gas processing business are 12 gas plants, located primarily in south Louisiana, that process raw natural gas into a product that meets pipeline and industry specifications by removing NGLs and impurities. In connection with its processing businesses, Enterprise receives a portion of the NGL production from these gas plants. This equity NGL production, together with the NGLs Enterprise purchases, supports the NGL marketing activities included in this operating segment.

South Texas Midstream Assets. At the closing of the merger, Enterprise will also acquire selected natural gas treating and processing plants and related assets from subsidiaries of El Paso Corporation. These assets are located in Texas and have historically been associated with and are integral to GulfTerra s Texas intrastate natural gas pipeline system.

The South Texas midstream assets include nine turbo-expander cryogenic natural gas processing plants, in which NGLs are extracted from natural gas. The following table describes the capacities of the cryogenic plants to be acquired:

Plant Name	Capacity (MMcf/d)
Armstrong	250
Delmita	135
Gilmore	260
Matagorda	250
San Martin	200
Shilling	110
Shoup	285
Sonora	100
Thompsonville	300

In addition to these cryogenic processing plants, Enterprise is acquiring the Brushy Creek treating plant, which removes carbon dioxide from natural gas and has a capacity of up to 150 MMcf/d of natural gas, and the Delmita natural gas gathering system, which consists of approximately 294 miles of pipeline and ties approximately 140 connected wells to the Delmita cryogenic processing plant.

Octane Enhancement and Other

Enterprise s Octane Enhancement segment consists of a 66.7% ownership interest in Belvieu Environmental Fuels L.P., or BEF, which owns a facility that produces motor gasoline additives used to enhance octane. Enterprise s Other segment consists primarily of fee-based marketing services and unallocated cost of services that support its operations and business activities.

SELECTED FINANCIAL INFORMATION OF ENTERPRISE AND GULFTERRA

The following tables set forth for the periods and at the dates indicated, selected historical and pro forma financial information for Enterprise and historical financial information for GulfTerra. The selected historical financial information has been derived from the audited and unaudited financial statements of each partnership for the periods indicated. The selected historical financial information for each of the three years in the period ended December 31, 2003 are derived from and should be read in conjunction with the audited financial statements and accompanying footnotes for such periods incorporated by reference into this document. The selected historical financial information for the three-month periods ended March 31, 2003 and 2004 are derived from and should be read in conjunction with the unaudited financial statements and accompanying footnotes for such periods incorporated by reference into this document. The dollar amounts in each table, except per unit information, are in thousands. Certain reclassifications have been made to Enterprise s prior year financial statements to conform to the 2003 presentation.

Selected Historical Consolidated Financial Information of Enterprise

	For the Year Ended December 31,					Three Months Ended March 31,	
	1999	**2000**	**2001**	**2002**	**2003**	**2003**	**2004**
Operating results data:(1)							
Revenues	$1,332,979	$3,049,020	$3,154,369	$3,584,783	$5,346,431	$1,481,586	$1,704,890
Income from continuing operations	120,295	220,506	242,178	95,500	104,546	40,505	51,528
Income from continuing operations per unit:(2,3)							
Basic	0.90	1.62	1.70	0.55	0.42	0.20	0.21
Diluted	0.82	1.32	1.39	0.48	0.41	0.19	0.20
Financial position data:(1)							
Total assets	$1,494,952	$1,951,368	$2,424,692	$4,230,272	$4,802,814	$4,266,390	$4,782,317
Long-term and current maturities of debt(4)	295,000	403,847	855,278	2,246,463	2,139,548	2,001,636	2,210,876
Partners equity(5)	789,465	935,959	1,146,922	1,200,904	1,705,953	1,438,833	1,720,907
Other financial data:							
Distributions per common unit(3,6)	$ 0.925	$ 1.050	$ 1.194	$ 1.360	$ 1.470	$ 0.363	$ 0.373
Commodity hedging income (losses)(7)	$ (5,208)	$ 26,743	$ 101,290	$ (51,344)	$ (619)	$ (847)	$ (148)

The following information is provided to highlight significant trends and other information regarding Enterprise s historical operating results, financial position and other financial information as presented in the preceding table.

(1) In general, Enterprise s historical operating results and/or financial position have been affected by the following acquisitions since 1999:

a 50% interest in GulfTerra s general partner from El Paso Corporation in December 2003 for $425 million;

the Mid-America and Seminole pipeline systems from The Williams Companies in July 2002 for $1.2 billion;

a Mont Belvieu, Texas propylene fractionation business from affiliates of Valero Energy Corporation and Koch Industries, Inc. (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 affiliates of Shell Oil Company (Shell) in April 2001 for $243.7 million;

equity interests in four Gulf of Mexico natural gas pipelines from affiliates of El Paso Corporation in January 2001 for $113 million;

the Lou-Tex Propylene pipeline from Shell in March 2000 for $100 million; and

natural gas processing plants and related businesses (TNGL) from Shell in August 1999 for $528.8 million.

The acquisitions were accounted for as purchases and therefore operating results of these acquired entities are included in Enterprise s financial results prospectively from their respective purchase dates.

(2) Enterprise s calculation of historical basic earnings per unit is based on the weighted-average number of common, subordinated, and Class B special units outstanding during each period. Enterprise s calculation of historical diluted earnings per unit is based on the weighted-average number of common, subordinated and Class A and B special units outstanding during each period.

(3) Historical distributions and earnings per unit information prior to 2002 has been adjusted to reflect the May 2002 two-for-one split of each class of Enterprise s partnership units.

(4) Enterprise s long-term and current maturities of debt balances have generally increased since 1999 in connection with the acquisitions described in Note (1) above. Of these debt obligations, the most significant borrowings (apart from revolving credit) through March 31, 2004 were as follows:

$225 million under the interim term loan due September 2004 to partially finance Enterprise s acquisition of a 50% interest in GulfTerra s general partner (repaid in May 2004);

$500 million in 6.875% Senior Notes D issued in February 2003 due in March 2033;

$350 million in 6.375% Senior Notes C issued in January 2003 due in February 2013;

$1.2 billion under the 364-Day Term Loan used to initially finance the acquisition of the Mid-America and Seminole pipeline systems in 2002 (this debt was fully repaid using proceeds from equity offerings in late 2002 and early 2003 and proceeds from Senior Notes C and D);

$450 million in 7.50% Senior Notes B issued in January 2001 due in February 2011; and

$350 million in 8.25% Senior Notes A issued in March 2000 due in March 2005.

(5) Since Enterprise s initial public offering in July 1998, Enterprise s significant partnership equity transactions through March 31, 2004 are as follows:

4,413,459 Class B special units issued in December 2003 generating net proceeds of $102.0 million;

1,577,744 common units issued in November 2003 generating net proceeds of $33.4 million;

1,306,059 common units issued in August 2003 generating net proceeds of $27.0 million;

11,960,000 common units issued in June 2003 generating net proceeds of $261.1 million;

14,662,500 common units issued in January 2003 generating net proceeds of $258.1 million;

9,800,000 common units issued in October 2002 generating net proceeds of $182.5 million; and

the 41,000,000 special units issued to Shell in conjunction with the 1999 TNGL acquisition and a related contingent unit agreement. The total value of the special units issued in conjunction with the TNGL acquisition in 1999 was $210.4 million. The value of the special units issued under the related contingent unit agreement was $55.2 million in 2000 and $117.1 million in 2001.

This information does not include Enterprise s public offering of 17,250,000 common units in May 2004, which generated net proceeds of $353.3 million.

(6) Represents cash distributions per common unit declared with respect to the period, even if paid in a succeeding period.

(7) Income from continuing operations includes Enterprise s results from commodity hedging activities. Enterprise entered into these activities as a result of acquiring TNGL s natural gas processing and related businesses from Shell in 1999. To manage the risks associated with these activities, Enterprise may enter into various commodity financial instruments. The primary purpose of these risk management activities is to hedge Enterprise s exposure to price risks associated with natural gas, NGL production and inventories, firm commitments and anticipated transactions. As a matter of policy, Enterprise does not use financial instruments for speculative (or trading) purposes. A variety of factors influence whether or not a particular hedging strategy is successful. As a result of incurring significant losses from commodity hedging transactions in early 2002 due to a rapid increase in natural gas prices, Enterprise exited those commodity hedging strategies that created the loss. Since that time, Enterprise has utilized only a limited number of commodity financial instruments.

Selected Pro Forma Consolidated Financial Information of Enterprise

The pro forma post-merger consolidated financial information in the table below is unaudited and reflects the completion of the proposed merger with GulfTerra, the purchase of the South Texas midstream assets from El Paso Corporation and the use of proceeds from Enterprise s May 2004 offering to reduce debt. For a complete discussion of the pro forma adjustments underlying the amounts in the table below, please read the section titled Unaudited Pro Forma Condensed Consolidated Financial Statements beginning on page F-1 of this document.

	Adjusted Enterprise Pro Forma	
	For Year Ended December 31, 2003	**For Three Months Ended March 31, 2004**
	(Dollars in millions, except per unit amounts)	
Operating results data:		
Revenues	$7,153.0	$ 2,120.6
Income from continuing operations	270.7	110.6
Basic income from continuing operations per unit	0.73	0.28
Diluted income from continuing operations per unit	0.71	0.28
Financial position data:		
Total assets		10,527.6
Long-term and current maturities of debt		4,436.6
Partners equity		4,980.7

Selected Historical Consolidated Financial Information of GulfTerra

	Year Ended December 31,					Three Months Ended March 31,	
	1999	**2000**	**2001**	**2002**	**2003**	**2003**	**2004**
Operating results data(1):							
Revenues(2)	$ 63,659	$ 112,415	$ 193,406	$ 457,390	$ 871,489	$ 230,095	$ 220,339
Income from continuing operations	18,817	20,749	54,052	92,552	161,449	40,525	55,566
Basic and diluted income (loss) from continuing operations per unit(3)	(0.34)	(0.02)	0.35	0.80	1.30	0.40	0.49
Financial position data (at period end)(1):							
Total assets	$ 583,585	$ 869,471	$ 1,357,420	$ 3,130,896	$ 3,321,580	$ 3,167,482	$ 3,364,016
Long-term and current maturities of debt(5), (6), (7)	465,000	538,000	820,000	1,906,286	1,811,807	1,948,658	1,824,161
Partners capital(8)	96,489	311,071	500,726	949,852	1,252,586	934,272	1,281,917
Distributions per common unit	$ 2.10	$ 2.15	$ 2.31	$ 2.60	$ 2.76	$ 0.675	$ 0.71
Distributions per preference unit(4)	1.10	0.83					

The following information is provided to highlight significant trends and other information regarding GulfTerra s historical operating results, financial position and other financial information as presented in the preceding table:

(1) GulfTerra s operating results and financial position reflect the acquisitions of:

the San Juan assets in November 2002;

the EPN Holding assets in April 2002;

the Chaco plant and the remaining 50 percent interest GulfTerra did not already own in Deepwater Holdings in October 2001;

GTM Texas in February 2001;

the Petal and Hattiesburg natural gas storage facilities in August 2000;

GulfTerra Alabama Intrastate in March 2000; and

an additional 49 percent interest in Viosca Knoll in June 1999.

The acquisitions were accounted for as purchases and therefore operating results of these acquired assets and entities are included in GulfTerra s results prospectively from the respective purchase dates. In addition, operating results and financial position data reflect the sale of GulfTerra s direct and indirect interests in several offshore Gulf of Mexico assets in January and April of 2001 as a result of an FTC order related to El Paso Corporation s merger with The Coastal Corporation.

(2) As a result of the disposition of GulfTerra s Prince assets in April 2002, the results of operations for these assets have been accounted for as discontinued operations and their related revenue has been excluded from operating revenues from their in-service date of September 2001 to their disposal date of April 2002. Operating revenues for 1999 have been restated to exclude earnings from unconsolidated affiliates.

(3) Reflects GulfTerra s 1999 adoption of a preferable accounting method for allocating partnership income to its general partner and its preference and common unitholders. GulfTerra changed its method of allocating net income to its partners capital accounts from a method where GulfTerra allocated income based on percentage ownership and proportionate share of cash distributions, to a method where income is allocated to the partners based upon the change from period to period in their respective claims on GulfTerra s book value capital. GulfTerra believes that the new income

allocation method is preferable because it more accurately reflects the income allocation provisions called for under the partnership agreement and the resulting partners capital accounts are more reflective of a partner s claim on GulfTerra s book value capital at each period end. This change in accounting had no impact on GulfTerra s consolidated net income or GulfTerra s consolidated total partners capital for any period presented. The impact of this change in accounting has been recorded as a cumulative effect adjustment in GulfTerra s income allocation for the year ended December 31, 1999. The effect of adopting this change in accounting, excluding the cumulative adjustment, was to reduce basic and diluted net income per limited partner unit by $0.33 for the year ended December 31, 1999.

(4) In October 2000, all publicly held preference units were converted into common units or redeemed.

(5) The decrease in 2003 reflects:

repayment of GulfTerra s $160 million GulfTerra Holding term credit facility; and

repayment of GulfTerra s $237.5 million senior secured acquisition term loan.

These decreases in 2003 are offset by an increase in the term loan portion of GulfTerra s credit facility from $160 million to $300 million.

(6) The balance in 2001 and 2000 relates to a project finance loan to build the Prince TLP in the Prince Field. With the completion of the Prince TLP, GulfTerra converted the project finance loan to a limited recourse loan in December 2001. In connection with the EPN Holding asset acquisition, GulfTerra repaid this loan in full in April 2002.

(7) The increase in 2003 reflects:

the issuance of $250 million of senior notes in July 2003;

the issuance of $300 million of senior subordinated notes in March 2003; and

the redemption of a portion of GulfTerra s outstanding senior subordinated notes in December 2003.

The increase in 2002 reflects the issuance of $200 million of senior subordinated notes in November 2002 and the issuance of $230 million of senior subordinated notes in May 2002. The increase in 2001 reflects the issuance of $250 million of senior subordinated notes in May 2001.

The above financial information does not include (a) GulfTerra s incurrence in May 2004 of a $200 million term loan under its existing credit facility, (b) GulfTerra s June 2004 redemption of the entire $175 million in outstanding principal amount of its 10 3/8% senior subordinated notes due 2009 or (c) GulfTerra s April 2004 partial redemption of $39.1 million in outstanding principal amount of its 8 1/2% senior subordinated notes due 2010.

(8) Reflects the issuance of:

1,146,418 common units in the first quarter of 2004;

7,800,000 common units in October 2003;

507,228 common units in August 2003;

1,150,000 common units in June 2003;

1,118,881 common units in May 2003;

3,450,000 common units in April 2003;

10,937,500 Series C units acquired by a subsidiary of El Paso Corporation in November 2002;

4,083,938 common units, which included 1,083,938 common units purchased by an affiliate of GulfTerra s general partner in April 2002;

5,627,070 common units, which included 1,477,070 common units purchased by an affiliate of GulfTerra s general partner, in October 2001;

2,250,000 common units in March 2001;

170,000 Series B preference units for $170 million to a subsidiary of El Paso Corporation in August 2000; and

4,600,000 common units in July 2000.

In October 2003, GulfTerra redeemed all 123,865 of its remaining outstanding Series B preference units for $156 million, a 7 percent discount from their liquidation value of $167 million. Also, GulfTerra redeemed $50 million in liquidation value of its Series B preference units in October 2001.

COMPARATIVE PER UNIT INFORMATION

The following table presents: (1) historical per unit information for Enterprise; (2) pro forma per unit information of the combined company after giving effect to the merger and the transactions related to the merger (including Enterprise s May 2004 offering); and (3) historical and equivalent pro forma per unit information for GulfTerra.

The combined company pro forma per unit information was derived by combining information from the historical consolidated financial statements of Enterprise and GulfTerra using the purchase method of accounting for the merger. You should read this table together with the historical consolidated financial statements of Enterprise and GulfTerra that are filed with the Securities and Exchange Commission and incorporated by reference into this document. Please read the Where You Can Find More Information section of this document. You should not rely on the pro forma per unit information as being necessarily indicative of actual results had the merger occurred on December 31, 2003 or March 31, 2004.

	Year Ended December 31, 2003			
	Enterprise		GulfTerra	
	Historical	Combined Company Pro Forma(1)	Historical	Equivalent Pro Forma(2)
Earnings from continuing operations per unit:				
Basic	$0.42	$ 0.73	$ 1.30	$ 1.32
Diluted	0.41	0.71	1.30	1.29
Cash distributions per unit(3)	1.47	1.47	2.76	2.66
Book value per common unit	7.42	14.36	15.38	26.00

	Three Months Ended March 31, 2004			
	Enterprise		GulfTerra	
	Historical	Combined Company Pro Forma(1)	Historical	Equivalent Pro Forma(2)
Earnings from continuing operations per unit:				
Basic	$ 0.21	$ 0.28	$ 0.49	$ 0.51
Diluted	0.20	0.28	0.49	0.51
Cash distributions per unit(3)	0.373	0.373	0.710	0.674
Book value per common unit(4)	7.34	14.31	15.59	25.90

(1) The combined company s pro forma information includes the effect of the merger on the basis described in the notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements included elsewhere in this document.

(2) GulfTerra s equivalent pro forma earnings and cash distribution amounts have been calculated by multiplying the combined company s related pro forma per unit amounts by the 1.81 exchange ratio.

(3) Enterprise Combined Company Pro Forma amount reflects historical cash distributions per common unit declared with respect to the period. Enterprise has agreed, subject to the terms of its partnership agreement, to increase the quarterly cash distribution for the next regular quarterly distribution date following completion of the merger to at least $0.395 per unit, representing an increase of $0.005 per GulfTerra common unit based on the 1.81 exchange ratio. This increase is not reflected in the pro forma amounts.

(4) Pro forma combined company book value assumes conversion of Enterprise Class B special units to common units.

MARKET PRICES AND DISTRIBUTION INFORMATION

Enterprise common units are traded on the NYSE under the symbol EPD , and GulfTerra common units are traded on the NYSE under the symbol GTM.(1) The following table sets forth, for the periods indicated, the range of high and low sales prices per unit for Enterprise common units and GulfTerra common units, on the NYSE composite tape, as well as information concerning quarterly cash distributions paid on those units. The sales prices are as reported in published financial sources.

	Enterprise Common Units			GulfTerra Common Units		
	High	**Low**	**Distributions(2)**	**High**	**Low**	**Distributions(2)**
2002						
First Quarter	$25.800	$22.945	$0.3350	$38.540	$31.650	$0.6500
Second Quarter	24.500	16.250	0.3350	38.680	29.990	0.6500
Third Quarter	22.230	15.000	0.3450	35.800	20.500	0.6750
Fourth Quarter	19.800	16.410	0.3450	32.700	26.000	0.6750
2003						
First Quarter	$21.000	$17.850	$0.3625	$32.590	$27.820	$0.6750
Second Quarter	24.690	20.620	0.3625	38.000	30.960	0.7000
Third Quarter	24.100	20.250	0.3725	40.469	37.016	0.7100
Fourth Quarter	24.980	20.760	0.3725	42.930	37.910	0.7100
2004						
First Quarter	$24.720	$21.750	$0.3725	$42.880	$38.420	$0.7100
Second Quarter (through June 21)	23.840	20.000	N/A(3)	43.000	35.000	N/A(3)

(1) Effective May 15, 2003, GulfTerra s NYSE symbol changed from EPN to GTM in connection with GulfTerra s name change.

(2) Represents cash distributions per common unit declared with respect to the quarter and paid in the following quarter.

(3) Cash distributions respecting quarters subsequent to the first quarter of 2004 have neither been declared nor paid.

As of the record date for the special meeting, Enterprise had 233,761,345 outstanding common units, beneficially held by approximately 43,000 holders, and 4,413,549 Class B special units, all held by an affiliate of Enterprise Products Company. Under Enterprise s partnership agreement, within 45 days after the end of each quarter, it must distribute all of its cash on hand as of the end of that quarter, less reserves established by its general partner. This cash is referred to as available cash, as defined in the Enterprise partnership agreement. The payment of quarterly cash distributions by Enterprise in the future, therefore, will depend on the amount of available cash on hand at the end of each quarter.

As of the record date for the special meeting, GulfTerra had 59,698,129 outstanding common units, beneficially held by approximately 55,000 holders, and 10,937,500 Series C Units, all held by a subsidiary of El Paso Corporation. GulfTerra s partnership agreement requires it to distribute all of its available cash, as such term is defined in the GulfTerra partnership agreement, within 45 days after the end of each quarter. Generally, under the GulfTerra partnership agreement, available cash means, for the applicable quarter, all cash receipts for such quarter and any reductions in reserves established in prior quarters less all cash disbursements made in such quarter and additions to reserves, as determined by the GulfTerra general partner. If the merger is not completed, the payment of quarterly cash distributions by GulfTerra in the future will depend on the amount of available cash on hand at the end of each quarter.

Under the merger agreement, Enterprise has agreed, subject to the terms of its partnership agreement, to increase the quarterly cash distribution for the next regular quarterly distribution date following completion of the merger to at least $0.395 per unit, representing an increase of $0.005 per GulfTerra common unit based on the 1.81 exchange ratio.

THE SPECIAL UNITHOLDER MEETINGS

	Enterprise	GulfTerra
Time, Place and Date	July 29, 2004 9:00 a.m., local time Sheraton Houston Brookhollow Hotel 3000 North Loop West Houston, Texas 77092 The meeting may be adjourned or postponed to another date or place for proper purposes, including for the purpose of soliciting additional proxies.	July 29, 2004 10:30 a.m., local time Room C-100 4 Greenway Plaza Houston, Texas 77046 The meeting may be adjourned or postponed to another date or place for proper purposes, including for the purpose of soliciting additional proxies.
Purposes	To consider and vote on the approval of the issuance of Enterprise common units pursuant to the merger agreement, which we estimate could be up to 117,613,202 Enterprise common units (assuming the exercise of all outstanding GulfTerra options and the maximum number of GulfTerra common units are issued upon conversion of GulfTerra s Series F Convertible Units); To consider and vote on the approval of the conversion of our Class B special units into common units on a one-for-one basis; and To transact other business as may properly be presented at the meeting or any adjournments of the meeting. Enterprise knows of no other matters that will be presented for consideration at the meeting.	To consider and vote on the approval and adoption of the merger agreement; and To transact other business as my properly be presented at the meeting or any adjournments of the meeting. GulfTerra knows of no other matters that will be presented for consideration at the meeting.
Quorum	Presence, in person or by proxy, of holders of a majority of the Enterprise common units entitled to vote at the meeting.	Presence, in person or by proxy, of holders of a majority of the GulfTerra common units entitled to vote at the meeting.
Record Date	Close of business on June 22, 2004.	Close of business on June 22, 2004.
Units Entitled to Vote	You may vote at the Enterprise meeting if you owned Enterprise common units as of the record date. You may cast one vote for each	You may vote at the GulfTerra meeting if you owned GulfTerra common units as of the record date. You may cast one vote for each

	Enterprise	GulfTerra
	Enterprise common unit that you owned on the record date.	GulfTerra common unit that you owned on the record date.
Recommendations of the Boards of Directors	*The board of directors of Enterprise s general partner has unanimously approved and adopted the merger agreement and approved the issuance of the common units pursuant to the merger agreement and determined that the merger is advisable and in the best interests of Enterprise and its common unitholders. Accordingly, the board recommends that Enterprise s common unitholders vote to approve the issuance of Enterprise common units pursuant to the merger agreement.* *The board of directors of Enterprise s general partner also has unanimously approved the issuance of the Class B special units and recommends that Enterprise s common unitholders vote to approve the conversion of the Class B special units into common units on a one-for-one basis.*	*The board of directors of GulfTerra s general partner has unanimously approved and adopted the merger agreement and determined that it is advisable and in the best interest of GulfTerra and its common unitholders. Accordingly, the board recommends that GulfTerra s common unitholders vote to approve and adopt the merger agreement.*
Votes Required	The affirmative vote of the holders of at least a majority of Enterprise s outstanding common units present and entitled to vote at the special meeting is required to approve the issuance of Enterprise common units pursuant to the merger agreement and to approve the conversion of Enterprise s Class B special units into common units on a one-for-one basis. Abstentions will have the effect of a vote against both proposals. Information regarding ownership of Enterprise common units by (1) each director and each of the five most highly compensated executive officers, (2) all directors and executive officers of Enterprise as a group and (3) all persons known by Enterprise to beneficially own more than 5% of Enterprise common units, is contained in Enterprise s Annual Report on Form 10-K for the year ended	The affirmative vote of the holders of at least a majority of GulfTerra s outstanding common units and Series C Units, voting as separate classes, is required to approve and adopt the merger agreement. The failure of a unitholder to vote in person or by proxy will also have the effect of a vote against approval and adoption of the merger agreement. Information regarding ownership of GulfTerra common units by (1) each director and each of the five most highly compensated executive officers, (2) all directors and executive officers of GulfTerra as a group and (3) all persons known by GulfTerra to beneficially own more than 5% of GulfTerra common units, is contained in GulfTerra s Annual Report on Form 10-K for the year ended December 31, 2003,which is incorporated by reference in this document.

	Enterprise	GulfTerra
	December 31, 2003, which is incorporated by reference in this document.	
Voting Agreements and Proxies	Pursuant to a voting agreement and proxy, so long as the board of directors of Enterprise s general partner does not withdraw its recommendation of the merger, Mr. Duncan and other Enterprise affiliates have agreed with GulfTerra to vote all of the Enterprise common units owned by them in favor of the approval of the issuance of Enterprise common units pursuant to the merger agreement. Additionally, Mr. Duncan and these other affiliates granted a proxy to GulfTerra that allows an officer of GulfTerra to vote these common units in favor of the issuance of Enterprise common units pursuant to the merger agreement. The common units owned by Mr. Duncan and these other affiliates represent a number of votes sufficient to approve the issuance of Enterprise common units pursuant to the merger agreement.	Pursuant to a voting agreement, El Paso Corporation and its subsidiary have agreed with Enterprise to vote approximately 17.3% of the GulfTerra common units and 100% of the GulfTerra Series C Units in favor of the merger agreement, even if the board of directors of GulfTerra s general partner withdraws its recommendation that GulfTerra s common unitholders approve and adopt the merger agreement. Additionally, El Paso Corporation and its subsidiaries have granted a proxy to Enterprise that allows an officer of Enterprise to vote these common units and Series C Units in favor of the merger agreement.
Units Outstanding	As of the record date, there were 233,761,345 Enterprise common units outstanding and entitled to vote.	As of the record date, there were 59,698,129 GulfTerra common units outstanding and entitled to vote.

Voting Procedures

A proxy card will be sent to each Enterprise and GulfTerra common unitholder of record.

If you have timely and properly submitted your proxy, clearly indicated your vote and have not revoked your proxy, your units will be voted as indicated. If you have timely and properly submitted your proxy but have not clearly indicated your vote, your units will be voted FOR approval and adoption of the merger agreement, in the case of GulfTerra unitholders, and FOR approval of both the issuance of Enterprise common units pursuant to the merger agreement and conversion of the Class B special units into common units on a one-for-one basis, in the case of Enterprise unitholders.

If any other matters are properly presented at the meeting for consideration, the persons named in your proxy will have the discretion to vote on these matters in accordance with their best judgment. Proxies voted against adoption of the merger agreement will not be voted in favor of any adjournment of the meeting for the purpose of soliciting additional proxies.

Enterprise	GulfTerra
Voting by Enterprise Common Unitholders	*Voting by GulfTerra Common Unitholders*
Enterprise common unitholders may vote	GulfTerra unitholders may vote using any

Enterprise	GulfTerra
using any of the following methods:	of the following methods:
phone the toll-free number listed on your proxy card and follow the recorded instructions;	phone the toll-free number listed on your proxy card and follow the recorded instructions;
go to the Internet website listed on your proxy card and follow the instructions provided;	go to the Internet website listed on your proxy card and follow the instructions provided;
complete, sign and mail your proxy card in the postage-paid envelope; or	complete, sign and mail your proxy card in the postage-paid envelope; or
attend the meeting and vote in person.	attend the meeting and vote in person.
Revocation	*Revocation*
You may revoke your proxy at any time prior to its exercise by:	You may revoke your proxy at any time prior to its exercise by:
giving written notice of revocation to the Secretary of Enterprise s general partner;	giving written notice of revocation to the Secretary of GulfTerra s general partner.
appearing and voting in person at the Enterprise meeting; or	appearing and voting in person at the GulfTerra meeting; or
properly completing and executing a later dated proxy and delivering it to the Secretary of Enterprise s general partner at or before the Enterprise meeting.	properly completing and executing a later dated proxy and delivering it to the Secretary of GulfTerra s general partner at or before the GulfTerra meeting.
Your presence without voting at the meeting will not automatically revoke your proxy, and any revocation during the meeting will not affect votes previously taken.	Your presence without voting at the meeting will not automatically revoke your proxy, and any revocation during the meeting will not affect votes previously taken.
Validity	*Validity*
The inspectors of election will determine all questions as to the validity, form, eligibility (including time of receipt) and acceptance of proxies. Their determination will be final and binding. The board of directors of Enterprise s general partner has the right to waive any irregularities or conditions as to the manner of voting. Enterprise may accept your proxy by any form of communication permitted by Delaware law so long as Enterprise is	The inspectors of election will determine all questions as to the validity, form, eligibility (including time of receipt) and acceptance of proxies. Their determination will be final and binding. The board of directors of GulfTerra s general partner has the right to waive any irregularities or conditions as to the manner of voting. GulfTerra may accept your proxy by any form of communication permitted by Delaware law so long as GulfTerra is

	Enterprise	GulfTerra
	reasonably assured that the communication is authorized by you.	reasonably assured that the communication is authorized by you.
Solicitation of Proxies	The accompanying proxy is being solicited on behalf of the board of directors of Enterprise s general partner. The expenses of preparing, printing and mailing the proxy and materials used in the solicitation will be borne by Enterprise. Proxies may be solicited from Enterprise unitholders by personal interview, telephone and telegram by directors and officers of Enterprise s general partner, and employees of Enterprise Products Company, or EPCO, who will not receive additional compensation for performing that service. Arrangements also will be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of proxy materials to the beneficial owners of Enterprise units held by those persons, and Enterprise will reimburse them for any reasonable expenses that they incur.	The accompanying proxy is being solicited on behalf of the board of directors of GulfTerra s general partner. The expenses of preparing, printing and mailing the proxy and materials used in the solicitation will be borne by GulfTerra. D.F. King & Co., Inc. has been retained by GulfTerra to aid in the solicitation of proxies for a fee of $15,000 plus expenses and the reimbursement of out-of-pocket expenses. Proxies may also be solicited from GulfTerra unitholders by personal interview, telephone and telegram by GulfTerra s general partner s directors, officers and employees, who will not receive additional compensation for performing that service. Arrangements also will be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of proxy materials to the beneficial owners of GulfTerra units held by those persons, and GulfTerra will reimburse them for any reasonable expenses that they incur.

Units Held in Street Name

General

If you hold your units in the name of a bank, broker or other nominee, you should follow the instructions provided by your bank, broker or nominee when voting your units or when granting or revoking a proxy.

Absent specific instructions from you, your broker is not empowered to vote your units with respect to the approval and adoption of the merger agreement, if you are a GulfTerra unitholder, or the approval of the issuance of Enterprise common units pursuant to the merger agreement or the approval of conversion of the Enterprise Class B special units into common units, if you are an Enterprise unitholder. The units not voted because brokers lack power to vote them without instructions are also known as broker non-votes.

Enterprise	GulfTerra
Effect of Broker Non-Votes and Broker Abstentions	*Effect of Broker Non-Votes and Broker Abstentions*
Abstentions and broker non-votes will have the same effect as a vote against either proposal.	Abstentions and broker non-votes will have the same effect as a vote against approval and adoption of the merger agreement.

	Enterprise	GulfTerra
Auditors	Deloitte & Touche LLP serves as Enterprise s independent registered public accounting firm. Representatives of Deloitte & Touche LLP plan to attend the Enterprise meeting and will be available to answer appropriate questions. Its representatives will also have an opportunity to make a statement at the meeting if they so desire, although it is not expected that any statement will be made.	PricewaterhouseCoopers LLP serves as GulfTerra s independent registered public accounting firm. Representatives of PricewaterhouseCoopers LLP plan to attend the GulfTerra meeting and will be available to answer appropriate questions. Its representatives will also have an opportunity to make a statement at the meeting if they so desire, although it is not expected that any statement will be made.

THE MERGER

Background of the Merger

Enterprise and its predecessor, Enterprise Products Company, or EPCO, El Paso Corporation and GulfTerra have held discussions regarding potential business combinations from time to time dating back to 1998. Initial discussions regarding a potential business combination between El Paso Corporation and EPCO were held in the second quarter of 1998. These discussions were terminated when EPCO s management made the decision to form Enterprise as a MLP and effect an initial public offering of its securities in July 1998. El Paso Corporation subsequently completed the purchase of its initial interest in GulfTerra in August 1998.

Discussions were reopened in March and April 2002, when executives from Enterprise, El Paso Corporation and GulfTerra met to discuss various combination scenarios. On April 4, 2002, Enterprise and GulfTerra signed a confidentiality agreement. The parties later exchanged evaluation materials, conducted preliminary due diligence investigations and discussed potential transaction structures. In May 2002, due to GulfTerra s pending acquisition of designated assets from El Paso Corporation and related matters, discussions related to a possible transaction with Enterprise were suspended.

In the first quarter of 2003, the parties resumed discussions due in part to the development of GulfTerra s announced independence initiatives, Enterprise s continuing interest in a business combination with GulfTerra and El Paso Corporation s desire to evaluate strategic alternatives for its interest in GulfTerra. In January 2003, members of GulfTerra s management team outlined for El Paso Corporation s board of directors a strategic plan designed to improve the corporate governance of GulfTerra and to de-link GulfTerra s credit ratings from El Paso Corporation s credit ratings. Additionally, other strategic alternatives, including a possible transaction with Enterprise, were discussed. The board of directors of GulfTerra s general partner was informed of these discussions at its regularly scheduled meeting held in January 2003.

In January 2003, Enterprise retained Lehman Brothers as its financial advisor in connection with its evaluation of a possible merger with GulfTerra and related transactions.

On February 12, 2003, Enterprise, GulfTerra and Lehman Brothers met in Houston, Texas to discuss alternative structures and possible mutual benefits resulting from a potential combination of the partnerships. During late February and March 2003, Enterprise and GulfTerra representatives met numerous times to discuss aspects of a potential merger and to review selected financial and operational information regarding each partnership. On March 27, 2003, at a regularly scheduled board meeting, members of the GulfTerra management team presented to El Paso Corporation s board of directors a review of the de-linking strategy, including the potential for a sale of an interest in GulfTerra s general partner, the status of discussions with Enterprise and other potential strategic alternatives. El Paso Corporation s board approved proceeding with the implementation of GulfTerra s de-linking strategy, including the reorganization of, and possible sale of an interest in, GulfTerra s general partner and amendments to GulfTerra s partnership agreement. On April 16, 2003, the board of directors of GulfTerra s general partner also approved proceeding with the de-linking strategy. Thereafter, El Paso Corporation and GulfTerra jointly commenced a process to evaluate the possible sale of a 5-10% interest in the general partner pursuant to the de-linking plan.

From April 2003 through July 2003, there were no substantive discussions among the parties regarding a potential business combination between Enterprise and GulfTerra because El Paso Corporation was searching for a new Chief Executive Officer to replace its acting Chief Executive Officer. The search culminated in July 2003 with the selection of Douglas L. Foshee for that position.

On August 1, 2003, Dan L. Duncan, Enterprise s co-founder and chairman of the board of directors of its general partner, and Robert G. Phillips, GulfTerra s Chairman and Chief Executive Officer, met to discuss the prospects for resumption of discussions relating to a potential business combination and presentation of a proposal to the newly elected Chief Executive Officer of El Paso Corporation.

On August 21, 2003, Mr. Phillips met with Ronald L. Kuehn, Jr., El Paso Corporation s Chairman, and Mr. Foshee to discuss the status of GulfTerra s de-linking strategy and various strategic alternatives for GulfTerra, including the earlier discussions with Enterprise.

Mr. Phillips and O. S. Andras, Chief Executive Officer of Enterprise, met on August 25, 2003 to discuss the possibility of reopening merger discussions. At this meeting, Mr. Andras provided Mr. Phillips with a presentation regarding a possible business combination prepared by Lehman Brothers. This presentation included a preliminary financial analysis of a potential business combination between Enterprise and GulfTerra, including a comparison of the two partnerships current financial information and projected pro forma combined financial information. Mr. Phillips agreed to review the presentation and discuss it with other members of GulfTerra s management and the appropriate representatives of El Paso Corporation.

On September 2, 2003, Mr. Phillips made a presentation to El Paso Corporation s Executive Committee, of which he is a member, regarding his recent meeting with Mr. Andras and El Paso Corporation s Executive Committee authorized continued preliminary discussions to better evaluate a transaction with Enterprise.

On September 3, 2003, Mr. Andras, Mr. Phillips, Randy Fowler, Enterprise s Vice President and Treasurer, D. Dwight Scott, El Paso Corporation s Executive Vice President and Chief Financial Officer, and Thomas M. Hart, III, El Paso Corporation s then Vice President of Mergers and Acquisitions, met to discuss a potential business combination between Enterprise and GulfTerra.

Enterprise, GulfTerra and El Paso Corporation representatives and their respective legal and financial advisors met on September 8, 2003 in Houston to resume discussions regarding potential transaction structures and preliminary financial projections. Copies of an updated version of the Lehman Brothers presentation provided to Mr. Phillips on August 25 were also distributed at this meeting, as was a transaction structure chart prepared by Vinson & Elkins L.L.P., Enterprise s counsel.

Early in the week of September 8, 2003, Messrs. Andras, Fowler and Hart and Michael A. Creel, Enterprise s Executive Vice President and Chief Financial Officer, met in Houston to follow up on issues raised during the meeting on September 3.

On September 15, 2003, Messrs. Andras, Creel, Phillips, Foshee and Scott met with Mr. Duncan to allow senior management of Enterprise, GulfTerra and El Paso Corporation to discuss the potential benefits of a business combination for each of the parties. Also that day, representatives of GulfTerra and Enterprise met to discuss the possible mutual benefits that could result from a business combination between GulfTerra and Enterprise.

At a special meeting of the El Paso Corporation board of directors held on September 16, 2003, Messrs. Phillips, Scott and Hart presented a proposal from Goldman, Sachs & Co. to purchase a 9.9% interest in GulfTerra s general partner and 3,000,000 common units from GulfTerra. In connection with that transaction, GulfTerra would redeem the outstanding Series B preference units of GulfTerra held by El Paso Corporation. El Paso Corporation s board of directors approved the transaction with Goldman Sachs. Additionally, at the September 16, 2003 El Paso Corporation board meeting, Messrs. Phillips, Scott and Hart updated the El Paso Corporation board on the status of discussions with Enterprise, described the nature and scope of Enterprise s businesses and provided a summary of an indicative merger proposal that had been discussed by the parties. On the basis of this briefing, the El Paso Corporation board authorized continued exploratory discussions with Enterprise.

On September 19, 2003, Messrs. Andras and Phillips met to discuss the progress of the discussions and plans for future meetings. Also on September 19, 2003, the audit and conflicts committee of GulfTerra s general partner held a special meeting to consider the proposed Goldman Sachs transaction and the related redemption of the Series B Preference Units. At that meeting, the audit and conflicts committee recommended that the board of directors of GulfTerra s general partner approve the Goldman Sachs transaction. At this same meeting, Mr. Phillips presented a report on an indicative merger proposal

that El Paso Corporation had received from Enterprise. The audit and conflicts committee of GulfTerra s general partner agreed that Mr. Phillips should further investigate the merits of this merger proposal.

Messrs. Andras and Phillips met on September 29, 2003 to discuss the preparations that would be necessary to formulate a presentation of the proposed business combination to El Paso Corporation.

On September 30, 2003, the audit and conflicts committee of GulfTerra s general partner recommended, and the board of directors of GulfTerra s general partner approved, the Goldman Sachs transaction.

On October 2, 2003, GulfTerra closed the Goldman Sachs transaction, in which Goldman Sachs acquired a 9.9% membership interest in GulfTerra s general partner as well as 3,000,000 GulfTerra common units. Also, on October 15, 2003, GulfTerra completed a public offering of 4,800,000 common units.

On October 9, 2003, Messrs. Andras and Phillips had a lunch meeting during which they discussed, among other things, the prospects for formal due diligence relating to a potential strategic transaction between Enterprise and GulfTerra. Aside from this lunch meeting, there were no substantive discussions relating to a potential strategic transaction between Enterprise and GulfTerra between September 29, 2003 and October 21, 2003.

On October 21, 2003, Mr. Phillips, D. Mark Leland, then GulfTerra s Chief Operating Officer, and William Manias, then GulfTerra s Vice President of Business Development, met with Messrs. Duncan, Andras, Creel and Fowler in Houston. At this meeting Enterprise presented to GulfTerra a more definitive proposal outlining a two-step merger process for consideration by GulfTerra and El Paso Corporation. Mr. Phillips agreed to present this proposal to other members of GulfTerra s management and to provide it to El Paso Corporation for its consideration.

Messrs. Andras and Scott met on October 27, 2003 to discuss management and governance issues with respect to the combined company.

On October 30, 2003, Enterprise, GulfTerra, El Paso Corporation and their respective legal and financial advisors met in Houston for business and financial presentations by GulfTerra s management team regarding GulfTerra s business. On the same date, at a regularly scheduled meeting of El Paso Corporation s board of directors, the directors were advised of the status of continued discussions regarding a potential business combination between Enterprise and GulfTerra.

The next day, the board of GulfTerra s general partner and its audit and conflicts committee held special meetings to discuss aspects of the proposed transactions with Enterprise. During the meetings, Mr. Phillips updated the board and the committee on the discussions among El Paso Corporation, GulfTerra and Enterprise regarding the potential merger of the general partners and the partnerships and the potential benefits of such a merger for GulfTerra common unitholders. The audit and conflicts committee indicated its general support for the objectives and opportunities to further enhance unitholder value and encouraged Mr. Phillips to explore further the possibility of a merger with Enterprise. In addition, the audit and conflicts committee approved the hiring of UBS as its and GulfTerra s financial advisor. The audit and conflicts committee further approved the engagement of Jenkens & Gilchrist, a Professional Corporation (which has been the committee s regular independent counsel for several years) as its separate legal counsel and the engagement of Purvin & Gertz Inc., a well known natural gas and petrochemical industry consultant, to assist the committee in evaluating Enterprise s businesses.

On November 4, 2003, GulfTerra, El Paso Corporation and their respective legal and financial advisors commenced the due diligence process regarding Enterprise and its various businesses and attended presentations by Enterprise s management team regarding Enterprise s businesses. Later that month, Enterprise and its legal and financial advisors commenced the due diligence process regarding GulfTerra and its various businesses and attended presentations by GulfTerra s management team regarding GulfTerra s businesses.

On November 6, 2003, Mr. Andras, Mr. Creel and Richard H. Bachmann, Enterprise s Executive Vice President and Chief Legal Officer, met with Messrs. Phillips, Leland, Scott and Hart and Andrew C. Kidd, El Paso Corporation s then Vice President and Associate General Counsel, to continue discussions regarding proposed transaction structures and timing issues.

The next day, Enterprise, GulfTerra, El Paso Corporation and their respective financial and legal advisors met in Houston, at which meeting Enterprise delivered a term sheet to representatives of GulfTerra and El Paso Corporation containing Enterprise s proposed terms for the business combination of GulfTerra and Enterprise and the structure and management of the general partner of the combined partnership. Enterprise s representatives described the proposal set forth in the term sheet, and a brief discussion of the proposal ensued. Following that discussion, GulfTerra and El Paso Corporation advised Enterprise that they would evaluate the term sheet further and respond at a later time.

On November 10, 2003, the parties continued due diligence meetings and began to exchange substantial information regarding each partnership s operations.

The next day, Enterprise, GulfTerra, El Paso Corporation and their respective financial advisors met in Houston to discuss financing alternatives, including the prospects for refinancing GulfTerra s existing indebtedness.

On November 13, 2003, GulfTerra held a special telephonic audit and conflicts committee meeting to review the progress of the transaction. At this meeting, UBS reviewed the proposed transaction terms of the potential merger and presented to the committee various valuation approaches and the exchange ratios implied by these analyses. GulfTerra s legal advisors also discussed the proposed transaction structure, legal due diligence and HSR issues, and GulfTerra s senior management updated the committee on the progress of the business due diligence.

On November 14, 2003, at a regular meeting of the board of directors of Enterprise s general partner, Messrs. Duncan, Andras, Creel and Bachmann briefed the members of the board on the status of negotiations with GulfTerra and El Paso Corporation and the currently envisioned framework and consideration for the transaction.

Messrs. Andras and Phillips met on November 19, 2003 to discuss details of the proposed merger in advance of a planned meeting between representatives of Enterprise and El Paso Corporation.

On November 21, 2003, GulfTerra held a special telephonic meeting to update the audit and conflicts committee on the progress of the transaction. At this meeting, UBS reviewed the preliminary financial analysis of the potential merger and GulfTerra senior management updated the committee on the progress of the business due diligence.

That same day, Messrs. Andras, Creel and Bachmann met with Messrs. Scott, Hart and Kidd to discuss fundamental economic and structural issues associated with El Paso Corporation s interest in the proposed transactions. At this meeting, Enterprise discussed its desire to purchase the South Texas midstream assets that both Enterprise and GulfTerra viewed as being important to GulfTerra s South Texas operations. The same individuals met again on November 22, 2003 to continue the preceding day s discussions.

On November 25 and 26, 2003, Enterprise, GulfTerra, El Paso Corporation and their respective financial advisors met in Houston to discuss fundamental economic and structural issues associated with the proposed merger. In particular, the following items, among others, were discussed:

- valuation issues surrounding the exchange ratio proposed to be included in the merger agreement,
- the existing relationship between GulfTerra and El Paso Corporation with respect to administrative and employee matters and the impact of that relationship on the proposed transaction,
- the synergies expected to be realized by combining the businesses of the two partnerships,
- the consideration to be paid by Enterprise in connection with its purchase from an El Paso Corporation subsidiary of a 50% interest in GulfTerra s general partner,
- the treatment in the proposed transaction of Goldman Sachs 9.9% interest in GulfTerra s general partner,

the number of GulfTerra units (owned by two El Paso Corporation subsidiaries) to be purchased by Enterprise in connection with the proposed merger and the price and consideration to be paid for those units, and

Enterprise s potential acquisition of the South Texas midstream assets.

El Paso Corporation representatives excused themselves from all discussions relating to the exchange ratio proposed to be included in the merger agreement. No definitive agreements were reached regarding any economic issues at these meetings.

On December 1, 2003, Messrs. Scott and Hart met with Messrs. Andras and Creel to discuss, among other issues, the amount of cash consideration proposed to be paid by Enterprise for the 50% interest in GulfTerra s general partner and for the South Texas midstream assets. In addition, the participants discussed the level of transition services and support to be provided by El Paso Corporation following the proposed business combination between Enterprise and GulfTerra as well as El Paso Corporation s reacquisition of Goldman Sachs 9.9% interest in GulfTerra s general partner. By the time of this meeting, representatives of Enterprise and El Paso Corporation had tentatively agreed that subsidiaries of El Paso Corporation would sell to Enterprise a number of GulfTerra common units in connection with the proposed merger at a 10% discount to the 20-day average closing price of GulfTerra s common units on the date the merger agreement would be announced. This discount was negotiated between representatives of Enterprise and El Paso Corporation in part on the basis of discounts typically applied to large, block trades and in part as one of several valuation issues specific to Enterprise and El Paso Corporation in the context of both entities interest in a strategic transaction between the partnerships.

During the week of December 1, 2003, representatives of Enterprise, GulfTerra and El Paso Corporation continued to address the fundamental economic issues discussed during the previous week s meetings as well as the following additional material issues:

the capital requirements associated with completing the proposed merger, including the separate partnerships and the combined partnership s potential for incurring additional indebtedness and refinancing existing indebtedness, as well as structural considerations relating to those requirements; and

the anticipated level of antitrust review of the proposed merger.

On December 2, 2003, representatives of Enterprise and GulfTerra and their respective financial advisors held a conference call to discuss the exchange ratio for the proposed merger and the distribution policy of the combined company. Later that day another conference call was held among Messrs. Bachmann, Creel, Hart and Leland to discuss setting forth in the merger documents the distributions to be paid by GulfTerra and Enterprise to their respective unitholders during the period prior to the closing of the proposed merger.

The next day, Messrs. Andras, Creel, Hart and Leland held a conference call to discuss Enterprise s acquisition of the South Texas midstream assets and the purchase price to be paid for those assets. The same day, GulfTerra held a special telephonic meeting to further update the audit and conflicts committee of the board of directors of GulfTerra s general partner on the progress of the negotiations with Enterprise. At this meeting, members of GulfTerra s senior management presented an update on the business and the financial and operational due diligence performed to date, Purvin & Gertz presented updated findings on the business outlook for Enterprise s major business segments and UBS provided further analysis of the proposed merger.

At the regularly scheduled meeting of El Paso Corporation s board of directors on December 4, 2003, a presentation was made by Messrs. Scott and Hart regarding the status of the discussions regarding a possible business combination between Enterprise and GulfTerra, the sale by El Paso Corporation of selected general partner and limited partner equity interests in GulfTerra, the possible sale by El Paso Corporation to the combined partnership of the South Texas midstream assets and various other matters. Mr. Phillips described to El Paso Corporation s board the benefits that the combination would provide to

the combined partnership and its unitholders. Andrews Kurth LLP, counsel to El Paso Corporation, described to the El Paso Corporation board of directors the process and status of the negotiations, and Purvin & Gertz described the business risks associated with the businesses conducted by Enterprise. El Paso Corporation s board was also apprised of procedural and substantive antitrust matters. Following a thorough discussion, El Paso Corporation s board of directors authorized its negotiating team to continue discussions with representatives of Enterprise.

On December 3, 2003, the audit and conflicts committee of GulfTerra s general partner held a special meeting to discuss the Enterprise transaction. At that meeting, UBS further reviewed the proposed merger and the committee received further presentations from Purvin & Gertz and GulfTerra s senior management.

On December 5, 2003, John Tomerlin, Enterprise s Vice President-Human Resources, Michael J. Knesek, Enterprise s Vice President, Controller and Principal Accounting Officer, Mr. Creel, Mr. Leland, James H. Lytal, GulfTerra s President, and Robert Proffit, GulfTerra s Vice President Human Resources, met to discuss potential mutual benefits that could be achieved from the proposed merger. Also on December 5, 2003, Vinson & Elkins distributed initial drafts of a merger agreement and other relevant transaction agreements. Representatives of GulfTerra and El Paso Corporation and their respective counsel met on December 7, 2003 to discuss these initial drafts. At this meeting, representatives of GulfTerra and El Paso Corporation discussed their relative responsibilities in negotiating various aspects of the transaction agreements. In the course of these discussions, it was concluded that by creating a stand-alone parent company agreement that would contain the agreements between El Paso Corporation and Enterprise, El Paso Corporation would be free to negotiate the terms of the parent company agreement while GulfTerra negotiated the merger agreement with only minimal participation by El Paso Corporation. In particular, it was concluded that this approach would allow GulfTerra, the board of directors of GulfTerra s general partner and its audit and conflicts committee to focus on and negotiate provisions such as the exchange ratio, the non-solicitation covenant and the amounts of the termination fees without any involvement on the part of El Paso Corporation.

On December 8, 2003, representatives of Enterprise, GulfTerra and El Paso Corporation and their respective counsel met in Houston to discuss the initial drafts of the merger agreement and other relevant transaction agreements. The following substantive issues, among others, were discussed at this meeting without resolution:

GulfTerra and its counsel, in consultation with the GulfTerra s audit and conflicts committee, discussed with Enterprise the termination fee that was included in the initial draft of the merger agreement. In particular, significant discussion was held as to the application of the termination fee if GulfTerra s unitholders did not approve the merger.

El Paso Corporation and its counsel discussed with Enterprise and its counsel the scope of El Paso Corporation s obligations under the initial draft of the merger agreement.

GulfTerra and El Paso Corporation and their respective counsel discussed with Enterprise and its counsel whether indemnification obligations should exist for breaches of representations and warranties after the consummation of the proposed merger.

Enterprise and its counsel expressed Enterprise s desire for a commitment from El Paso Corporation, as the largest single holder of GulfTerra s units, and Goldman Sachs, another significant holder of GulfTerra s units, to vote their units in favor of the proposed merger. GulfTerra and El Paso Corporation and their respective counsel expressed the position that all Enterprise units held by affiliates of Dan Duncan should be voted in favor of the proposed merger.

Enterprise, El Paso Corporation and their respective counsel discussed the relationship between the closing conditions relating to the proposed sale of the South Texas midstream assets and the closing conditions relating to the proposed merger.

GulfTerra requested increased flexibility in the merger agreement with respect to its operations between signing and closing and its ability to issue equity securities while the merger was pending.

Enterprise expressed its desire to have a right of first refusal in respect of any sale of certain field services assets belonging to El Paso Corporation that were not, in El Paso Corporation s view, integrally related to GulfTerra s operations.

On the morning of December 9, 2003, Vinson & Elkins suggested that the parties convene a teleconference to enable Enterprise to articulate responses to several of the issues raised by GulfTerra and El Paso Corporation during the preceding day s meeting. During this teleconference, Enterprise offered compromises on several issues, including the following:

Enterprise expressed a willingness to proceed with a termination fee of $112 million if a superior proposal were accepted and a termination fee of $15 million if GulfTerra s unitholders did not approve the merger.

Enterprise also expressed a willingness on the part of Mr. Duncan s affiliates to commit to vote all of their units in favor of the proposed merger, subject to limited exceptions, provided that El Paso Corporation committed to vote all of its units in favor of the proposed merger. Enterprise s request that Goldman Sachs commit to vote its units in favor of the proposed merger was withdrawn.

Enterprise agreed that, with the exception of certain corporate representations and warranties to be made by El Paso Corporation in connection with the sale of a 50% interest in GulfTerra s general partner, no indemnification obligations for breaches of representations and warranties made by GulfTerra or El Paso Corporation would survive the consummation of the proposed merger.

Enterprise agreed to permit GulfTerra to issue up to $100 million of equity securities while the merger was pending.

Enterprise abandoned its request for a right of first refusal in respect of certain of El Paso Corporation s field service assets.

On the basis of Enterprise s proposed compromises, both GulfTerra and El Paso Corporation agreed that it was advisable to continue negotiations in respect of the proposed merger to determine if the parties could reach a mutually acceptable agreement. As a consequence, Vinson & Elkins undertook to revise the merger agreement and other relevant agreements for distribution on December 10, 2003 and to host a meeting of the parties the following day to discuss the revised agreements.

At regularly scheduled meetings of the board of directors of GulfTerra s general partner and its audit and conflicts committee on December 10, 2003, UBS made a presentation outlining the negotiated terms and conditions of the proposed merger. The audit and conflicts committee agreed to review the presentation material as well as the due diligence material provided to them by members of GulfTerra s management team and Purvin & Gertz and to hold a telephonic meeting of the board of directors of GulfTerra s general partner and its audit and conflicts committee on December 14, 2003 to review the final negotiated terms and consider approval of the proposed transactions.

At a special meeting of the board of directors of Enterprise s general partner on December 10, 2003, Lehman Brothers and Vinson & Elkins made a preliminary presentation relating to the merger.

At the meeting of the parties and their legal advisors held on December 11, 2003, having reviewed a revised draft of the merger agreement, El Paso Corporation continued to express a strong preference for separating the agreements between Enterprise and El Paso Corporation out of the merger agreement by creating a stand-alone parent company agreement. After discussing this and other issues, Enterprise agreed to the two agreement structure. On the basis of this understanding, Andrews Kurth undertook to prepare a substantially revised draft of a parent company agreement for distribution on December 12, 2003. Following that distribution, negotiation of the parent company agreement proceeded between Enterprise and its counsel, on the one hand, and El Paso Corporation and its counsel, on the other, and the

negotiation of the merger agreement proceeded between Enterprise and its counsel, on the one hand, and GulfTerra and its counsel, on the other.

From December 11, 2003 through December 14, 2003, representatives of Enterprise, GulfTerra and El Paso Corporation and their respective legal and financial advisors met to negotiate the details of and draft the transaction documents related to the merger and the purchase of the South Texas midstream assets.

On December 14, 2003, the board of directors and the audit and conflicts committee of Enterprise s general partner jointly held a special meeting at which they received the opinion of Lehman Brothers to the effect that, as of the date of such opinion and subject to the assumptions set forth in the opinion, the aggregate consideration to be paid by Enterprise in the proposed merger and related transactions is fair, from a financial point of view, to Enterprise. Thereafter, the audit and conflicts committee of the board of directors of Enterprise s general partner unanimously recommended approval of the merger and the merger agreement to the board of directors of Enterprise s general partner, which then approved and adopted the merger agreement, approved the issuance of Enterprise common units pursuant to the merger agreement, and resolved to recommend that Enterprise s unitholders approve the issuance of Enterprise common units pursuant to the merger agreement.

Also on that same day, the audit and conflicts committee of the board of directors of GulfTerra s general partner held a special meeting at which the committee received the opinion of UBS to the effect that, as of the date of such opinion and subject to various assumptions made, matters considered and limitations described in the opinion, the exchange ratio of 1.81 common units of Enterprise for each GulfTerra common unit in the merger was fair, from a financial point of view, to GulfTerra s common unitholders, other than El Paso Corporation, Goldman Sachs and their respective affiliates. Thereafter, the audit and conflicts committee of the board of directors of GulfTerra s general partner unanimously recommended that the board of directors of GulfTerra s general partner approve the merger. After the committee meeting, the board of directors of GulfTerra s general partner held a special meeting to consider the proposed transactions. Following this special meeting, and based in part on the recommendation of the audit and conflicts committee, the board of directors of GulfTerra s general partner unanimously approved and adopted the merger agreement and resolved to recommend that GulfTerra s unitholders vote to approve and adopt the merger agreement.

El Paso Corporation s board of directors also approved the proposed transactions on December 14, 2003.

On December 15, 2003, Enterprise, GulfTerra and their respective affiliates executed the merger agreement and other relevant transaction agreements; Enterprise, El Paso Corporation and their respective affiliates executed the parent company agreement; and Enterprise, GulfTerra and El Paso Corporation publicly announced the execution of the merger agreement and the related transactions.

On March 4, 2004, Mr. Duncan and Mr. Andras met with Mr. Foshee and proposed restructuring the first Step Two transaction of the proposed merger. Messrs. Duncan and Andras proposed that, instead of conveying a 50% membership interest in Enterprise s general partner to GulfTerra GP Holding Company in exchange for the remaining 50% membership interest in GulfTerra s general partner, Enterprise s general partner would pay cash and convey a smaller membership interest in Enterprise s general partner to GulfTerra GP Holding Company.

At a meeting of Messrs. Andras, Creel, Scott and Hart on March 15, 2004, El Paso Corporation responded to Enterprise s restructuring proposal with two alternative suggestions for the consideration to be received by GulfTerra GP Holding Company for its remaining 50% membership interest in the GulfTerra general partner. The first alternative was for GulfTerra GP Holding Company to receive cash only. The second alternative was for GulfTerra GP Holding Company to receive cash and a 9.9% membership interest in Enterprise s general partner that could be exchanged for Enterprise common units. Both alternatives also involved the assumption by Enterprise s general partner of certain obligations of El Paso Corporation and its subsidiaries under the parent company agreement.

On March 22, 2004, Mr. Creel sent Mr. Scott a letter proposing that the first Step Two transaction of the proposed merger be amended to provide that, in exchange for the remaining 50% membership interest in GulfTerra s general partner, GulfTerra GP Holding Company receive a 9.9% membership interest in Enterprise s general partner and $370 million in cash, plus certain additional rights relating to the exchange of such 9.9% membership interest for Enterprise common units or cash, and certain protective governance rights. Enterprise did not propose to assume any of the obligations of El Paso Corporation or its subsidiaries under the parent company agreement.

On or about March 26, 2004, Messrs. Creel and Scott had a telephone conversation in which Mr. Scott indicated general agreement with Mr. Creel s March 22 proposal, and Mr. Hart stated that he would ask Andrews Kurth to prepare initial drafts of the documents required to memorialize the restructuring.

On April 1, 2004, Andrews Kurth delivered to Vinson & Elkins drafts of an amendment to the parent company agreement, a revised form of Second Amended and Restated Limited Liability Company Agreement for Enterprise s general partner and a form of Exchange and Registration Rights Agreement for their review and consideration. From April 8, 2004, to April 16, 2004, representatives of Enterprise s general partner and El Paso Corporation and their respective legal and financial advisors met to negotiate the details of and draft definitive agreements to accomplish the proposed restructuring.

On April 19, 2004, the board of directors of Enterprise s general partner and the board of directors of El Paso Corporation approved restructuring the first Step Two transaction of the proposed merger, and the parties to the parent company agreement executed and delivered Amendment No. 1 to that agreement, to which a revised form of Second Amended and Restated Limited Liability Company Agreement for Enterprise s general partner and a form of Exchange and Registration Rights Agreement were attached. The next day, Enterprise and El Paso Corporation issued separate press releases announcing the restructuring of the first Step Two transaction of the proposed merger.

Recommendation of the Board of Directors of GulfTerra s General Partner and Reasons for the Merger

Reasons for the Merger

The midstream sector is in a period of substantial and ongoing change, which GulfTerra believes will provide significant growth opportunities for well-positioned companies. GulfTerra expects large and mid-sized energy companies to continue to divest midstream assets in an effort to strengthen their balance sheets as well as to focus on core businesses. These divestitures may produce attractive acquisition opportunities. In addition, GulfTerra believes the midstream sector is likely to experience substantial consolidation through mergers and acquisitions. This consolidation may well result in a few large, independent midstream businesses a number of which GulfTerra believes will be MLPs becoming the leading participants in this business sector.

The board of directors of GulfTerra s general partner considered many factors in evaluating the merger and the merger agreement. GulfTerra s management made numerous presentations to the board, as well as to the audit and conflicts committee of the board, which consists solely of directors that meet the independent director standards established by the NYSE and the Sarbanes-Oxley Act of 2002. The audit and conflicts committee of GulfTerra s general partner engaged separate legal counsel and UBS as financial advisor to assist it in evaluating the proposed transactions.

The factors the board of directors of GulfTerra s general partner and its audit and conflicts committee considered in evaluating the merger, the merger agreement and the related transactions included the following:

Increased size and more balanced portfolio. The merger is expected to create North America s leading midstream company, with geographic and product diversity and balance, serving key natural gas basins.

Enhanced growth prospects. The increased size and scope of the combined company is expected to enhance its growth prospects.

Improved governance structure. The resulting general partner corporate governance structure is expected to continue and improve on GulfTerra s previous independence initiatives.

Lowered cost of capital. The capping of the general partner s incentive distribution percentage at 25%, together with Enterprise s investment-grade credit rating, is expected to lower the combined company s cost of capital relative to GulfTerra s current cost of capital.

Increased liquidity. The common units of the combined company are expected to have a larger trading market, which is expected to result in greater liquidity and the dilution of ownership interests of significant unitholders.

Long-term accretion to distributable cash flow per unit. The combined company is expected to benefit from possible long-term accretion to distributable cash flow per unit.

Strong combined management team. The combination of GulfTerra s and Enterprise s management teams is expected to have significant midstream industry and operating experience.

Furtherance of growth strategy. The merger is expected to further GulfTerra s strategy of growing and diversifying its sources of cash flow.

Potential cost savings. If realized, the potential operating cost savings and interest savings associated with combining the two businesses is expected to increase cash available for distributions, acquisitions or organic growth projects.

Recommendation of the Board of Directors of GulfTerra s General Partner

The audit and conflicts committee of the board of directors of GulfTerra s general partner unanimously recommended approval of the merger and the merger agreement to the board of directors of GulfTerra s general partner. The board of directors of GulfTerra s general partner then unanimously:

approved and adopted the merger agreement;

determined that the merger is fair and in the best interest of GulfTerra s common unitholders; and

determined to recommend that the GulfTerra common unitholders approve and adopt the merger agreement.

Accordingly, the board of directors of GulfTerra s general partner recommends that GulfTerra common unitholders vote FOR the approval and adoption of the merger agreement.

In approving the transaction and making their recommendations, the board of directors of GulfTerra s general partner and its audit and conflicts committee considered many factors, including:

all of the reasons described above under Reasons for the Merger, including the growth opportunities expected to be available to the combined company and the corporate governance structure for the combined company;

the judgment, advice and analysis of GulfTerra s senior management, including its favorable recommendation of the merger;

information regarding the businesses, assets, liabilities, results of operations and financial performance of GulfTerra, Enterprise and the combined company;

presentations by and discussions with UBS, financial advisor to GulfTerra and to the audit and conflicts committee of GulfTerra s general partner, regarding the financial terms of the merger agreement, and UBS opinion described below to the audit and conflicts committee on December 14, 2003 to the effect that, as of the date of its opinion and based on and subject to various assumptions made, matters considered and limitations described in the opinion, the

exchange ratio of 1.81 common units of Enterprise for each GulfTerra common unit in the merger was fair from a financial point of view to GulfTerra s common unitholders, other than El Paso Corporation, Goldman Sachs and their respective affiliates;

current and forecasted industry, economic and market conditions;

the abilities of the parties to complete the merger, including the antitrust requirements applicable to the transaction;

presentations by and discussions with GulfTerra s senior management and representatives of Akin Gump Strauss Hauer & Feld LLP, GulfTerra s outside legal counsel, regarding the terms of the merger agreement;

discussions with Jenkens & Gilchrist, a Professional Corporation, the audit and conflicts committee s separate outside legal counsel regarding the merger agreement and related agreements and transactions;

the effect of the transaction structure on GulfTerra s outstanding indebtedness and access to employees dedicated to operating GulfTerra s assets; and

the long-term interests of GulfTerra and its common unitholders, as well as the effects of the merger on GulfTerra s customers, creditors and suppliers to the extent those effects relate to the long-term value of GulfTerra s common units.

The board of directors of GulfTerra s general partner and its audit and conflicts committee also considered a number of risks associated with the merger, including those described under Risk Factors Risks Related to the Merger and the Related Transactions and those disclosed in Enterprise s filings with the Securities and Exchange Commission. In the view of the board of directors of GulfTerra s general partner and its audit and conflicts committee, these risks did not outweigh the advantages of the merger.

Recommendation of the Board of Directors of Enterprise s General Partner and Reasons for the Merger

The board of directors of Enterprise s general partner considered various factors in approving and adopting the merger agreement and approving the issuance of Enterprise s common units pursuant to the merger agreement, including the following potential benefits of the merger to the combined company:

Significant increases in the diversity and scale of operations of the combined company. The merger is expected to enable Enterprise to have a more balanced business mix and expand its geographic presence to areas where Enterprise has no significant operations, such as the San Juan and Permian Basins.

Greater cash flow stability. After the merger, a higher percentage of the combined company s income is expected to be generated from fee-based businesses. Additionally, GulfTerra s operations currently benefit from higher natural gas prices, and are expected to provide a natural hedge to Enterprise s NGL business, which generally benefits from lower or stable natural gas prices.

Incremental growth opportunities. GulfTerra has significant organic growth projects, and the combination of Enterprise s and GulfTerra s operations is expected to provide incremental growth opportunities.

Potential cost savings. Enterprise expects that the annual operating costs of the combined company will be lower than the aggregate pro forma historical costs of Enterprise and GulfTerra, and expects that the combined company will have annual interest expense savings.

Long-term accretion to distributable cash flow per unit to Enterprise s unitholders. In connection with the proposed merger, Enterprise agreed, subject to the terms of its partnership agreement, to increase its quarterly cash distribution on its common units to at least $0.395 per unit, or $1.58 per unit on an annual basis, commencing with the first regular quarterly distribution after the merger closes. Enterprise unitholders are expected to benefit from accretion to distributable cash flow per

unit, which is the basis for the contracted distribution increase. Additionally, the accretion to distributable cash flow per unit could allow Enterprise to further increase future distributions to its unitholders.

In approving the transaction and making their recommendations, the audit and conflicts committee and the board of directors of Enterprise s general partner considered many factors, including:

all of the reasons described in the preceding paragraph of this section;

the judgment, advice and analysis of Enterprise s senior management, including its favorable recommendation of the merger;

information regarding the businesses, assets, liabilities, results of operations and financial performance of Enterprise, GulfTerra and the combined company;

presentations by and discussions with Lehman Brothers Inc., Enterprise s financial advisor, regarding the financial terms of the merger agreement, and Lehman Brothers opinion described below;

current and forecasted industry, economic and market conditions;

the abilities of the parties to complete the merger, including the antitrust requirements applicable to the transaction;

presentations by and discussions with Enterprise s senior management and representatives of Vinson & Elkins L.L.P., Enterprise s outside legal counsel, regarding the terms of the merger agreement;

the long-term interests of Enterprise and its common unitholders, as well as the effects of the merger on Enterprise s customers, creditors and suppliers to the extent those effects relate to the long-term value of Enterprise s common units.

The board of directors of Enterprise s general partner also considered a number of risks associated with the merger, including those described under Risk Factors Risks Related to the Merger and the Related Transactions and those disclosed in GulfTerra s filings with the Securities and Exchange Commission. In the view of the board of directors of Enterprise s general partner, these risks did not outweigh the advantages of the merger.

The preceding discussion of the information and factors considered and given weight by Enterprise s general partner s board of directors is not intended to be exhaustive. However, Enterprise believes that the discussion includes all of the material factors that the board of directors of its general partner considered. In reaching its decision to approve the merger agreement and to recommend approval to Enterprise s unitholders of the issuance of Enterprise common units in the merger, Enterprise s general partner s board of directors did not assign any relative or specific weight to the factors it considered. Individual directors may have given different weights to different factors.

Opinions of Financial Advisors

Opinion of Lehman Brothers Inc. Financial Advisor to Enterprise

Lehman Brothers acted as financial advisor to Enterprise in connection with the proposed merger and the transactions related to the merger. On December 14, 2003, Lehman Brothers rendered its written opinion to the board of directors of Enterprise s general partner and to its audit and conflicts committee to the effect that as of the date of such opinion, the aggregate consideration to be paid by Enterprise in the proposed merger and the related transactions is fair, from a financial point of view, to Enterprise. Lehman Brothers was not asked to opine as to the fairness, from a financial point of view, of the consideration to be paid by Enterprise for the South Texas midstream assets it expects to acquire from El Paso Corporation concurrently with the closing of the merger. The purchase of the South Texas midstream assets constitutes an asset transaction separate from the merger and Enterprise does not typically obtain

fairness opinions in connection with asset acquisitions for cash. Accordingly, Lehman Brothers opinion and the following analysis do not address the acquisition of the South Texas midstream assets.

THE FULL TEXT OF THE LEHMAN BROTHERS OPINION DATED DECEMBER 14, 2003 IS INCLUDED AS ANNEX B TO THIS DOCUMENT. HOLDERS OF ENTERPRISE COMMON UNITS MAY READ THE LEHMAN BROTHERS OPINION FOR A DISCUSSION OF THE FACTORS CONSIDERED, ASSUMPTIONS MADE AND QUALIFICATIONS OF THE REVIEW UNDERTAKEN BY LEHMAN BROTHERS IN CONNECTION WITH ITS OPINION.

LEHMAN BROTHERS ADVISORY SERVICES AND OPINION WERE PROVIDED FOR THE INFORMATION AND ASSISTANCE OF THE BOARD OF DIRECTORS OF ENTERPRISE S GENERAL PARTNER AND ITS AUDIT AND CONFLICTS COMMITTEE IN CONNECTION WITH THEIR CONSIDERATION OF THE MERGER AND RELATED TRANSACTION. LEHMAN BROTHERS OPINION IS NOT A RECOMMENDATION TO ANY UNITHOLDER OF ENTERPRISE OR GULFTERRA AS TO HOW SUCH UNITHOLDER SHOULD VOTE WITH RESPECT TO THE MERGER. LEHMAN BROTHERS WAS NOT REQUESTED TO OPINE AS TO, AND ITS OPINION DOES NOT ADDRESS, ENTERPRISE S UNDERLYING BUSINESS DECISION TO PROCEED WITH OR EFFECT THE MERGER AND RELATED TRANSACTIONS, OR THE FAIRNESS OF THE RESPECTIVE CONSIDERATION TO BE PAID BY ENTERPRISE IN ANY PARTICULAR ASPECT OF THE MERGER AND RELATED TRANSACTIONS.

Lehman Brothers, in arriving at its opinion, reviewed and analyzed: (1) the agreements and the specific terms of the merger and the related transactions; (2) publicly available information concerning Enterprise and GulfTerra that Lehman Brothers believed to be relevant to the analysis, including Enterprise s and GulfTerra s respective Annual Reports on Form 10-K for the fiscal year ended December 31, 2002, and their respective Quarterly Reports on Form 10-Q for the nine months ended September 30, 2003; (3) financial and operating information with respect to the business, operations and prospects of Enterprise and GulfTerra furnished to Lehman Brothers by the managements of Enterprise and GulfTerra, respectively, including estimates prepared by managements of Enterprise and GulfTerra regarding the amounts and timing of operational and interest expense savings expected to be achieved as a result of the merger and the related transactions and the related liability management plan contemplated by Enterprise, which Lehman Brothers refers to collectively as the Expected Synergies; (4) the respective trading histories of Enterprise common units and GulfTerra common units from December 13, 2000 to December 12, 2003; (5) a comparison of historical financial results and present financial condition of Enterprise and GulfTerra to each other and to other publicly traded companies that Lehman Brothers deemed relevant; (6) a comparison of the financial terms of the merger and the related transactions to the financial terms of other transactions that Lehman Brothers deemed relevant; and (7) an analysis of the pro forma financial consequences of the merger and the related transactions to the unitholders of Enterprise and GulfTerra, including the impact of the merger and the related transactions on distributable cash flow per limited partnership unit and cash distributions per limited partnership unit; and (8) the relative contributions of Enterprise and GulfTerra to the historical and future financial performance of the combined company, including a comparison of their respective earnings per limited partnership unit and distributable cash flow per limited partnership unit. In addition, Lehman Brothers has had multiple discussions with the managements of Enterprise and GulfTerra concerning the business, operations, assets, financial condition and prospects of Enterprise and GulfTerra and has undertaken such other studies, analyses and investigations as Lehman Brothers deemed appropriate.

Lehman Brothers, in arriving at its opinion, has assumed and relied upon the accuracy and completeness of the financial and other information used by it without assuming any responsibility for independent verification of such information and has further relied upon the assurances of managements of Enterprise and GulfTerra that they are not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the financial projections of Enterprise, upon advice of management of Enterprise, Lehman Brothers has assumed that such projections have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of

the Enterprise as to the future financial performance of the Enterprise and that Enterprise will perform substantially in accordance with such projections. With respect to the financial projections of GulfTerra, upon advice of managements of Enterprise and GulfTerra, Lehman Brothers has assumed that such projections have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the managements of Enterprise and GulfTerra as to the future financial performance of GulfTerra, and that GulfTerra will perform substantially in accordance with such projections. In addition, upon advice of management of Enterprise, Lehman Brothers has also assumed that the amounts and timing of the Expected Synergies are reasonable and that the Expected Synergies will be realized substantially in accordance with such estimates. On the advice of management of Enterprise, Lehman Brothers has assumed, as a result of the merger and the related transactions, that no income, gain or loss is expected to be recognized for Federal income tax purposes by unitholders of Enterprise, other than gain resulting from any decrease in partnership liabilities pursuant to Section 752 of the Internal Revenue Code. Furthermore, on advice of the management of Enterprise, any tax consequences to the Enterprise common unitholders associated with Section 752 of the Internal Revenue Code are assumed to be immaterial. In arriving at its opinion, Lehman Brothers has not conducted a physical inspection of the properties and facilities of Enterprise or GulfTerra and has not made or obtained any evaluations or appraisals of the assets or liabilities of either company. Lehman Brothers opinion necessarily is based upon market, economic and other conditions as they exist on, and can be evaluated as of, December 14, 2003.

The following is a summary of certain of the financial analyses used by Lehman Brothers in connection with providing its written opinion to the board of directors of Enterprise s general partner on December 14, 2003. **Some of the summaries of the financial analyses include information presented in tabular format. To fully understand the financial analyses, the tables should be read together with the text of each summary. Considering the data in the tables without considering the narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses.**

Lehman Brothers Valuation Analysis

Lehman Brothers performed a valuation analysis of GulfTerra as a standalone entity using the following methodologies: discounted cash flow analysis; comparable companies trading analysis; comparable master limited partnership merger analysis; and comparable midstream/pipeline transactions analysis. The table below summarizes the indicative valuation ranges for GulfTerra as derived from these methodologies, and compares these valuation ranges to the aggregate consideration paid by Enterprise in the merger and the related transactions.

Valuation Summary Results GulfTerra

Valuation Methodology	Indicative Enterprise Valuation Range	Implied Equity Valuation Range
	($ in millions)	($ in millions)
Discounted Cash Flow Analysis Case I	$ 5,000 - $5,500	$ 3,288 - $3,788
Discounted Cash Flow Analysis Case II	$ 5,750 - $6,250	$ 4,038 - $4,538
Comparable Companies Analysis	$ 5,250 - $5,750	$ 3,538 - $4,038
Comparable MLP Merger Analysis	$ 4,750 - $5,250	$ 3,038 - $3,538
Comparable Midstream/ Pipeline Transactions Analysis	$ 3,000 - $3,700	$ 1,288 - $1,988
Consideration to be Paid by Enterprise MLP in the Proposed Transaction	$ 4,939	$ 3,228

Discounted Cash Flow Analysis

Lehman Brothers performed a discounted cash flow analysis of the projected unlevered free cash flows of GulfTerra for the six fiscal years beginning January 1, 2004 and ending December 31, 2009. Lehman

Brothers assumed discount rates of 9.0%, 10.0% and 11.0%. Lehman Brothers calculated terminal values using a perpetuity of projected unlevered free cash flows and assumed growth rates for projected unlevered free cash flows beyond 2009 of 1.0%, 2.0% and 3.0% per year. The discount rates reflect an estimate of the weighted average cost of capital. The growth rates for the projected unlevered free cash flows beyond 2009 used were based on estimated organic growth rates for GulfTerra.

The projections underlying the discounted cash flow analysis were prepared by GulfTerra management. In performing the discounted cash flow analysis, Lehman Brothers considered two cases with respect to the operating and financial projections. In each case, GulfTerra is assumed to operate as a standalone entity and, accordingly, the Estimated Synergies associated with the merger and the related transactions were not included in the analysis. Additionally, GulfTerra management believes that GulfTerra s standalone general and administrative expenses will increase when GulfTerra is separated from El Paso Corporation. Lehman Brothers factored the increased general and administrative expenses into its discounted cash flow analysis. Furthermore, Lehman Brothers excluded the annual transition support payments El Paso Corporation has agreed to provide to Enterprise of $18 million, $15 million and $12 million for the first, second and third years immediately following the effective time of the merger, which Lehman Brothers refers to as the El Paso Parent Transition Support Payment, from the discounted cash flow analysis. The Case I analysis assumes near-term growth from identified projects, but no additional acquisitions. The Case II analysis assumes GulfTerra makes $500 million of acquisitions per year consummated at an 8.0x EBITDA multiple on January 1st of each year. Case I resulted in an indicative enterprise valuation range of $5,000 million to $5,500 million which implied an equity valuation range of $3,288 million to $3,788 million. Case II resulted in an indicative enterprise valuation range of $5,750 million to $6,250 million which implied an equity valuation range of $4,038 million to $4,538 million. The aggregate consideration to be paid by Enterprise in the merger and the related transactions is below both the Case I and Case II valuation ranges.

Comparable Companies Analysis

Lehman Brothers reviewed and compared certain financial information relating to GulfTerra to corresponding financial information, ratios and public market multiples for twelve publicly traded master limited partnerships (MLPs) including:

Buckeye Partners, L.P.
Enterprise Products Partners L.P.
Kinder Morgan Energy Partners, L.P.
Northern Border Partners, L.P.
Plains All American Pipeline, L.P.
TEPPCO Partners, L.P.
Enbridge Energy Partners, L.P.
Kaneb Pipe Line Partners, L.P.
Magellan Midstream Partners, L.P.
Pacific Energy Partners, L.P.
Sunoco Logistics Partners L.P.
Valero L.P.

The companies listed above, which Lehman Brothers refers to as the Selected Companies, were chosen because they are publicly traded partnerships with operations that for purposes of analysis may be considered similar to GulfTerra. Lehman Brothers calculated various multiples and ratios for the Selected Companies and used the multiples and ratios as a reference point to develop an indicative valuation for GulfTerra. Lehman Brothers reviewed multiples and ratios for the Selected Companies based on estimates of earnings before interest, taxes, depreciation and amortization, which Lehman Brothers refers to as EBITDA; net income; net income per limited partnership unit; distributable cash flow (defined as EBITDA less interest expense and maintenance capital expenditures); and distributable cash flow per limited partnership unit. The projections for the Selected Companies and GulfTerra were based on published Lehman Brothers equity research estimates. As in the discounted cash flow analysis, Lehman Brothers adjusted the estimates for GulfTerra to reflect the increased general and administrative expenses for GulfTerra on a standalone basis. Additionally, Lehman Brothers excluded the Expected Synergies and the El Paso Parent Transition Support Payment from the comparable companies analysis. The multiples for the Selected Companies were calculated using the closing unit prices for the Selected Companies as of December 12, 2003 and balance sheets as of September 30, 2003. In calculating limited partnership equity

value for each of the Selected Companies, Lehman Brothers assumed the current market price for the specific partnership s common units and a 20% discount on the value of subordinated units (where applicable) relative to the common unit price. In calculating general partner equity value for each of the Selected Companies, Lehman Brothers divided the cash flows that the general partner was currently receiving (based on the latest quarterly distribution annualized) by the current yield on the specific partnership s common units. With respect to the Selected Companies, Lehman Brothers considered the following statistics and multiples:

Selected Companies Statistics and Multiples

	Median	Average	High	Low
Distribution Yield (latest quarter annualized)	6.49%	6.66%	8.37%	5.87%
Unit Price as a Multiple of:				
Distributable Cash Flow per L.P. Unit				
2003E	14.0x	13.9x	17.1x	8.7x
2004E	13.6x	13.5x	16.6x	9.6x
Net Income per L.P. Unit				
2003E	19.8x	21.3x	35.1x	13.6x
2004E	18.4x	18.4x	23.6x	13.2x
Total Equity Value as a Multiple of:				
Aggregate Distributable Cash Flow				
2003E	14.1x	14.1x	18.7x	8.8x
2004E	12.8x	12.9x	15.7x	9.5x
Aggregate Net Income				
2003E	18.9x	21.5x	36.3x	12.3x
2004E	17.7x	17.8x	23.9x	11.9x
Total Enterprise Value as a Multiple of:				
Aggregate EBITDA				
2003E	13.7x	13.1x	16.3x	9.3x
2004E	12.2x	12.1x	15.3x	9.1x

The comparable companies analysis resulted in an indicative enterprise valuation range of $5,250 million to $5,750 million which implied an equity valuation range of $3,538 million to $4,038 million. The aggregate consideration to be paid by Enterprise in the merger and the related transactions is below this valuation range.

Comparable MLP Merger Analysis

Lehman Brothers analyzed certain information relating to the acquisition of Santa Fe Pacific Pipeline Partners, L.P. by Kinder Morgan Energy Partners, L.P. As the only public MLP-to-MLP merger prior to the merger and the related transactions, the Kinder Morgan/ Santa Fe Transaction is the most comparable precedent transaction to the merger and the related transactions. Among other things, Lehman Brothers analyzed the equity purchase price for Santa Fe as a multiple of latest twelve months (LTM) net income and LTM distributable cash flow. Additionally, Lehman Brothers analyzed the total purchase price for Santa Fe as a multiple of LTM EBITDA and LTM earnings before interest and taxes, which we refer to as EBIT. Lehman Brothers used the Kinder Morgan/ Santa Fe Transaction multiples as a reference point to derive an indicative valuation range for GulfTerra. As in the comparable companies analysis, GulfTerra statistics reflect GulfTerra s increased standalone general and administrative expenses. Additionally,

Lehman Brothers excluded the Expected Synergies and the El Paso Parent Transition Support Payment from the comparable MLP merger analysis.

Selected Multiples of the Kinder Morgan/Santa Fe Transaction

	Kinder Morgan/ Santa Fe Multiple
Kinder Morgan/Santa Fe Equity Purchase Price as a Multiple of:	
LTM Aggregate Net Income	19.9x
LTM Aggregate Distributable Cash Flow	18.5x
Kinder Morgan/ Santa Fe Total Purchase Price as a Multiple of:	
LTM EBITDA	12.7x
LTM EBIT	15.7x

The comparable MLP merger analysis resulted in an indicative enterprise valuation range of $4,750 million to $5,250 million which implied an equity valuation range of $3,038 million to $3,538 million. The aggregate consideration being paid by Enterprise in the merger and the related transactions is within this valuation range.

Comparable Midstream/ Pipeline Transactions Analysis

Lehman Brothers analyzed certain information relating to selected transactions in the midstream natural gas industry and natural gas liquids industry since 1995, which Lehman Brothers refers to as the Selected Transactions. Specifically, Lehman Brothers calculated, when available, the LTM and one-year forward EBITDA multiples implied by the aggregate purchase price of the Selected Transactions and used these multiples as a reference point to develop an indicative valuation range for GulfTerra. GulfTerra s estimates were based on published Lehman Brothers equity research estimates and adjusted to reflect the increased general and administrative expenses of GulfTerra on a standalone basis. Additionally, Lehman Brothers excluded the Expected Synergies and the El Paso Parent Transition Support Payment from the comparable transactions analysis. The Selected Transactions aggregate purchase price to EBITDA multiples ranged from 3.8x to 13.0x with an average multiple of 8.7x and a median of 8.5x. The comparable transactions analysis resulted in an indicative enterprise valuation range of $3,000 million to $3,700 million which implied an equity valuation range of $1,288 million to $1,988 million. The aggregate consideration being paid by Enterprise in the merger and the related transactions is above this range. However, Lehman Brothers believes that the comparable midstream/pipeline transactions analysis is less relevant than the other valuation methodologies for a number of reasons, principally, due to the tax-advantaged nature of MLPs and the significant unit-for-unit exchange component (71.3% of total equity consideration) in the merger and the related transactions as compared to the all-cash consideration for almost all of the Selected Transactions.

Pro Forma Analysis

Lehman Brothers analyzed the pro forma impact of the merger and the related transactions on, among other things, Enterprise s projected distributable cash flow per limited partnership unit for the years 2004 and 2005. Using financial projections provided by Enterprise management and GulfTerra management, Lehman Brothers compared the distributable cash flow per limited partnership unit of Enterprise, on a standalone basis, to the distributable cash flow per limited partnership unit of Enterprise pro forma for the merger and the related transactions. Lehman Brothers performed this analysis using two different sets of projections provided by the managements of Enterprise and GulfTerra. The principal, but not only, difference between the two different sets of projections was commodity price assumptions. The first set of projections (Case A) assumes a West Texas Intermediate crude oil price of $25.00 per barrel and a Henry Hub natural gas price of $3.50 per thousand cubic feet in each year. The second set (Case B) assumes a West Texas Intermediate crude oil price of $26.65 per barrel and a Henry Hub natural gas

price of $3.94 per thousand cubic feet in each year. Both Case A and Case B reflected the increase in GulfTerra s standalone general and administrative expenses and included the El Paso Parent Transition Support Payment. For analytical purposes, Lehman Brothers assumed the $18 million payment and the $15 million payment would occur in the 2004 and 2005 fiscal years, respectively. Additionally, Lehman Brothers performed the pro forma analysis with and without the Expected Synergies. Based on such analysis, and such projections provided by the managements, the merger and the related transactions would be accretive to distributable cash per limited partnership unit for Enterprise limited partnership unitholders in both 2004 and 2005 and under both commodity price cases, both with and without the Expected Synergies.

Exchange Ratio Analysis

Lehman Brothers reviewed the common unit trading prices of Enterprise and GulfTerra from December 13, 2000 to December 12, 2003 and calculated the exchange ratio implied by the unit prices for various periods. The table below summarizes the implied exchange ratios for various periods.

EXCHANGE RATIO ANALYSIS

	Unit Price			Implied Premium of a 1.810 Exchange Ratio to:	
Period	**Enterprise**	**GulfTerra**	**Implied Exchange Ratio**	**Implied Exchange Ratio**	**GulfTerra Unit Price**
Current (12/12/03)	$22.80	$40.39	1.771	2.2%	2.2%
10-Day Average	$22.87	$40.07	1.752	3.3%	3.0%
20-Day Average	$22.99	$40.22	1.750	3.5%	2.6%
30-Day Average	$22.52	$39.97	1.775	2.0%	3.2%
60-Day Average	$22.23	$40.22	1.809	0.1%	2.6%
90-Day Average	$22.12	$40.01	1.809	0.1%	3.1%
120-Day Average	$22.18	$39.60	1.785	1.4%	4.2%
1-Year Average	$21.45	$35.77	1.667	8.5%	15.4%
2-Year Average	$21.44	$34.82	1.624	11.4%	18.5%
3-Year Average	$20.94	$34.35	1.641	10.3%	20.1%

Contribution Analysis

Lehman Brothers reviewed certain historical and estimated future financial information, including, among other things, distributable cash flow per limited partnership unit and net income per limited partnership unit for Enterprise and GulfTerra based on financial data provided by Enterprise management and GulfTerra management for the estimated fiscal years 2003, 2004 and 2005. The projections included the increased general and administrative expenses for GulfTerra on a standalone basis. Additionally, the projections did not include the Expected Synergies. Based on these projections, Lehman Brothers compared the relative contribution of each partnership to the whole and the implied exchange ratio based on the percentage contribution of Enterprise and GulfTerra. The relative contributions of Enterprise and GulfTerra resulted in implied exchange ratios of 1.859 to 3.611 Enterprise units per GulfTerra unit when the El Paso Parent Transition Support Payment was included in GulfTerra s projections and 1.774 to 2.960 when the El Paso Parent Transition Support Payment was excluded from GulfTerra s projections (note: for analytical purposes, Lehman Brothers assumed the $18 million payment, the $15 million payment, and the $12 million payment would occur in the 2004, 2005 and 2006 fiscal years, respectively). The 1.810 exchange ratio in the merger and the related transactions is below the range when including the El Paso Parent Transition Support Payment and is near the low end of the range when excluding the El Paso Parent Transition Support Payment.

Premiums Paid Analysis

Lehman Brothers analyzed the premium implied by the 1.810 exchange ratio in the merger and the related transactions and compared that to other merger-of-equals transactions over the last five years that had a total transaction value greater than $1,000 million. The following transactions were reviewed:

Zeneca Group PLC / Astra AB

Northern States Power Co./ New Century Energies Inc.

Indiana Energy Inc./ SIGCORP Inc.

Monsanto Co./ Pharmacia & Upjohn Inc.

Glaxo Wellcome PLC/ SmithKline Beecham PLC

Ocean Group PLC/ NFC PLC

NetIQ Corp./ Mission Critical Software Inc.

AmeriSource Health Corp./ Bergen Brunswig Corp.

Halifax Group PLC/ Bank of Scotland PLC

Pride International Inc./ Marine Drilling Cos.

Mead Corp./ Westvaco Corp.

Santa Fe International Corp./ Global Marine Inc.

Phillips Petroleum Company/ Conoco Inc.

PanCanadian Energy Corp./ Alberta Energy Company Ltd.

Ameritrade Holding Corp./ Datek Online Holdings Corp.

Devon Energy Corp./ Ocean Energy Inc.

IDEC Pharmaceuticals Corp./ Biogen Inc.

St. Paul Companies Inc./ Travelers Property Casualty Crop.

The one-day prior premiums associated with these transactions ranged from negative 1.5% to positive 16.8% with an average of positive 6.0%. The five-trading day prior spot premiums associated with these transactions ranged from negative 10.2% to positive 16.2% with an average of positive 4.9%. The twenty-trading day prior spot premiums associated with these transactions ranged from negative 14.4% to positive 22.0% with an average of positive 4.6%. The 1.810 exchange ratio applied to Enterprise s December 12, 2003 common unit closing price implies one-day prior, five-trading day prior and twenty-trading day prior spot premiums of 2.2%, 3.7% and 2.7%, respectively, relative to GulfTerra s closing common unit prices on those days. These premiums are near the low end of the premiums observed in the precedent merger-of-equals transactions.

Lehman Brothers is an internationally recognized investment banking firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. The board of directors of Enterprise s general partner selected Lehman Brothers because of its expertise, reputation and familiarity with Enterprise and the oil and gas industry in general and because its investment banking professionals have substantial experience in transactions comparable to the merger and the related transactions.

Pursuant to the terms of the engagement letter dated January 23, 2003, Enterprise has paid Lehman Brothers $2.6 million for acting as Enterprise s financial advisor in connection with the merger, including rendering its fairness opinion on December 14, 2003. Further, Enterprise has agreed to pay Lehman

Brothers an additional fee of $7.4 million upon consummation of the merger. Whether or not the merger occurs, Enterprise will also reimburse Lehman Brothers reasonable expenses, including legal fees, incurred in connection with its engagement and indemnify Lehman Brothers and specified related persons against liabilities arising out of Lehman Brothers services to Enterprise or, if indemnification is unavailable, contribute to the liabilities.

Lehman Brothers is also providing a portion of the financing required by Enterprise in connection with the merger and the related transactions, in the form of an interim credit facility with respect to which Lehman Brothers will be acting as administrative agent. Lehman Brothers also has performed various investment banking services for Enterprise, GulfTerra and El Paso Corporation in the past and has received and expects to continue to receive customary fees for such services. In the ordinary course of business, Lehman Brothers actively trades in the debt and equity securities of Enterprise, GulfTerra and El Paso Corporation for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Opinion of UBS Securities LLC Financial Advisor to GulfTerra and the Audit and Conflicts Committee of the Board of Directors of GulfTerra s General Partner

UBS acted as financial advisor to GulfTerra and the audit and conflicts committee of the board of directors of GulfTerra s general partner in connection with the merger and the transactions related to the merger and evaluated the fairness, from a financial point of view, of the exchange ratio of 1.81 common units of Enterprise for each GulfTerra common unit in the merger (other than the GulfTerra common units that comprise a portion of approximately 13.8 million GulfTerra units to be transferred by El Paso Corporation to Enterprise for an aggregate cash consideration of $500 million) to GulfTerra s common unitholders, other than El Paso Corporation, Goldman Sachs and their respective affiliates. GulfTerra and the audit and conflicts committee selected UBS as their financial advisor in connection with the merger because UBS is an internationally recognized investment banking firm with substantial experience in similar transactions. On December 14, 2003, at a meeting of the board of directors of GulfTerra s general partner held to evaluate the merger, UBS delivered to the audit and conflicts committee of the board of GulfTerra s general partner an oral opinion, which opinion was confirmed by delivery of a written opinion to the audit and conflicts committee dated the same date, to the effect that, as of that date and based on and subject to various assumptions made, matters considered and limitations described in the opinion, the exchange ratio was fair, from a financial point of view, to GulfTerra s common unitholders, other than El Paso Corporation, Goldman Sachs and their respective affiliates.

The full text of UBS opinion describes, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken by UBS. UBS opinion is attached as Annex C and is incorporated by reference in this document. **UBS opinion is directed only to the fairness, from a financial point of view, of the exchange ratio to GulfTerra s common unitholders, other than El Paso Corporation, Goldman Sachs and their respective affiliates, and does not address any other aspect of the merger. In rendering its opinion, UBS did not analyze or compare, and its opinion does not address, the relative value of (i) the consideration to be received by any or all of El Paso Corporation, Goldman Sachs and their respective affiliates, on one hand, and (ii) the Enterprise common units to be received by all other holders of GulfTerra common units pursuant to the exchange ratio, on the other hand. UBS was not asked to, and UBS opinion does not, address the merits of the merger as compared to other business strategies or transactions that might be available to GulfTerra or any underlying business decision of GulfTerra, El Paso Corporation, Goldman Sachs or any of their respective affiliates in connection with the merger or any other matter, nor does the opinion constitute a recommendation to any holder of GulfTerra common units as to how such unitholder should vote with respect to the merger agreement or any other matter. GulfTerra s common unitholders are encouraged to read UBS opinion carefully in its entirety.** The summary of UBS opinion described below is qualified in its entirety by reference to the full text of the opinion.

In arriving at its opinion, UBS, among other things:

- reviewed publicly available business and historical financial information relating to GulfTerra and Enterprise;
- reviewed the reported prices and trading activity of GulfTerra common units and Enterprise common units;
- reviewed internal financial information and other data relating to the businesses and financial prospects of GulfTerra and Enterprise, including estimates and financial forecasts prepared and provided to UBS by managements of GulfTerra and Enterprise and not publicly available;
- conducted discussions with members of management of GulfTerra and Enterprise concerning the businesses and financial prospects of GulfTerra and Enterprise;
- reviewed publicly available financial and stock market data with respect to other companies in lines of business UBS believed to be generally comparable to those of GulfTerra and Enterprise;
- compared the financial terms of the merger with the publicly available financial terms of other transactions which UBS believed to be generally relevant;
- considered the pro forma effects of the merger on certain financial metrics of GulfTerra as they relate to holders of GulfTerra common units and reviewed estimates of potential cost savings and other synergies prepared and provided to UBS by managements of GulfTerra and Enterprise;
- reviewed drafts of the merger agreement; and
- conducted other financial studies, analyses and investigations, and considered other information, as UBS deemed necessary or appropriate.

In connection with its review, with the consent of the audit and conflicts committee of GulfTerra s general partner, UBS did not assume any responsibility for independent verification of any of the information that UBS reviewed for the purpose of its opinion and, with the consent of the audit and conflicts committee, UBS relied on that information being complete and accurate in all material respects. In addition, at the direction of the audit and conflicts committee, UBS did not make any independent evaluation or appraisal of any of the assets or liabilities, contingent or otherwise, of GulfTerra or Enterprise, and was not furnished with any such evaluation or appraisal. With respect to estimates, financial forecasts, pro forma effects and calculations of cost savings and other synergies utilized by UBS in its analyses, UBS assumed, at the direction of the audit and conflicts committee, that they were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of GulfTerra and the management of Enterprise as to the future performance of their respective companies and that the estimates, financial forecasts, pro forma effects and calculations of cost savings and other synergies would be achieved at the times and in the amounts projected. In addition, UBS assumed, with the consent of the audit and conflicts committee, that the financial statements of GulfTerra s general partner reflect only its economic interest in GulfTerra and that there are not costs or liabilities associated with GulfTerra s general partner beyond its share of GulfTerra s costs and liabilities, that all interim and permanent financings contemplated in connection with the merger will be obtained (regarding the terms and success of which financings UBS did not offer any opinion) without any material adverse effect on GulfTerra and/or Enterprise and the merger and that the merger will qualify as a tax free merger for U.S. Federal income tax purposes. UBS opinion was necessarily based on economic, monetary, market and other conditions existing, and information available to UBS, on the date of its opinion. Subsequent developments in those conditions could require a reevaluation of such opinion. UBS does not have any obligation to update, revise or reaffirm its opinion.

UBS was not asked to, and it did not, offer any opinion as to the material terms of the merger agreement or the form of the merger. UBS expressed no opinion as to the value of Enterprise common units when issued pursuant to the merger or the price at which Enterprise common units may trade in the future. In rendering its opinion, UBS assumed, with the consent of the audit and conflicts committee, that

the final executed form of the merger agreement would not differ in any material respect from the draft that UBS examined and that the parties to the merger agreement would comply with all of the material terms of the merger agreement. UBS also assumed, with the consent of the audit and conflicts committee, that all governmental, regulatory or other consents and approvals necessary for the consummation of the merger would be obtained without any adverse effect on GulfTerra and/or Enterprise and the merger. UBS was not authorized to and did not solicit indications of interest from any party with respect to a business combination with GulfTerra. Except as described above and in UBS analyses described below, GulfTerra and the audit and conflicts committee of GulfTerra s general partner imposed no other instructions or limitations on UBS with respect to the investigations made or the procedures followed by UBS in rendering its opinion. The exchange ratio was determined through negotiation between GulfTerra and Enterprise and not as a result of a recommendation by UBS, and the decision to enter into the merger was solely that of the board of directors of GulfTerra s general partner.

In furnishing its opinion, UBS did not purport that it is an expert within the meaning of the term expert as used in the Securities Act, nor did it purport that its opinion constitutes a report or valuation within the meaning of the Securities Act.

UBS Pro Forma and Relative Valuation Analyses

In connection with rendering its opinion, UBS performed a variety of financial and comparative analyses, including those described below. The preparation of a fairness opinion is a complex process and involves various judgments and determinations as to the most appropriate and relevant assumptions and financial analyses and the application of these methods to the particular circumstances involved. Fairness opinions are therefore not necessarily susceptible to partial analysis or summary description.

Accordingly, UBS believes that its analyses and the summary set forth below must be considered as a whole and that selecting portions of its analyses, or focusing on information in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying the analyses performed by UBS in connection with its opinion. In arriving at its opinion, UBS did not attribute any particular weight to any analyses or factors considered by it and did not form an opinion as to whether any individual analysis or factor (positive or negative), considered in isolation, supported or failed to support its opinion. Rather, UBS arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole, and believes that the totality of the factors considered and analyses it performed in connection with its opinion operated collectively to support its determination as to the fairness of the exchange ratio from a financial point of view to GulfTerra s common unitholders, other than El Paso Corporation, Goldman Sachs and their affiliates.

The analyses performed by UBS are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by the analyses. The analyses were prepared solely as part of UBS analysis of the fairness, from a financial point of view, to GulfTerra s common unitholders (other than El Paso Corporation, Goldman Sachs and their affiliates) of the exchange ratio in the merger.

UBS opinion and financial analyses were only one of many factors considered by GulfTerra, the board of directors of GulfTerra s general partner, and the audit and conflicts committee of the board of GulfTerra s general partner and their evaluation of the merger and should not be viewed as determinative of the views of GulfTerra s management, the board of GulfTerra s general partner or its audit and conflicts committee with respect to the merger or the exchange ratio.

The following is a summary of the material financial analyses performed by UBS in connection with providing its opinion to the audit and conflicts committee of the board of directors of GulfTerra s general partner on December 14, 2003. **Some of the summaries of the financial analyses include information presented in tabular format. To fully understand the financial analyses, the tables should be read together with the text of each summary. Considering the data in the tables without considering the**

narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses.

Pro Forma Merger Analysis

UBS analyzed the potential pro forma impact of the merger and the related transactions on GulfTerra s maximum projected distributable cash flow, or DCF, per limited partnership unit for 2004 and 2005 by comparing (1) the projected DCF per limited partnership unit of GulfTerra on a stand-alone basis to (2) the projected DCF per limited partnership unit of GulfTerra, pro forma for the merger and the related transactions.

For purposes of its pro forma analysis, at the direction of GulfTerra, UBS made various assumptions relating to annual synergies, annual savings, and annual general and administrative expenses associated with GulfTerra s separation from El Paso Corporation. Additionally, at the direction of GulfTerra, UBS assumed the following other pro forma transaction effects as of January 1, 2004: proceeds of $100 million from asset sales, transition support payments from El Paso Corporation of $18 million, $15 million and $12 million in 2004, 2005 and 2006, respectively, to partially offset estimated general and administration expenses associated with GulfTerra s separation from El Paso Corporation, and the acquisition of nine gas processing and treating plants and related assets from El Paso Corporation for $150 million. UBS also assumed that the cash required in the merger and related transactions would be financed through a combination of $700 million of equity and $426 million of debt.

For each of the stand-alone case and the pro forma case, UBS calculated the projected DCF per limited partnership unit using three sets of projections based on the financial projections provided by GulfTerra s management and Enterprise s management: (1) management financial projections, (2) management financial projections, as modified by substituting GulfTerra s future commodity price assumptions for Enterprise s future commodity price assumptions in Enterprise s financial projections, and (3) management financial projections, as modified by substituting Enterprise s future commodity price assumptions for GulfTerra s future commodity price assumptions in GulfTerra s financial projections.

GulfTerra and Enterprise provided two sets of management financial projections for the purposes of UBS analyses, referred to as scenario A and scenario B. The difference between the two scenarios is that scenario A s financial projections included forecasted capital expenditures for identified growth projects only and scenario B s financial projections included not only forecasted capital expenditures for identified growth projects, but also forecasted capital expenditures for unidentified growth projects as well as estimated EBITDA from such unidentified growth projects. At GulfTerra s direction, the unidentified growth projects in scenario B are assumed to be acquired at a total enterprise value to EBITDA multiple of 7.5x, consummated mid-year, and financed with 50% debt and 50% equity. UBS performed its pro forma analysis calculations for both scenario A and scenario B.

This analysis indicated that the merger and the related transactions would be accretive relative to the stand-alone case to projected DCF per limited partnership unit for GulfTerra in 2004 and 2005 under both scenario A and scenario B. Under scenario A, the accretion amounts ranged from 7.3% to 12.2% in 2004 and 6.2% to 12.2% in 2005. Under scenario B, the accretion amounts ranged from 8.1% to 12.8% in 2004 and 11.5% to 17.1% in 2005.

Contribution Analysis

Using the financial projections provided by each management, UBS calculated GulfTerra s and Enterprise s contribution to the total enterprise value (calculated as equity value plus total debt and other long-term liabilities, less cash and cash equivalents) of the combined company based on their respective contributions of (1) projected EBITDA (defined by UBS for the purposes of the contribution analysis only to be earnings before interest, taxes, depreciation and amortization, and after maintenance capital expenditures) and (2) projected DCF. UBS performed the calculations under both scenario A and scenario B. After adjusting the total enterprise value contributions for the relative contributions of GulfTerra and Enterprise to the combined company s net debt, calculated as total debt and other long-

term liabilities less cash and cash equivalents, UBS then derived the effective economic interests contributed by GulfTerra s limited partners, Enterprise s limited partners and the combined company s general partners based on GulfTerra s and Enterprise s then existing incentive distribution structures.

This analysis indicated the following effective economic interest contribution percentages, versus pro forma ownership of 33.6% by GulfTerra limited partners, 57.6% by Enterprise limited partners and 8.9% by the combined company s general partners:

	Effective Economic Interest Contributed (%)		
	GulfTerra LPs	Enterprise LPs	Combined Company GPs
Scenario A			
2004P EBITDA*	32.7	52.8	14.5
2005P EBITDA*	33.2	52.1	14.7
2004P DCF	31.8	54.0	14.2
2005P DCF	32.6	52.9	14.5
Scenario B			
2004P EBITDA*	33.0	52.4	14.6
2005P EBITDA*	33.8	51.4	14.9
2004P DCF	32.1	53.6	14.3
2005P DCF	33.1	52.2	14.6

* For purposes of UBS contribution analysis only, EBITDA is defined as earnings before interest, taxes, depreciation and amortization, and after maintenance capital expenditures.

Historical Exchange Ratio Analysis

UBS reviewed the historical common unit prices of GulfTerra and Enterprise as of December 12, 2003, and for the six-month, one-year, two-year and three-year periods preceding December 12, 2003, and calculated the exchange ratios implied by the high, low and average common unit prices for the various periods. This analysis indicated the following implied exchange ratios, as compared to the 1.81x exchange ratio provided for in the merger:

	Exchange Ratio (x)			
Specified Period:	High	Low	Average	Implied Premium to Average at 1.81x (%)
December 12, 2003			1.77	2.2
Six-month	1.96	1.59	1.77	2.1
One-year	1.96	1.43	1.67	8.6
Two-year	1.96	1.33	1.62	11.5
Three-year	1.96	1.33	1.64	10.3

Analysis of Comparable Companies

UBS reviewed and analyzed the financial information and ratios of the following 12 publicly traded master limited partnerships in the energy midstream industry:

Buckeye Partners, L.P.

Enbridge Energy Partners, L.P.

Kaneb Pipe Line Partners, L.P.

Kinder Morgan Energy Partners, L.P.

Magellan Midstream Partners, L.P.

Northern Border Partners, L.P.

Pacific Energy Partners, L.P.

Plains All American Pipeline, L.P.

Sunoco Logistics Partners, L.P.

TC PipeLines, LP

TEPPCO Partners, L.P.

Valero L.P.

UBS chose the foregoing selected companies because they are publicly traded MLPs in the energy midstream industry with operations that UBS believed to be similar to GulfTerra and Enterprise for the purposes of this analysis. UBS then calculated (1) the ratio of total enterprise value, calculated as equity value (including limited partnership equity market value plus the estimated general partnership equity value) plus total debt and other long-term liabilities, less cash and cash equivalents, to estimated EBITDA for 2004 and 2005 and (2) the ratio of unit price to estimated DCF per unit for 2004 and 2005 for each selected company. In calculating the total enterprise value in connection with the comparable companies analysis, all limited partnership units were assumed to be valued at $41.27 per unit and the estimated general partnership equity value was determined by taking the annual cash distributions to the general partner at the current indicated distribution rate divided by the current yield on the MLP s common units. Estimated financial data for the selected companies were based on publicly available information. UBS then compared the ratios derived from the selected companies to corresponding financial data for Enterprise and GulfTerra at an exchange ratio of 1.81x. Financial data for GulfTerra and Enterprise were calculated using publicly available UBS research estimates.

This analysis indicated the following total enterprise value to estimated EBITDA and unit price to estimated DCF per unit multiples:

	TEV/EBITDA (x)		Unit Price/DCF per Unit (x)	
	2004E	**2005E**	**2004E**	**2005E**
Selected Companies				
Mean	11.8	11.2	12.8	12.0
Median	11.8	11.0	12.4	11.8
High	14.9	14.0	16.6	15.4
Low	9.1	8.8	9.7	9.4
GulfTerra (1.81x Exchange Ratio)	12.0	10.9	13.5	11.4
Enterprise	15.2	12.5	15.8	12.3

UBS noted that none of the selected companies is either identical or directly comparable to GulfTerra or Enterprise and that any analysis of selected companies necessarily involves complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading of the selected companies.

Analysis of Transaction Comparables

UBS reviewed the purchase prices paid in the following 11 selected transactions involving private target companies and six selected transactions involving public target companies in the energy midstream industry. Financial data for the selected transactions were based on publicly available information, including publicly available research estimates. UBS then calculated, where available, (1) the ratio of total enterprise value to latest twelve-months EBITDA at the time of the transaction and (2) the ratio of total enterprise value to one year forward EBITDA at the time of the transaction, for each selected transaction and compared the results of these calculations with corresponding calculations for Enterprise and GulfTerra at an exchange ratio of 1.81x. In calculating the total enterprise value in connection with the

transaction comparables analysis, all limited partnership units were assumed to be valued at $41.27 per unit and the equity value of GulfTerra s general partnership was calculated as the sum of (1) $425 million payment received from Enterprise for 50% of GulfTerra s general partner and (2) 50% of the equity value of the pro forma Enterprise general partner. The equity value of the pro forma Enterprise general partnership was determined by dividing the anticipated annual cash distributions to the pro forma Enterprise general partner by the current yield on Enterprise s common units. Financial data for GulfTerra and Enterprise were calculated using each management s financial projections under scenario A.

This analysis indicated the following implied ratios for the selected transactions, which were all lower than the ratios implied for GulfTerra and Enterprise based on the 1.81x exchange ratio:

	Ratio of Total Enterprise Value to	
Transaction Comparables	**LTM EBITDA (x)**	**1-Yr Forward EBITDA (x)**
Private Transactions		
Heritage Propane Partners L.P./ Energy Transfer Co.	10.9	N/A
Loews Pipeline Holding Corp./ Texas Gas Transmission Corp.	7.1	N/A
Southern Union Co./ CMS Energy Corp.	7.1	N/A
AIG Highstar Capital/ The Williams Companies, Inc.	7.6	N/A
Enterprise Products Partners, L.P./ The Williams Companies, Inc.	7.7	6.6
Mid-American Energy Holdings Co./ Dynegy Inc.	N/A	8.9
El Paso Energy Partners, L.P./ El Paso Corporation	8.7	7.0
TEPPCO Partners, L.P./ Burlington Resources Inc.	8.1	8.1
Enbridge Energy Partners, L.P./ Enbridge Inc.	11.3	8.3
Mid-American Energy Holdings Co./ The Williams Companies, Inc.	N/A	7.4
El Paso Energy Partners, L.P./ El Paso Corporation	8.4	7.9
Public Transactions		
Kaneb Pipe Line Partners, L.P./ Statia Terminals Group N.V.	7.2	7.7
Duke Energy Corporation/ Westcoast Energy	7.8	5.7
Enbridge Inc./ Midcoast Energy Resources	9.8	8.8
El Paso Energy Corporation/ The Coastal Corporation	10.4	9.4
Kinder Morgan Energy Partners, L.P./ Santa Fe Pacific Pipeline Partners, L.P.	12.0	N/A

UBS noted that none of the selected precedent transactions is either identical or directly comparable to the merger and that any analysis of selected precedent transactions necessarily involves complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition values of the companies concerned.

Discounted Cash Flow Analysis

UBS performed a discounted cash flow analysis of the projected levered free cash flows of GulfTerra using the DCF projections for 2004 to 2008 provided by GulfTerra s management for scenario B as described under Pro Forma Merger Analysis above. UBS believed that a discounted cash flow analysis under scenario A would substantially replicate the results for scenario A described under Pro Forma Merger Analysis above, as discounted by the rates described below, and focused its analysis on scenario B to determine the accretion or dilution in discounted cash flow valuation per unit as a result of the merger under a growth scenario. UBS assumed discount rates of 8.0%, 9.5% and 11.0% and terminal yield levels of 6.5%, 7.0% and 7.5%. The discount rates reflect the estimated equity cost of capital. The terminal yield levels reflect the current yields of GulfTerra, Enterprise and other comparable MLPs.

In performing the discounted cash flow analysis, UBS calculated the discounted cash flow valuation per GulfTerra limited partnership unit (after accounting for the general partner s incentive distributions) (1) on a standalone basis and (2) pro forma for the merger and the related transactions, including certain potential synergies and transaction expenses, as described under Pro Forma Merger Analysis above. UBS then compared the discounted cash flow valuations per limited partnership unit in the foregoing two cases. For the purposes of its pro forma calculations, UBS utilized scenario B financial projections for 2004 to 2005 provided by Enterprise s management, as modified by substituting GulfTerra s future commodity price assumptions for Enterprise s future commodity price assumptions. At GulfTerra s direction, UBS also assumed that Enterprise s financial projections for the years 2006 to 2008 were constant at 2005 levels, except for the inclusion of capital expenditures for unidentified growth projects and the related distributable cash flows from such acquisitions, for each relevant year.

This analysis indicated that the merger and the related transactions would be accretive to discounted cash flow valuation per limited partnership unit for GulfTerra in the range of $8.07 to $10.24 per limited partnership unit, or 19.4% to 19.8%.

Other Factors

In the course of preparing its opinion, UBS also reviewed and considered other information and data, including:

- historical market prices for GulfTerra common units and Enterprise common units and the relationship between movements in GulfTerra common units, movements in Enterprise common units, movements in an index of selected energy midstream MLPs and movements in the Standard and Poor s 500 Index; and

- publicly available research analysts reports for GulfTerra and Enterprise.

Miscellaneous

Pursuant to the terms of the engagement letter dated December 10, 2003, GulfTerra has paid UBS $3.5 million for acting as GulfTerra s financial advisor in connection with the merger, including rendering its fairness opinion on December 14, 2003. Further, GulfTerra has agreed to pay UBS $6.8 million upon consummation of the merger. Whether or not the merger occurs, GulfTerra has agreed to reimburse UBS for its expenses, including fees and disbursements of its counsel, and to indemnify UBS against liabilities, including liabilities under the federal securities laws, in any way relating to or arising out of its engagement as financial advisor to GulfTerra and the audit and conflicts committee of the board of GulfTerra s general partner or, if indemnification is unavailable, provide contribution for the liabilities.

UBS, as part of its investment banking services, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, strategic transactions, corporate restructurings, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes.

In the past, UBS has provided investment banking services to GulfTerra and Enterprise and has received, and will receive, customary fees for rendering these services. In the ordinary course of business, UBS acts as a market maker and broker in the publicly traded securities.

Interests of Certain Persons in the Merger

In considering the recommendations of the boards of directors of the general partners of GulfTerra and Enterprise with respect to the merger, unitholders of both companies should be aware that some of the executive officers and directors of the general partners have interests in the transaction that differ from the interests of common unitholders generally. The boards of directors of the general partners of both GulfTerra and Enterprise, as well as their respective audit and conflicts committees, were aware of these interests and considered them in approving the merger agreement and the related transactions.

Designees to the Board of Directors of the General Partner of Combined Company

Under the limited liability company agreement of the general partner of the combined company, Dan L. Duncan, acting through a wholly-owned subsidiary, will have the right to appoint the persons who will serve on the board of directors of the general partner. The combined company s general partner s board of directors will consist of no fewer than five and no more than ten persons, a majority of whom must be independent under the NYSE s independence standards. Mr. Duncan s designees to the board of directors of the combined company s general partner include:

Name	Position with General Partner of Combined Company	Current Affiliation
Dan L. Duncan	Director and Chairman of the Board	Enterprise
O. S. Andras	Director, Vice Chairman of the Board and Chief Executive Officer	Enterprise
Robert G. Phillips	Director, President and Chief Operating Officer	GulfTerra
Dr. Ralph S. Cunningham	Director*	Enterprise
Lee W. Marshall	Director*	Enterprise
Richard S. Snell	Director*	Enterprise
W. Matt Ralls	Director*	GulfTerra

* Independent directors

Appointments of GulfTerra s General Partner s Executive Officers as Executive Officers of Enterprise s General Partner

Robert G. Phillips and James H. Lytal, who are currently Chairman and Chief Executive Officer and President, respectively, of GulfTerra Energy Company, L.L.C., will be appointed President and Executive Vice President, respectively, of Enterprise s general partner as of the effective time of the merger.

Other Interests of GulfTerra s General Partner s Executive Officers and Directors

The executive officers and directors of GulfTerra s general partner also have the following interests in the merger that differ from GulfTerra s common unitholders generally:

Under the merger agreement, GulfTerra is obligated to repurchase, at reasonable prices, before the effective time of the merger, all outstanding employee or director options to purchase GulfTerra common units that have not been exercised or otherwise cancelled. GulfTerra has options outstanding to purchase an aggregate of approximately 1,000,000 common units, which are held by 28 current and former employees and directors. Approximately 700,000 of those common units are covered by options owned by persons who are (or were during 2003) executive officers or directors of GulfTerra. Since GulfTerra does not have the right under its option plan to force its option holders to sell their options, it has to negotiate a separate option purchase agreement individually with each option holder. GulfTerra will attempt to enter into an option purchase agreement with each option holder under which GulfTerra will agree to purchase, and the option holder will agree to sell, any options that remain outstanding on the merger closing date for a negotiated price. Each option purchase agreement will permit the option holder to exercise any or all of his or her options at any time and from time to time prior to the merger closing. The governance and compensation committee of the board of directors of GulfTerra s general partner has engaged an independent financial advisor to assist in the determination of the appropriate repurchase prices for the outstanding options. GulfTerra estimates that it will pay approximately $13.0 million in the aggregate to repurchase all outstanding options, including approximately $10.0 million to the persons who are (or were during 2003) executive officers or directors of GulfTerra.

After the merger, some of the executive officers of GulfTerra Energy Company, L.L.C., in addition to Messrs. Phillips and Lytal, may become executive officers of Enterprise s general partner.

Enterprise is obligated, for three years after the merger, to maintain officers and directors liability insurance for the benefit of persons who served as officers or directors of GulfTerra or any of its subsidiaries covering their acts or omissions occurring prior to the effective time of the merger, as described more fully under The Merger Agreement Covenant and Other Agreements Liability Insurance.

The merger agreement requires Enterprise to provide compensation and benefits to El Paso Corporation employees associated with GulfTerra s business who become Enterprise employees at the effective time of the merger on substantially the same basis as provided to similarly situated employees of Enterprise, as described in more detail under The Merger Agreement Covenants and Other Agreements Employee Benefits.

Each El Paso Corporation employee associated with GulfTerra s business who becomes an employee of Enterprise at the effective time of the merger will be 100% vested in his accrued benefits under each El Paso Corporation employee benefit plan that is qualified under Section 401(a) of the Internal Revenue Code.

El Paso Corporation and its affiliates, and the executive officers and directors of GulfTerra Energy Company, L.L.C. and their respective affiliates, beneficially owned, as of the record date for the GulfTerra special meeting, approximately 18.0% of the GulfTerra common units then outstanding, excluding units covered by outstanding options. They will be entitled to receive the same consideration in the merger as all other GulfTerra common unitholders.

Interests of Enterprise s General Partner s Executive Officers and Directors

Mr. Duncan, Mr. Andras and another executive officer of Enterprise Products GP, LLC beneficially own 273,015, 20,000 and 509 GulfTerra common units, respectively, representing in the aggregate less than 1% of the outstanding GulfTerra common units.

Appraisal Rights

Delaware law does not impose appraisal rights on a merger involving a Delaware limited partnership. Pursuant to §17-212 of the Delaware Revised Uniform Limited Partnership Act; however, a partnership agreement or an agreement of merger or consolidation may provide that contractual appraisal rights with respect to a partnership interest or another interest in a limited partnership shall be available for any class or group of partners or partnership interests in connection with any amendment of a partnership agreement, any merger or consolidation in which the limited partnership is a constituent party to the merger or consolidation, any conversion of the limited partnership to another business form, any transfer to or domestication in any jurisdiction by the limited partnership, or the sale of all or substantially all of the limited partnership s assets. However, neither Enterprise unitholders nor GulfTerra unitholders have contractual appraisal rights under their respective partnership agreements or the merger agreement.

Regulatory Requirements

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the rules promulgated thereunder by the FTC, the merger cannot be completed until notifications have been given and certain information has been furnished to the FTC and the Antitrust Division of the DOJ and specified waiting period requirements have been satisfied. Enterprise and GulfTerra filed notification and report forms under the Hart-Scott-Rodino Act with the FTC and the DOJ on January 21, 2004. Enterprise and GulfTerra received a request for additional information and documentary materials from the FTC, and Enterprise and GulfTerra are currently responding to the FTC s request. Enterprise or GulfTerra may receive additional requests for information concerning the proposed merger and related transactions from the FTC. The parties have also received a civil investigative demand for information about the merger from the Office of the Attorney General of the State of Texas and are currently responding to that request.

At any time before or after completion of the merger, the DOJ, the FTC, the State of Texas or any other state could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the completion of the merger, to rescind the merger or to seek divestiture of particular assets of Enterprise or GulfTerra. Private parties also may seek to take legal action under the antitrust laws under certain circumstances. In addition, non-United States governmental and regulatory authorities may seek to take action under applicable antitrust laws. A challenge to the merger on antitrust grounds may be made and, if such a challenge is made, it is possible that Enterprise and GulfTerra will not prevail.

THE MERGER AGREEMENT

The following is a summary of the material terms of the merger agreement and the related pre-merger and post-merger transactions. It is qualified in its entirety by reference to the merger agreement, a copy of which is attached to this document as Annex A and is incorporated into this document by reference. You should read the merger agreement because it, and not this document, is the legal document that governs the terms of the merger.

Transactions Related to the Merger

The Parent Company Agreement

In connection with executing the merger agreement on December 15, 2003, Enterprise, Enterprise s general partner and a subsidiary of Enterprise also executed a parent company agreement with El Paso Corporation and four of its wholly-owned subsidiaries. The parent company agreement was amended on April 19, 2004 and, as so amended, is referred to in this document as the parent company agreement. Pursuant to the parent company agreement, on December 15, 2003, a wholly-owned subsidiary of Enterprise purchased a 50% membership interest in GulfTerra s general partner for $425 million from GulfTerra GP Holding Company, a wholly-owned subsidiary of El Paso Corporation. Additionally, immediately prior to this sale, GulfTerra GP Holding Company purchased the 9.9% membership interests in GulfTerra s general partner formerly held by Goldman, Sachs & Co., resulting in GulfTerra s general partner now being 50% owned by GulfTerra GP Holding Company and 50% owned by the Enterprise subsidiary. Under the limited liability company agreement of GulfTerra s general partner, GulfTerra GP Holding Company serves as the managing member of the general partner and the Enterprise subsidiary s rights are limited to protective consent rights on specified material transactions, including the following:

- GulfTerra or its general partner making a general assignment for the benefit of creditors;
- GulfTerra or its general partner filing a voluntary bankruptcy petition;
- GulfTerra or its general partner filing a petition or answer seeking, for either the general partner or GulfTerra, reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any law;
- a merger, consolidation, or similar business combinations involving the general partner;
- a reorganization, recapitalization or other financial restructuring of the general partner;
- amending the limited liability company agreement or certificate of formation of the general partner so as to adversely affect the rights of Enterprise s subsidiary;
- effecting any sale, lease, transfer, pledge or other disposition of all or substantially all of the properties or assets of the general partner;
- effecting any merger or consolidation involving GulfTerra in respect of which GulfTerra would not control at least 51% of the voting power in the surviving entity; and
- effecting any disposition, whether in one transaction or a series of transactions, of all or substantially all of the properties or assets of the general partner or GulfTerra.

At the closing of the merger but just prior to its effectiveness, GulfTerra GP Holding Company will contribute its 50% membership interest in GulfTerra s general partner to Enterprise s general partner in exchange for a 9.9% membership interest in Enterprise s general partner and $370 million from Enterprise s general partner. Enterprise s general partner will then make a capital contribution of that 50% membership interest in GulfTerra s general partner to Enterprise (without increasing its interest in Enterprise s earnings or cash distributions).

Immediately after Enterprise s acquisition of the 50% membership interest in the general partner of GulfTerra, but prior to the consummation of the merger, Enterprise will purchase from two subsidiaries of El Paso Corporation for $500 million all 10,937,500 outstanding GulfTerra Series C Units, and an

aggregate of 2,876,620 GulfTerra common units, owned by those subsidiaries, none of which will be converted into the right to receive Enterprise common units in the merger. The purchase price of approximately $36.19 per unit to be paid for the units purchased from these subsidiaries of El Paso Corporation is equal to 90% of the average closing prices of the GulfTerra common units on the NYSE for the 20 trading days ending on December 12, 2003 (the last full trading day before the proposed merger was announced). The remaining 7,433,425 GulfTerra common units owned by subsidiaries of El Paso Corporation will be converted in the merger into the right to receive 13,454,499 Enterprise common units based on the 1.81 exchange ratio.

The parent company agreement also provides that for a period of three years following the closing of the merger, at the request of GulfTerra, El Paso Corporation will provide support services to GulfTerra similar to those provided by El Paso Corporation before the closing of the merger, and GulfTerra will reimburse El Paso Corporation for 110% of its direct costs of such services (excluding any overhead costs).

The parent company agreement also provides that, for the three-year period following the closing of the merger, El Paso Corporation will make transition support payments to Enterprise 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.

The parent company agreement also provides that, in connection with the receipt by GulfTerra GP Holding Company of the 9.9% membership interest in Enterprise s general partner, Enterprise and its general partner and GulfTerra GP Holding Company will enter into an exchange and registration rights agreement. Under this agreement, GulfTerra GP Holding Company will have a three year right, commencing 180 days following the closing of the merger, or earlier in certain circumstances, to contribute all of its 9.9% membership interest in the Enterprise general partner to the Enterprise general partner in return for a number of Enterprise common units, an amount of cash or a combination of Enterprise common units and cash computed by reference to the cash distribution associated with the exchanged membership interest in the Enterprise general partner. Enterprise s general partner may elect to deliver Enterprise common units that it owns (which it may acquire from an affiliate of Dan L. Duncan), an equivalent cash amount or a combination of Enterprise common units and cash. Following the expiration of GulfTerra GP Holding Company s three year exchange right, the affiliates of Enterprise that own the 90.1% membership interest in Enterprise s general partner can require GulfTerra GP Holding Company to contribute all of its 9.9% membership interest in Enterprise s general partner to Enterprise s general partner for the consideration described above. Under the exchange and registration rights agreement, Enterprise is obligated, subject to certain limitations and conditions, to register for resale the 13,454,499 Enterprise common units to be owned by subsidiaries of El Paso Corporation following the closing of the merger and any Enterprise common units received by GulfTerra GP Holding Company in respect of the exchange right.

A copy of the parent company agreement as originally executed is filed as Exhibit 2.2 and a copy of Amendment No. 1 to the parent company agreement is filed as Exhibit 2.3 to the registration statement of which this document is a part.

The Purchase and Sale Agreement

On December 15, 2003, Enterprise, as purchaser, and El Paso Corporation and several of its subsidiaries, as sellers, executed a purchase and sale agreement for 100% of the equity interests of El Paso Hydrocarbons, L.P. and El Paso NGL Marketing Company, L.P., which entities own the South Texas midstream assets, for a price of $150 million plus the value of related inventory then outstanding. The closing of this purchase is effectively conditioned upon, and is expected to occur immediately following, the closing of the merger.

A copy of this purchase and sale agreement is filed as Exhibit 2.5 to the registration statement of which this document is a part.

Structure of the Merger

At the effective time of the merger, Enterprise Products Management LLC, a nominally capitalized Delaware limited liability company that is wholly-owned by Enterprise, will merge with and into GulfTerra, and each of the outstanding common units of GulfTerra, other than those common units purchased by Enterprise prior to the merger, will be converted into the right to receive Enterprise common units. GulfTerra will be the surviving limited partnership of the merger and will be a wholly-owned subsidiary of Enterprise.

GulfTerra s certificate of formation will be amended at the effective time of the merger and, as so amended, will be the surviving entity s certificate of formation until further amended. The amendments are designed to make the surviving entity s certificate of formation similar to the organizational documents of Enterprise s other subsidiaries. Although GulfTerra s partnership agreement will be the surviving entity s partnership agreement until further amended, Enterprise s partnership agreement will govern your rights and obligations following the merger. GulfTerra s general partner will continue to be the sole general partner of GulfTerra after the merger is effected.

Under the limited liability company agreement of the general partner of the combined company, Dan L. Duncan, acting through a wholly-owned subsidiary, will have the right to appoint the persons who will serve on the board of directors of the general partner. The board of directors will consist of no fewer than five and no more than ten persons, a majority of whom must be independent under the NYSE s independence standards. Please read Directors and Executive Officers of the Combined Company Directors for more information on the composition of the board of directors of Enterprise s general partner at the effective time of the merger.

When the Merger Becomes Effective

GulfTerra and Enterprise Products Management LLC will execute and file a certificate of merger with the Delaware Secretary of State on the 20th business day after the day on which the last condition to completing the merger is satisfied or waived or at such other time as Enterprise and GulfTerra may agree. The merger will become effective at the time and on the date on which the certificate of merger is filed or such later time and date on which the parties agree and specify in the certificate of merger. That time is referred to as the effective time of the merger.

Effect of Merger on Outstanding GulfTerra Units

At the effective time of the merger, the following will occur:

- Each outstanding GulfTerra common unit, other than units purchased by Enterprise prior to the effective time of the merger, will be converted into the right to receive 1.81 Enterprise common units;
- GulfTerra common units and Series C Units purchased by Enterprise prior to the effective time of the merger will remain outstanding and become the sole limited partnership interest in GulfTerra; and
- Enterprise will assume all of GulfTerra s obligations under all of GulfTerra s unconverted Series F convertible units.

Certificates representing GulfTerra common units will be exchanged for certificates representing Enterprise common units in accordance with the fixed exchange ratio of 1.81 contained in the merger agreement.

Prior to the effective time of the merger, outstanding options to purchase GulfTerra common units granted under any of GulfTerra s employee benefit or compensation plans will be exercised or repurchased in accordance with the terms of GulfTerra s employee benefit or compensation plans.

If, before the effective time of the merger, the issued and outstanding Enterprise or GulfTerra common units are changed into a different number of units as a result of any unit split, distribution, combination, reorganization or other similar transaction (other than any conversion of GulfTerra Series F units into GulfTerra common units or of Enterprise Class B special units into Enterprise common units), an appropriate adjustment will be made to the exchange ratio.

For a description of Enterprise s and GulfTerra s common units and a description of the comparative rights of holders of Enterprise common units and GulfTerra common units, please read Comparison of the Rights of Enterprise and GulfTerra Common Unitholders.

Series C Units

GulfTerra currently has 10,937,500 Series C Units outstanding, all of which are owned by a subsidiary of El Paso Corporation. The Series C Units are a class of GulfTerra limited partner interests that are similar to GulfTerra s common units, except that the Series C Units are generally non-voting. Holders of the Series C Units are, however, entitled to vote separately as a class on any amendment to GulfTerra s partnership agreement that has a material adverse effect on the rights or preferences of the Series C Units. The affirmative vote of the holders of at least a majority of the outstanding Series C Units is required to approve any such amendment to GulfTerra s partnership agreement. Holders of the Series C Units will vote these units at the special meeting because the merger agreement may be viewed as an amendment to GulfTerra s partnership agreement.

A subsidiary of El Paso Corporation owns of record 100% of the GulfTerra Series C Units. Pursuant to a voting agreement and proxy, El Paso Corporation and its subsidiaries have agreed with Enterprise to vote all of the Series C Units in favor of the merger agreement. Additionally, El Paso Corporation and its subsidiaries have granted a proxy to Enterprise that allows an officer of Enterprise to vote all such Series C Units in favor of the merger agreement.

Enterprise will purchase all 10,937,500 GulfTerra Series C Units immediately prior to the closing of the merger. Those units will not be converted into the right to receive Enterprise common units, nor will they have any right to receive distributions following the merger. They will, however, constitute part of the remaining equity interest in GulfTerra, which will be wholly-owned by Enterprise.

Unconverted Series F Convertible Units

At the record date for the special meeting, GulfTerra had 35 Series F1 convertible units and 80 Series F2 convertible units outstanding, none of which have any voting rights with respect to the merger. The Series F1 convertible units are convertible during the pendency of the proposed merger and the Series F2 convertible units are convertible until 4:00 p.m., New York City time, on March 30, 2005 (subject to defined extension rights). Any Series F1 convertible units for which a conversion notice has not been delivered prior to the merger closing date will expire upon the closing of the merger. Each Series F1 convertible unit is convertible into $1,000,000 worth of GulfTerra common units and each Series F2 convertible unit is convertible into $500,000 worth of GulfTerra common units, both on the basis of the payment of a conversion price per GulfTerra common unit equal to the prevailing price, if the prevailing price is equal to or greater than $35.75, or the prevailing price minus the product of 50% of the positive difference, if any, of $35.75 minus the prevailing price, if the prevailing price is less than $35.75. The prevailing price is equal to the least of (1) the average closing price of the GulfTerra common units for the 60 business days ending on and including the fourth business day prior to the date of receipt of notice from the holder of the Series F convertible units of the intent to convert them into common units; (2) the average closing price of the GulfTerra common units for the first seven business days of the 60 day period included in (1); or (3) the average closing price of the GulfTerra common units for the last seven days of the 60 day period included in (1).

On February 2, 2004, the holder of the Series F1 convertible units notified GulfTerra that it intended to convert a portion of its Series F1 convertible units into $20 million worth of GulfTerra common units at the prevailing price of $39.069 per GulfTerra common unit. As a result, GulfTerra issued 511,901 of its

common units to such holder on February 5, 2004 for consideration of $20 million. Upon the closing of the merger, the 511,901 GulfTerra common units will convert into the right to receive 926,540 Enterprise common units based on the 1.81 exchange ratio.

On March 2, 2004, the holder of the Series F1 convertible units notified GulfTerra that it intended to convert a portion of its Series F1 convertible units into $25 million worth of GulfTerra common units at the prevailing price of $39.40 per GulfTerra common unit. As a result, GulfTerra issued 634,517 of its common units to such holder on March 5, 2004 for consideration of $25 million. Upon the closing of the merger, the 634,517 GulfTerra common units will convert into the right to receive 1,148,476 Enterprise common units based on the 1.81 exchange ratio.

Any additional Series F convertible units that are converted into GulfTerra common units prior to the merger will also convert into the right to receive Enterprise common units on the same basis.

Pursuant to an Assumption Agreement to be entered into between Enterprise and GulfTerra at the effective time of the merger, Enterprise will assume all of the obligations of GulfTerra with respect to the outstanding Series F convertible units that have not been converted or that have not expired, appropriately modified to reflect the merger, so that the measuring date unit price of $35.75 will become $19.75, the cashless conversion trigger price of $26.00 will become $14.36, the units to be issued upon conversion will become Enterprise common units, and the maximum number of Enterprise common units to be issued will become 13,001,702, all at the effective time of the merger. The effect of these changes will be that after the merger a holder of rights relating to a Series F convertible unit that has not been converted or that has not expired will be able to convert such right into Enterprise common units of the same aggregate worth based upon the payment of a conversion price per Enterprise common unit equal to the prevailing price, if the prevailing price is equal to or greater than $19.75, or the prevailing price minus the product of 50% of the positive difference, if any, of $19.75 minus the prevailing price, if the prevailing price is less than $19.75. The prevailing price after the merger will be equal to the lesser of (1) the average closing price of the Enterprise common units for the 60 business days ending on and including the fourth business day prior to the date of receipt of notice from the holder of the Series F convertible units of the intent to convert them into Enterprise common units; (2) the average closing price of the Enterprise common units for the first seven business days of the 60 day period included in (1); or (3) the average closing price of the Enterprise common units for the last seven days of the 60 day period included in (1). The price at which the Series F convertible units could have been converted to common units, assuming GulfTerra had received a conversion notice on June 18, 2004 was $38.25 per common unit.

Exchange of Units; Fractional Units

Exchange Agent. Enterprise has appointed Mellon Investor Services LLC to act as exchange agent for the payment of Enterprise common units and for cash payments for fractional common units of GulfTerra. At or prior to the closing date of the merger, Enterprise will deposit with the exchange agent, for the benefit of the holders of GulfTerra s common units, an amount in cash equal to the estimated aggregate value of fractional common units of GulfTerra to be purchased by Enterprise, and Enterprise will authorize the exchange agent to exchange certificates representing Enterprise common units as described above under Effect of Merger on Outstanding GulfTerra Units. Enterprise will deposit with the exchange agent additional funds as and when necessary to purchase any resulting fractional common units of GulfTerra. Enterprise will pay all costs and fees of the exchange agent and all expenses associated with the exchange process.

After the effective time of the merger, there will be no further transfer on the records of GulfTerra or its transfer agent of certificates representing GulfTerra common units. If certificates representing GulfTerra common units are presented to GulfTerra or its transfer agent for transfer after the effective time of the merger, they will be canceled against delivery of the certificate or certificates for Enterprise common units and any cash payments for fractional common units.

Exchange of Units. If you own GulfTerra common units of record as of the effective time of the merger, the exchange agent will mail to you a transmittal letter and instructions explaining how to surrender your GulfTerra common units to the exchange agent after the effective time of the merger.

GulfTerra common unit certificates should not be returned with the enclosed proxy card.

GulfTerra common unitholders who deliver a properly completed and signed transmittal letter and any other documents required by the instructions to the transmittal letter to the exchange agent, together with their GulfTerra common unit certificates, will receive:

- certificates representing the number of whole Enterprise common units to which each holder is entitled in accordance with the merger agreement and as described above under Effect of Merger on Outstanding GulfTerra Units; and

- after giving effect to any required tax withholdings, a check in the aggregate amount of:

cash equal to the aggregate value of the unitholder s fractional common units of GulfTerra calculated by the fractional interest multiplied by the average closing price of Enterprise common units on the NYSE during the four trading days ending on the third business day prior to the merger; and

any cash distributions declared by Enterprise on its common units with a record date after the effective time of the merger and a payment due on or before the date the GulfTerra unitholder surrendered its unit certificate.

You should surrender your GulfTerra common unit certificates for exchange only after the effective time of the merger. Until you deliver a properly completed and signed transmittal letter and any other documents required by the instructions to the transmittal letter to the exchange account, together with your GulfTerra common unit certificates, the distributions declared by Enterprise with a record date after the effective time of the merger will accrue, but will not be paid, on Enterprise common units that you are entitled to receive as a result of the exchange of your GulfTerra common units. No interest will be paid or accrue on:

- the amount of cash to be received in lieu of fractional units of Enterprise common units; or

- any cash distributions declared by Enterprise on its common units with a record date after the effective time of the merger and a payment date on or before the date the GulfTerra unit certificate is surrendered.

The exchange agent will deliver to Enterprise any Enterprise common units to be issued in the merger, cash in lieu of fractional units to be paid in connection with the merger and any distributions paid on Enterprise common units to be issued in the merger that are not claimed by former GulfTerra unitholders within one year after the effective time of the merger. Thereafter, Enterprise will act as the exchange agent and former GulfTerra unitholders may look only to Enterprise for payment of their Enterprise common units, cash in lieu of fractional units and unpaid distributions. None of Enterprise, GulfTerra, the exchange agent or any other person will be liable to any former GulfTerra unitholder for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar laws. To the extent permitted by applicable law, any amount that would escheat or become the property of any governmental entity shall, immediately prior thereto, become the property of Enterprise free and clear of all claims or interests of any person previously entitled thereto.

If any certificates representing Enterprise common units are to be issued in a name other than that in which the certificates representing GulfTerra common units exchanged for such units are registered, the person requesting the exchange must (1) pay any transfer or other taxes required by reason of the issuance of certificates representing Enterprise common units in a name other than that of the registered holder of the surrendered GulfTerra common units or (2) establish to the satisfaction of Enterprise or the exchange agent that such tax has been paid or is not applicable.

Fractional Units. No fractional units of Enterprise common units will be issued to GulfTerra unitholders. After the effective time of the merger, each holder of GulfTerra common units exchanged pursuant to the merger who would otherwise have been entitled to receive a fractional Enterprise common unit will receive an amount in cash (payable in dollars, without interest) equal to the product of (1) such fraction, multiplied by (2) the average of the closing price of Enterprise common units over the four trading day period ending on the third business day immediately preceding the closing date of the merger.

Lost, Stolen or Destroyed Certificates. The instructions for effecting the surrender of GulfTerra common unit certificates will set forth procedures that must be taken by the holder of any GulfTerra common unit certificate that has been lost, destroyed or stolen. If a GulfTerra unit certificate has been lost, stolen or destroyed, the exchange agent will issue certificates representing the Enterprise common units properly issuable in accordance with the merger agreement and any cash payment in lieu of fractional common units only upon receipt of, along with the letter of transmittal, a duly executed lost certificate affidavit, including an agreement to indemnify Enterprise, signed exactly as the name or names of the registered holder or holders appeared on the books of GulfTerra immediately prior to the effective time of the merger, together with a customary bond and such other documents as Enterprise may reasonably require.

Affiliates. GulfTerra common unit certificates surrendered for exchange by certain affiliates of GulfTerra will not be exchanged until Enterprise has received a written agreement of the kind described below under Covenants and Other Agreements Affiliate Agreements.

Conditions to the Merger

Conditions to Each Party s Obligation to Effect the Merger. The obligations of Enterprise and GulfTerra to complete the merger are subject to the following conditions:

- the approval and adoption by GulfTerra unitholders of the merger agreement;
- the approval by Enterprise s unitholders of the issuance of its common units pursuant to the merger agreement;
- the expiration or early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976;
- the continued effectiveness of the registration statement of which this document is a part;
- the approval for listing on the NYSE of the Enterprise common units to be issued in the merger subject to official notice of issuance;
- the closing of the purchase of specified GulfTerra common units and Series C Units from subsidiaries of El Paso Corporation, as described above under Transactions Related to the Merger The Parent Company Agreement, which, in turn, is conditioned upon, among other things, neither party breaching its obligations under the purchase and sale agreement providing for Enterprise s acquisition of the South Texas midstream assets, which is more fully described above under Transactions Related to the Merger The Purchase and Sale Agreement;
- the performance by each party of its obligations under the merger agreement and the parent company agreement; and
- the absence of any decree, order, injunction or law that prohibits the merger or makes the merger unlawful.

Enterprise s obligation to complete the merger is further subject to the following conditions:

- the representations and warranties of GulfTerra set forth in the merger agreement (without regard to materiality requirements in the merger agreement) shall be correct as of the closing, and GulfTerra shall have performed all of its obligations under the merger agreement (without regard to materiality requirements in the merger agreement), except where the failure of such representations

and warranties to be correct and the failure of such obligations to be performed could not, in the aggregate, reasonably be expected to result in (1) an adverse effect on GulfTerra involving $100 million or more or (2) a material adverse effect on G