ENTERPRISE PRODUCTS PARTNERS L P
Form 8-K
September 27, 2004

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 30, 2004

ENTERPRISE PRODUCTS PARTNERS L.P.

(Exact name of registrant as specified in its charter)

Delaware	**1-14323**	**76-0568219**
(State or Other Jurisdiction of Incorporation or Organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

2727 North Loop West, Houston, Texas	**77008-1044**
(Address of Principal Executive Offices)	(Zip Code)

Registrant s Telephone Number, including Area Code: **(713) 880-6500**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 8.01 Other Events.

On December 15, 2003, Enterprise Products Partners L.P. (Enterprise) and certain of its affiliates, El Paso Corporation (El Paso) and certain of its affiliates and GulfTerra Energy Partners, L.P. (GulfTerra) and certain of its affiliates entered into a series of definitive agreements pursuant to which Enterprise and GulfTerra will merge. The purpose of this Current Report on Form 8-K is to file: (1) summary historical and pro forma financial and operating data of each of Enterprise and GulfTerra for the six months ended June 30, 2004 and 2003 and for the three years in the period ended December 31, 2003; (2) consolidated historical and pro forma capitalization data of Enterprise as of June 30, 2004; and (3) unaudited pro forma condensed consolidated financial statements of Enterprise for the six months ended June 30, 2004 and for the year ended December 31, 2003. The information referenced in the preceding sentence reflects the pro forma effect of the issuance by Enterprise s operating subsidiary of an aggregate of $2 billion in principal amount of senior notes in a private placement pursuant to a confidential Offering Memorandum dated September 23, 2004 (the Offering Memorandum), which offering is expected to close on or about October 4, 2004. Enterprise is filing this financial and operating data with this Current Report on Form 8-K so that the financial and operating data will be incorporated by reference in Enterprise s currently effective registration statements.

The information included under this Item 8.01 is a series of excerpts of certain information included in the Offering Memorandum. With respect to the unaudited pro forma condensed consolidated financial statements of Enterprise, the excerpts retain the pagination of the Offering Memorandum to allow for accurate cross references to other sections of the Offering Memorandum. References in the following excerpts to the offering or this offering refer to the private placement of senior notes pursuant to the Offering Memorandum. References in the following excerpts to Enterprise Parent, we, us or our refer to Enterprise and its consolidated subsidiaries unless the context indicates otherwise.

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Summary Historical and Pro Forma Financial and Operating Data

The following tables set forth, for the periods and at the dates indicated, summary historical financial and operating data for Enterprise Parent and GulfTerra. Since Enterprise Parent owns no significant assets other than its 100% equity interest in us, our financial data and Enterprise Parent s financial data are substantially the same. 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 Parent, GulfTerra and the South Texas midstream assets that are incorporated by reference into this offering memorandum. The summary historical income statement data for the six-month periods ended June 30, 2003 and 2004 and balance sheet data at June 30, 2004 are derived from and should be read in conjunction with the unaudited financial statements of Enterprise Parent, GulfTerra and the South Texas midstream assets that are incorporated by reference into this offering memorandum.

The summary pro forma financial statements of Enterprise Parent include the pro forma effects of the transactions described below:

the application of net proceeds of approximately $700 million in the aggregate from Enterprise Parent s public offering of 17,250,000 common units in each of May 2004 and August 2004;

the conversion of Enterprise Parent s 4,413,549 Class B special units into an equal number of its common units on July 29, 2004;

the completion of this offering and the receipt of approximately $1,983.7 million in net proceeds therefrom;

the completion of our four cash tender offers for $915.1 million in principal amount of GulfTerra s senior and senior subordinated notes for a purchase price of approximately $1.1 billion using a portion of the proceeds of this offering;

the repayment of approximately $960.5 million outstanding under GulfTerra s revolving credit facility and two senior secured term loans using the remaining portion of the net proceeds of this offering and borrowings under our new multi-year revolving credit facility; and

the completion of Step Two and Step Three of the merger transactions and the payment to El Paso Corporation of approximately $650 million in connection therewith using the remaining net proceeds from Enterprise Parent s August 2004 common unit offerings and using borrowings under our new multi-year revolving credit facility.

The proposed merger with GulfTerra involves the following three steps:

Step One. On December 15, 2003, we 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 accounted for using the equity method and is already recorded in Enterprise Parent 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 approvals are received and the other merger agreement conditions are either fulfilled or waived and the following steps are consummated, Enterprise Parent will own 100% of the limited and general partner interests in GulfTerra. At that time, the proposed merger will be accounted for using the purchase method, and GulfTerra will be a consolidated subsidiary of Enterprise Parent. 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 Parent s general partner of $370 million

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(which will not be funded or reimbursed by Enterprise Parent) and a 9.9% membership interest in Enterprise Parent s general partner, and the subsequent capital contribution by Enterprise Parent s general partner of such 50% membership interest in GulfTerra s general partner to Enterprise Parent (without increasing Enterprise Parent s general partner s interest in Enterprise Parent s earnings or cash distributions).

Enterprise Parent 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.

The exchange of each remaining GulfTerra common unit for 1.81 Enterprise Parent common units, resulting in the issuance of approximately 104.5 million of Enterprise Parent s common units to GulfTerra unitholders.

Step Three. Immediately after Step Two is completed, we expect to acquire the South Texas midstream assets from El Paso Corporation for approximately $150 million.

The unaudited pro forma condensed statements of consolidated operations for the year ended December 31, 2003 and for the six months ended June 30, 2004 assume the merger-related and other transactions described above and this offering all occurred on January 1, 2003. The unaudited pro forma condensed consolidated balance sheet shows the financial effects of the merger-related and other transactions described above and this offering as if they had occurred on June 30, 2004. Step One of the proposed merger is already included in the June 30, 2004 unaudited historical balance sheet and the unaudited historical statement of consolidated operations for the six months ended June 30, 2004 of Enterprise Parent. Apart from this offering, the unaudited pro forma condensed consolidated financial statements for the year ended December 31, 2003 and for the six months ended June 30, 2004 do not include the effect of any future long-term financing transactions contemplated in connection with the closing of the merger. In addition, the unaudited pro forma condensed consolidated financial statements do not give effect to any divestiture of assets that we expect will be required for governmental approval of the proposed merger.

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 we refer to as EBITDA, are presented in the summary historical and pro forma financial data for Enterprise Parent. In a supplemental section titled Non-GAAP Financial Measures, we have provided the necessary explanations and reconciliations for Enterprise Parent s non-GAAP financial measures.

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Summary Historical and Pro Forma Financial and Operating Data of Enterprise Parent

	Enterprise Parent Consolidated Historical			For Year Ended December 31, 2003
	For Year Ended December 31,			Through Step Three Enterprise Parent Pro Forma
	2001	2002	2003	
				(Unaudited)
	(Dollars in millions, except per unit amounts)			
Income Statement Data:				
Revenues	$3,154.4	$3,584.8	$5,346.4	$7,153.0
Costs and expenses:				
Operating costs and expenses	2,862.6	3,382.8	5,046.8	6,578.0
Selling, general and administrative	30.3	42.9	37.5	92.0
Total costs and expenses	2,892.9	3,425.7	5,084.3	6,670.0
Equity in income (loss) of unconsolidated affiliates	25.3	35.2	(14.0)	(2.6)
Operating income	286.8	194.3	248.1	480.4
Other income (expense):				
Interest expense	(52.4)	(101.6)	(140.8)	(293.4)
Other, net	10.3	7.3	6.4	(28.5)
Total other income (expense)	(42.1)	(94.3)	(134.4)	(321.9)
Income before provision for income taxes and minority interest	244.7	100.0	113.7	158.5
Provision for income taxes		(1.6)	(5.3)	(5.3)
Income before minority interest	244.7	98.4	108.4	153.2
Minority interest	(2.5)	(2.9)	(3.9)	(3.9)
Income from continuing operations	$ 242.2	$ 95.5	$ 104.5	$ 149.3
Cumulative effect of change in accounting principle				
Net income	$ 242.2	$ 95.5	$ 104.5	$ 149.3
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	1,705.9	
Other financial data:				
Ratio of earnings to fixed charges(1)	5.1x	2.1x	2.0x	1.6x
Cash provided by operating activities	$ 283.3	$ 329.8	$ 424.7	
Cash flows 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
EBITDA	345.8	284.8	366.4	772.6
Commodity hedging income (losses)	101.3	(51.3)	(0.6)	
Selected Volumetric Operating Data:				
Pipelines, net volumes as shown				
NGL and petrochemical liquids pipelines (MBPD, net)	453	1,352	1,343	
Natural gas pipelines (BBtus per day, net)	1,349	1,201	1,032	
Fractionation, net volumes in MBPD				
NGL fractionation	204	235	227	
Propylene fractionation	31	55	57	
Isomerization	80	84	77	
Natural gas processing, net volumes as shown				
Fee-based natural gas processing (MMcf per day, net)	*	*	194	
Equity NGL production (MBPD, net)	63	73	43	
Octane enhancement, net volumes in MBPD	5	5	4	

* Fee-based natural gas processing volumes prior to 2003 were negligible.

(1) For purposes of computing the ratio of earnings to fixed charges, earnings is the aggregate of the following items: pre-tax income or loss from continuing operations before adjustment for minority interests in consolidated subsidiaries or income or loss from equity investees; plus fixed charges; plus distributed income of equity investees; less capitalized interest; and less minority interest in pre-tax income of subsidiaries that have not incurred fixed charges. The term fixed charges means the sum of the following: interest expense and capitalized, including amortized premiums, discounts and capitalized expenses related to indebtedness; and an estimate of the interest within rental expenses. For the years ended December 31, 1999 and 2000, Enterprise Parent s ratios of earnings to fixed charges were 5.8x and 6.4x, respectively.

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

	Enterprise Parent Consolidated Historical		For Six Months Ended June 30, 2004
	For Six Months Ended June 30,		Through Step Three Enterprise Parent
	2003	2004	Pro Forma
	(Dollars in millions, except per unit amounts)		
Income Statement Data:			
Revenues	$2,692.2	$3,418.2	$ 4,285.9
Costs and expenses:			
Operating costs and expenses	2,520.7	3,274.8	3,963.2
Selling, general and administrative	21.5	16.5	44.7
Total costs and expenses	2,542.2	3,291.3	4,007.9
Equity in income of unconsolidated affiliates	1.4	25.5	9.6
Operating income	151.4	152.4	287.6
Other income (expense):			
Interest expense	(75.2)	(64.5)	(121.4)
Other, net	4.7	2.4	(12.9)
Total other income (expense)	(70.5)	(62.1)	(134.3)
Income before provision for income taxes, minority interest and change in accounting principle	80.9	90.3	153.3
Provision for income taxes	(3.6)	(2.0)	(2.0)
Income before minority interest	77.3	88.3	151.3
Minority interest	(3.7)	(3.7)	(3.7)
Income from continuing operations	73.6	84.6	$ 147.6
Cumulative effect of change in accounting principle		7.0	
Net income	$ 73.6	$ 91.6	
Balance sheet data:			
Total assets	$4,277.3	$4,953.6	$10,827.0
Total debt	1,874.6	1,767.3	4,222.7
Total partners equity	1,659.1	2,142.7	5,308.5
Other financial data:			
Ratio of earnings to fixed charges(1)	2.2x	2.4x	2.2x
Cash provided by operating activities	$ 120.3	$ 107.9	
Cash used in investing activities	(112.2)	(74.7)	
Cash used in financing activities	(2.9)	(24.2)	

Distributions received from unconsolidated affiliates	20.9	33.7	
Equity in income of unconsolidated affiliates	(1.4)	(25.5)	
Gross operating margin	232.9	235.8	$ 503.7
EBITDA	208.0	220.5	437.8
Selected Volumetric Operating Data:			
Pipelines, net volumes as shown			
NGL and petrochemical liquids pipelines (MBPD, net)	1,303	1,381	
Natural gas pipelines (BBtus per day, net)	1,033	1,071	
Fractionation, net volumes in MBPD			
NGL fractionation	218	233	
Propylene fractionation	59	57	
Isomerization	81	69	
Natural gas processing, net volumes as shown			
Fee-based natural gas processing (MMcf per day, net)	112	805	
Equity NGL production (MBPD, net)	43	47	
Octane enhancement, net volumes in MBPD	3	7	

(1) For purposes of computing the ratio of earnings to fixed charges, earnings is the aggregate of the following items: pre-tax income or loss from continuing operations before adjustment for minority interests in consolidated subsidiaries or income or loss from equity investees; plus fixed charges; plus distributed income of equity investees; less capitalized interest; and less minority interest in pre-tax income of subsidiaries that have not incurred fixed charges. The term fixed charges means the sum of the following: interest expense and capitalized, including amortized premiums, discounts and capitalized expenses related to indebtedness; and an estimate of the interest within rental expenses.

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Summary Historical Financial and Operating Data of GulfTerra

	Consolidated Historical				
	For Year Ended December 31,			For Six Months Ended June 30,	
	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	$ 467.1	$ 445.6
Operating expenses	134.9	296.6	557.0	314.1	277.3
Operating income	58.5	160.8	314.5	153.0	168.3
Other income (expense):					
Equity in income (loss) of unconsolidated affiliates	8.5	13.6	11.4	6.3	5.4
Interest expense	(41.5)	(81.1)	(127.8)	(66.3)	(54.7)
Loss due to early redemptions of debt		(2.4)	(36.9)	(3.8)	(16.3)
Other, net	28.6	1.6	0.2	0.6	0.3
Total other income (expense)	(4.4)	(68.3)	(153.1)	(63.2)	(65.3)
Income from continuing operations	$ 54.1	$ 92.5	$ 161.4	$ 89.8	$ 103.0
Balance sheet data:					
Total assets	$1,357.4	$3,130.9	$3,321.6	$3,254.7	$3,386.0
Total debt	820.0	1,906.3	1,811.8	1,890.3	1,883.5
Total partners equity	500.7	949.9	1,252.6	1,111.9	1,260.3
Other financial data:					
Ratio of earnings to fixed charges(1)	2.3x	2.0x	2.0x	2.1x	2.4x
Cash provided by operating activities	$ 87.4	$ 176.0	$ 268.2	$ 134.2	$ 136.2
Cash used in investing activities	499.7	1,215.4	287.2	204.0	103.9
Cash provided by (used in) financing activities	405.1	1,062.4	13.4	51.4	(29.4)
Operating data (in MBPD, except as noted):					
Natural gas pipelines and plants (Gross MDth/d)	2,344	5,302	7,685	7,712	7,800
Oil pipelines	168	154	172	166	185
NGL logistics	63	72	89	91	113
Natural gas platform volumes (Gross MDth/d)	189	151	271	251	395
Oil platform volumes	5	5	5	4	5

(1) For purposes of computing the ratio of earnings to fixed charges, earnings is the aggregate of the following items: pre-tax income or loss from continuing operations before adjustment for minority interests in consolidated subsidiaries or income or loss from equity investees; plus fixed charges; plus distributed income of equity investees; less capitalized interest; and less minority interest in pre-tax income of subsidiaries that have not incurred fixed charges. The term fixed charges means the sum of the following: interest expense and capitalized, including amortized premiums, discounts and capitalized expenses related to indebtedness; and an estimate of the interest within rental expenses. For the years ended December 31, 1999 and 2000, GulfTerra s ratio of earnings to fixed charges were 1.8x and 1.5x, respectively.

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Non-GAAP Financial Measures

We include in this offering memorandum the non-GAAP financial measures of gross operating margin and EBITDA for Enterprise Parent, and provide 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

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

EBITDA

EBITDA is defined as net income (income from continuing operations with regards to pro forma information) plus interest expense, provision for income taxes and depreciation and amortization expense. EBITDA is used as a supplemental financial measure by our management and by external users of financial statements such as investors, commercial banks, research analysts and ratings agencies, to assess:

- the financial performance of our assets without regard to financing methods, capital structures or historical costs basis;
- the ability of our assets to generate cash sufficient to pay interest cost and support our indebtedness;
- our 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. We have reconciled Enterprise Parent s historical and pro forma EBITDA amounts to its consolidated net income (income from continuing operations with regards to pro forma information) and historical EBITDA amounts further to operating activities cash flows.

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Enterprise Parent Non-GAAP Reconciliations

The following table presents a reconciliation of Enterprise Parent non-GAAP financial measures 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 (income from continuing operations with regards to pro forma information) and of operating activities cash flows, on a historical, pro forma and pro forma as adjusted basis, as applicable, for each of the periods indicated:

	Enterprise Parent Consolidated Historical			For Year Ended December 31, 2003
	For Year Ended December 31,			Through Step Three Enterprise Parent
	2001	2002	2003	Pro Forma
				(Unaudited)
	(Dollars in millions)			
Reconciliation of Non-GAAP Total Gross Operating Margin to GAAP Operating Income				
Operating Income	$286.8	$ 194.3	$ 248.1	$480.4
Adjustments to reconcile Operating Income to Total Gross Operating Margin:				
Depreciation and amortization in operating costs and expenses	48.8	86.0	115.7	324.6
Retained lease expense, net in operating costs and expenses	10.4	9.1	9.1	9.1
Gain on sale of assets in operating costs and expenses	(0.4)			(18.7)
Selling, general and administrative costs	30.3	42.9	37.5	92.0
Total Gross Operating Margin	$375.9	$ 332.3	$ 410.4	$887.4
Reconciliation of Non-GAAP EBITDA to GAAP Net Income or Income from Continuing Operations and GAAP Cash Provided by Operating Activities				
Net Income (Income from Continuing Operations with regards to pro forma information)	$242.2	$ 95.5	$ 104.5	$149.3
Adjustments to derive EBITDA:				
Interest expense	52.5	101.6	140.8	293.4
Provision for income taxes		1.6	5.3	5.3
Depreciation and amortization (excluding amortization component in interest expenses)	51.1	86.1	115.8	324.6
EBITDA	345.8	284.8	366.4	$772.6
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)			
	10.3	9.0	9.0	

Operating lease expense paid by EPCO, Inc. (excluding minority interest portion)			
Other expenses paid by EPCO, Inc.			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
Cash provided by operating activities	$283.3	$ 329.8	$ 424.7

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Enterprise Parent Non-GAAP Reconciliations (Continued)

	Enterprise Parent Consolidated Historical — For Six Months Ended June 30, 2003	Enterprise Parent Consolidated Historical — For Six Months Ended June 30, 2004	For Six Months Ended June 30, 2004 Through Step Three Enterprise Parent Pro Forma
	(Dollars in millions)		
Reconciliation of Non-GAAP Total Gross Operating Margin to GAAP Operating Income			
Operating Income	$151.4	$152.4	$287.6
Adjustments to reconcile Operating Income to Total Gross Operating Margin:			
Depreciation and amortization in operating costs and expenses	55.5	62.3	166.8
Retained lease expense, net in operating costs and expenses	4.5	4.5	4.5
Gain on sale of assets in operating costs and expenses		0.1	0.1
Selling, general and administrative costs	21.5	16.5	44.7
Total Gross Operating Margin	$232.9	$235.8	$503.7
Reconciliation of Non-GAAP EBITDA to GAAP Net Income or Income from Continuing Operations and GAAP Cash Provided by Operating Activities			
Net income (Income from Continuing Operations with regards to pro forma information)	$ 73.6	$ 91.6	$147.6
Adjustments to derive EBITDA:			
Interest expense	75.2	64.5	121.4
Provision for income taxes	3.6	2.0	2.0
Depreciation and amortization (excluding amortization component in interest expenses)	55.6	62.4	166.8
EBITDA	208.0	220.5	$437.8
Interest expense	(75.2)	(64.5)	
Amortization in interest expense	11.9	1.9	
Provision for income taxes	(3.6)	(2.0)	
Cumulative effect of change in accounting principle		(7.0)	
Earnings from unconsolidated affiliates	(1.4)	(25.5)	
Distributions from unconsolidated affiliates	20.9	33.7	
Loss (gain) on sale of assets		0.1	
Operating lease expense paid by EPCO, Inc. (excluding minority interest portion)	4.5	4.5	
Minority interest	3.7	3.7	
Deferred income tax expense	5.5	2.9	
Changes in fair market value of financial instruments	(0.1)		
Decrease (increase) in restricted cash	(12.8)	(9.2)	
Net effect of changes in operating accounts	(41.1)	(51.2)	
Cash provided by operating activities	$120.3	$107.9	

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CAPITALIZATION

The following table sets forth Enterprise Parent s capitalization as of June 30, 2004 on:

(1) a consolidated historical basis; and

(2) on a pro forma basis to include the effects of:

the application of net proceeds of approximately $345 million from Enterprise Parent s public offering of 17,250,000 common units and from sales under its DRIP in August 2004;

the conversion of Enterprise Parent s 4,413,549 Class B special units into an equal number of its common units on July 29, 2004;

the completion of this offering and the receipt of approximately $1,983.7 million in net proceeds therefrom;

the payment of $84.6 million related to the pending September 2004 settlement of interest rate hedging financial instruments with borrowings under our multi-year revolving credit facility;

the completion of our four cash tender offers for $915.1 million in principal amount of GulfTerra s senior and senior subordinated notes for a purchase price of approximately $1.1 billion using a portion of the proceeds of this offering;

the repayment of approximately $960.5 million outstanding under GulfTerra s revolving credit facility and two senior secured term loans using the remaining portion of the net proceeds of this offering and borrowings aggregating approximately $63.8 million under our new multi-year revolving credit facility; and

the completion of Step Two and Step Three of the merger transactions and the payment to El Paso Corporation of approximately $650 million in connection therewith using the remaining net proceeds from Enterprise Parent s August 2004 common unit offerings and using borrowings aggregating approximately $350.5 million under our new multi-year revolving credit facility.

Please read Enterprise Parent s unaudited pro forma condensed consolidated financial statements included elsewhere in this offering memorandum for a complete description of the adjustments we have made to arrive at the pro forma financial measures that we present in the following table. The historical data in the table is derived from and should be read in conjunction with Enterprise Parent s historical financial statements, including the accompanying notes, incorporated by reference in this offering memorandum. You should also read Enterprise Parent s financial statements and notes that are incorporated by reference in this offering memorandum for additional information regarding its capital structure.

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Enterprise Parent Historical and Pro Forma Capitalization

As of June 30, 2004
(in millions)

	Historical	Pro Forma Including This Offering Step Two	Pro Forma Including This Offering Step Three
Cash and cash equivalents	$ 62.6	$ 84.1	$ 84.1
Long-term borrowings including current portion:			
Enterprise amounts:			
364-Day Acquisition Revolving Credit Facility(1)			
$1.1 Billion Backstop Tranche			
$1.15 Billion Acquisition Tranche			
$750 Million Multi-Year Revolving Credit Facility, due 2009		351.6	498.9
$270 Million Multi-Year Revolving Credit Facility, due 2005	48.0		
MBFC Loan, 8.70% fixed-rate, due March 2010	54.0	54.0	54.0
Seminole Notes, 6.67% fixed-rate, $15 million due each December, 2004 through 2005	30.0	30.0	30.0
Senior Notes A, 8.25% fixed-rate, due March 2005	350.0	350.0	350.0
Senior Notes B, 7.50% fixed-rate, due February 2011	450.0	450.0	450.0
Senior Notes C, 6.375% fixed-rate, due February 2013	350.0	350.0	350.0
Senior Notes D, 6.875% fixed-rate, due March 2033	500.0	500.0	500.0
Senior Notes issued in this offering:			
Senior Notes E, 4.000% fixed rate, due October 2007		500.0	500.0
Senior Notes F, 4.625% fixed rate, due October 2009		500.0	500.0
Senior Notes G, 5.600% fixed rate, due October 2014		650.0	650.0
Senior Notes H, 6.650% fixed rate, due October 2034		350.0	350.0
Other	(14.7)	(18.1)	(18.1)
GulfTerra amounts:			
Senior Notes, 6.25% fixed-rate, due June 2010		0.7	0.7
Senior Subordinated Notes, 8.50% fixed-rate, due June 2010		3.8	3.8
Senior Subordinated Notes, 8.50% fixed-rate, due June 2011		1.8	1.8
Senior Subordinated Notes, 10.625% fixed-rate, due December 2012		0.1	0.1
Other		1.5	1.5
Total debt obligations	1,767.3	4,075.4	4,222.7
Minority interest	88.8	90.6	90.6
Partners equity:			
Common units	1,906.9	5,190.8	5,190.8
Class B special units	98.5		
General partner	40.9	105.9	105.9
Treasury units	(11.2)	(11.2)	(11.2)
Accumulated other comprehensive income	109.3	24.7	24.7
Other	(1.7)	(1.7)	(1.7)
Total partners equity	2,142.7	5,308.5	5,308.5
Total capitalization	$3,998.8	$9,474.5	$9,621.8

(1) The amount of this facility will be permanently reduced dollar-for-dollar by the net proceeds of this offering.

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INDEX TO FINANCIAL STATEMENTS

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ENTERPRISE PRODUCTS PARTNERS L.P.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Introduction

The following unaudited pro forma condensed consolidated financial statements have been prepared to assist in the analysis of financial effects of the transactions noted below. Unless the context requires otherwise, for purposes of this pro forma presentation, references to we, our, us, and Enterprise are intended to mean the consolidated business and operations of Enterprise Products Partners L.P., which includes that of Enterprise Products Operating L.P. (the issuer of senior notes in this offering). Since Enterprise Products Partners L.P. owns no significant assets other than its 100% limited and general partner interest in the issuer, the issuer s and Enterprise Products Partners L.P. s financial data are substantially the same.

References to GulfTerra are intended to mean the consolidated business and operations of GulfTerra Energy Partners, L.P. References to El Paso Corporation are intended to mean El Paso Corporation, its subsidiaries and affiliates (other than GulfTerra). El Paso Corporation was the majority owner of GulfTerra s general partner prior to December 15, 2003 and currently owns a 50% interest in GulfTerra s general partner and a limited partner interest in GulfTerra.

The unaudited pro forma condensed consolidated financial statements reflect the following events and other recent transactions:

The public sale of 17,250,000 common units in each of May 2004 and in August 2004 by Enterprise. In addition, Enterprise issued a total of 2,984,241 common units in connection with its distribution reinvestment plan (DRIP) during the first nine months of 2004.

The conversion of Enterprise s 4,413,549 Class B special units into an equal number of its common units on July 29, 2004.

Enterprise s issuance of $2 billion in principal amount of senior notes in this offering (the Senior Notes).

The completion of Enterprise s four cash tender offers for $915.1 million in principal amount of GulfTerra s senior and senior subordinated notes for a purchase price of approximately $1.1 billion using a portion of the proceeds from this Senior Notes offering.

Enterprise s repayment of $960.5 million outstanding under GulfTerra s revolving credit facility and its two senior secured term loans using proceeds from this offering of Senior Notes and borrowings under our two new revolving credit agreements executed in August 2004 (collectively, the August 2004 Revolvers).

The completion of Enterprise s merger with GulfTerra, which was announced in December 2003. The merger transaction is structured into three steps as described beginning on page F-10. Enterprise expects to meet its payment obligations to El Paso Corporation of approximately $650 million under Steps Two and Three using funds available under its August 2004 Revolvers and with the remaining proceeds from its August 2004 public sales of common units.

The payment of $84.6 million related to the pending September 2004 settlement of interest rate hedging financial instruments with borrowings under our August 2004 Revolvers or existing bank credit facilities, as appropriate.

The unaudited pro forma condensed statements of consolidated operations for the six months ended June 30, 2004 and the year ended December 31, 2003 assume the pro forma transactions noted above all occurred on January 1, 2003 (to the extent not already reflected in the historical statements of consolidated operations). The unaudited pro forma condensed consolidated balance sheet shows the financial effects of the pro forma transactions as if they had occurred on June 30, 2004 (to the extent not already recorded in the historical balance sheet).

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The unaudited pro forma condensed consolidated financial statements and related pro forma information are based on assumptions that Enterprise and GulfTerra believe are reasonable under the circumstances and are intended for informational purposes only. They are not necessarily indicative of the financial results that would have occurred if the transactions described herein had taken place on the dates indicated, nor are they indicative of the future consolidated results of the combined company.

The unaudited pro forma condensed consolidated financial statements of Enterprise should be read in conjunction with and are qualified in their entirety by reference to the notes accompanying such unaudited pro forma condensed consolidated financial statements and with the historical consolidated financial statements and related notes of Enterprise included in its Annual Report on Form 10-K for the year ended December 31, 2003 and Quarterly Report on Form 10-Q for the three and six months ended June 30, 2004.

The condensed consolidated financial statements of GulfTerra included herein are qualified in their entirety by reference to the historical consolidated financial statements and related notes of GulfTerra for the year ended December 31, 2003 and for the three and six months ended June 30, 2004, contained in Enterprise s Current Reports on Form 8-K filed with the Commission on April 20, 2004 and September 17, 2004, respectively.

The combined financial statements of El Paso Hydrocarbons, L.P. and El Paso NGL Marketing Company, L.P. (collectively, the South Texas midstream assets) included herein are qualified in their entirety by reference to the historical combined financial statements and related notes of the South Texas midstream assets included in Enterprise s Current Reports on Form 8-K filed with the Commission on April 16, 2004 and August 11, 2004 and incorporated by reference into this document.

The pending merger-related transactions will be accounted for using the purchase method of accounting. Enterprise has engaged an independent third-party valuation expert to assess the fair value of GulfTerra s assets and liabilities to assist management in the allocation of the purchase price. The unaudited pro forma condensed consolidated financial statements and accompanying notes include preliminary estimates that are subject to revision upon completion of the valuation study and other appropriate future purchase price allocation adjustments.

Divestiture of Assets Required for FTC Approval of Merger

In order to obtain FTC approval for the merger, Enterprise anticipates that it will divest certain assets. Enterprise recognized approximately $2 million and approximately $3 million in earnings from these assets for the six months ended June 30, 2004 and year ended December 31, 2003, respectively. At June 30, 2004, the carrying value of Enterprise s ownership interests in these assets was approximately $44 million.

To the extent that proceeds from the future sale of Enterprise s ownership interests in these assets are more or less than Enterprise s carrying values for these assets, a gain or loss may be recorded. For purposes of pro forma presentation, we have not estimated the proceeds from a future sale and therefore, no gain or loss realized from such a transaction. In addition, our pro forma statements of operations do not reflect the removal of earnings from these assets due to their insignificant effect on the pro forma results of operations.

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ENTERPRISE PRODUCTS PARTNERS L.P.

UNAUDITED PRO FORMA CONDENSED STATEMENT OF CONSOLIDATED OPERATIONS

For the Six Months Ended June 30, 2004 (Part 1)

	Enterprise Historical	Adjustments Due to Recent Transactions	Enterprise Pro Forma	GulfTerra Historical	Merger Step Two Adjustments	Step Two Enterprise Pro Forma (to Part 2)
Revenues	$3,418.2		$3,418.2	$445.6	$ (0.6)(x)	$3,863.2
Costs and Expenses						
Operating costs and expenses	3,274.8		3,274.8	277.3	(0.3)(k)	3,566.7
					47.1 (t)	
					(23.8)(w)	
					(0.6)(x)	
					(7.8)(y)	
Selling, general and administrative	16.5		16.5		23.8 (w)	40.3
Total	3,291.3		3,291.3	277.3	38.4	3,607.0
Equity in Income (Loss) of Unconsolidated Affiliates	25.5		25.5		(21.3)(v)	9.6
					5.4 (w)	
Operating Income	152.4		152.4	168.3	(54.9)	265.8
Other Income (Expense)						
Interest expense	(64.5)	$ 2.2(b)	(61.9)	(54.7)	(52.6)(h)	(119.5)
		0.4(c)			0.7 (i)	
					38.5 (l)	
					13.1 (m)	
					(2.6)(p)	
Loss due to early redemptions of debt				(16.3)		(16.3)
Earnings from unconsolidated affiliates				5.4	(5.4)(w)	
Other, net	2.4		2.4	0.3	0.7 (r)	3.4
Total	(62.1)	2.6	(59.5)	(65.3)	(7.6)	(132.4)
Income Before Income Taxes and Minority Interest	90.3	2.6	92.9	103.0	(62.5)	133.4
Provision for Income Taxes	(2.0)		(2.0)			(2.0)
Income Before Minority Interest	88.3	2.6	90.9	103.0	(62.5)	131.4
Minority Interest	(3.7)		(3.7)			(3.7)
Income from Continuing Operations	$ 84.6	$ 2.6	$ 87.2	$103.0	$ (62.5)	$ 127.7
Allocation of Income from Continuing Operations:						
Limited partners	$ 70.6					$ 104.9

General partner	$ 14.0			$ 22.8
Basic Earnings per Unit:				
Number of units used in denominator	224.3	0.2(a)	104.5 (o)	359.9
		13.4(b)		
		17.5(c)		
Income from continuing operations	$ 0.32			$ 0.29
Diluted Earnings per Unit:				
Number of units used in denominator	224.8	0.2(a)	104.5 (o)	360.4
		13.4(b)		
		17.5(c)		
Income from continuing operations	$ 0.32			$ 0.29

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

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ENTERPRISE PRODUCTS PARTNERS L.P.

UNAUDITED PRO FORMA CONDENSED STATEMENT OF CONSOLIDATED OPERATIONS

For the Six Months Ended June 30, 2004 (Part 2)

Step Two
Enterprise Pro Forma (from Part I)

nted an employment offer to Mr. Reichenberger with an annual base salary of $230,000 and he was granted stock options to purchase
n exercise price of $3.52 per share which vest 6/48ths upon the six-month anniversary of the grant date and 1/48th per month thereaf
subject to annual review and potential increase by our board of directors. In addition, he is eligible to receive annual bonuses in cash
of directors, at its discretion.

enberger and Mr. Daley, if any officer's employment is constructively terminated or terminated by us without cause, including in the e
cer will be entitled to continue to receive his or her base salary, bonuses and certain other benefits for a period of 12 months from the
Reichenberger's or Mr. Daley's employment is constructively terminated or terminated by us without cause, including in the event of a
continue to receive his base salary and certain other benefits for a period of six months from the date of termination.

ichenberger, under the applicable employment arrangement, if any officer's employment is terminated for cause, by death or due to a v
officer, or in the case of termination due to death, his or her estate, the compensation and benefits otherwise payable to such officer

eichenberger, under the applicable employment arrangement, if any officer's employment is terminated due to disability, we shall pa
nefits payable through the date of termination and shall continue to pay such officer salary and a prorated bonus for three months fo
hich time such officer may be entitled to receive short-term and eventually long-term disability benefits, subject to the terms of and pu
nce plans.

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es During the Fiscal Year Ended August 31, 2010

ble

formation concerning stock option grants made during the fiscal year ended August 31, 2010 to our executive officers named in the "S
e fair value information in the far right column is for illustration purposes only and is not intended to predict the future price of our
such stock options will depend on the market value of our common stock.

Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock Or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#) (1)	Exercise or Base Price of Option Awards ($/Sh)	Gran Fair V Stoc Op Aw ($
res-hold ($)	Target ($)	Maximum ($)	Threshold ($)	Target ($)	Maximum ($)				
—	—	—	—	—	—	—	46,750	2.02	8,
—	—	—	—	—	—	—	18,900	2.02	3,
—	—	—	—	—	—	—	11,656	1.66	13
—	—	—	—	—	—	—	11,656	3.05	25

6/48ths on the six-month anniversary of the grant date and 1/48th per month thereafter. The options expire 10 years from grant date.
ollar amount recognized for financial statement reporting purposes with respect to our fiscal year ended August 31, 2010 for the fair
ach of the named executive officers in the fiscal year ended August 31, 2010 in accordance with ASC Topic 718. The amounts shown
itures related to service-based vesting conditions. These amounts reflect our accounting expense for these awards, and do not correspon
gnized by the named executive officers.

ugust 31, 2010

tain information with respect to outstanding stock option awards of our named executive officers for the fiscal year ended August 31, 2

Option Awards				
Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date
58,281 (1)	—	—	2.83	5/26/2016
10,719(3)	36,031	—	2.02	3/9/2020
25,497 (2)	9,472	—	2.23	9/10/2017
11,656 (2)	11,657	—	1.88	8/12/2018
4,333 (3)	14,567	—	2.02	3/9/2020

11,656 (2)23,313	—	0.85	4/16/2019
11,656 (4)—	—	1.66	3/30/2020
11,656 (4)—	—	3.05	6/28/2020

Stock options vest 6/36ths on the six month anniversary of grant date and 1/36th per month thereafter.
Stock options vest 6/48ths on the six month anniversary of grant date and 1/48th per month thereafter.
Stock options vest 6/48ths on grant date and1/48th per month thereafter.
Stock options vest 100% upon grant date.

y our executive officers during the fiscal year ended August 31, 2010.

nation

are designed to retain executives and provide continuity of management in the event of a change in control. These current agreem
here in this proxy statement, including the section titled "Employment Agreements." If the stockholders approve the proposed
ange in control arrangements would be in place as described under the heading "Summary of the Plan as Modified by the Proposed 2

he amounts that we would owe each of our executive officers upon each of the termination triggers discussed above under "Emp
ation date of August 31, 2010:

Christopher M. Starr, Ph.D.

Chief Executive Officer and Director

s	Disability		Death		Termination Without Cause or Constructive Termination		CIC Whether or Not Services are Terminated (1)
	$69,300	(3)	$	$	277,200(2)	$	277,200(2)
		(4)	(4)		(5)		(5)
ls							
							55,564(6)
	$69,300		$	$	277,200	$	332,764

ns change in control, as defined in the officer's employment agreement.
base salary.
ase salary.
nus.
onus otherwise payable.
all stock options granted in accordance with ASC Topic 718. The amount shown excludes the impact of estimated forfeitures re
ed vesting conditions. This amount reflects our accounting expense for these awards, and does not correspond to the actual value tha
by the officer.

s	Disability	Death	Termination Without Cause or Constructive Termination	CIC Whether or Not Services

							are Terminated (1)
	$49,275	(3)	$	$	197,100(2)	$	197,100(2)
		(4)	(4)		(5)		(5)
ls							
							23,644(6)
	$49,275		$	$	197,100	$	220,744

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control, as defined in the officer's employment agreement.

se payable.
ions granted in accordance with ASC Topic 718. The amount shown excludes the impact of estimated
rvice-based vesting conditions. This amount reflects our accounting expense for these awards, and does
tual value that will be recognized by the officer.

ary and Treasurer

s	Disability		Death		Termination Without Cause or Constructive Termination	CIC Whether or Not Services are Terminated (1)
	$60,200	(3)	$	$	240,800(2)	$ 240,800(2)
		(4)	(4)		(5)	(5)
ls						
						29,060(6)
	$60,200		$	$	240,800	$ 269,860

ns change in control, as defined in the officer's employment agreement.
base salary.
ase salary.
nus.
onus otherwise payable.
all stock options granted in accordance with ASC Topic 718. The amount shown excludes the impact of estimated forfeitures re
ed vesting conditions. This amount reflects our accounting expense for these awards, and does not correspond to the actual value tha
by the officer.

Inc.

s	Disability		Death		Termination Without Cause or Constructive Termination	CIC Whether or Not Services are Terminated (1)
	$60,200	(3)	$	$	120,400(2)	$ 120,400(2)
		(4)	(4)		(5)	(5)
ls						
						53,176(6)
	$60,200		$	$	120,400	$ 173,576

ns change in control, as defined in the officer's employment agreement.
ase salary.

ase salary.
nus.
onus otherwise payable.
all stock options granted in accordance with ASC Topic 718. The amount shown excludes the impact of estimated forfeitures re
ed vesting conditions. This amount reflects our accounting expense for these awards, and does not correspond to the actual value tha
by the officer.

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Therapeutics Inc.

s	Disability	Death	Termination Without Cause or Constructive Termination	CIC Whether or Not Services are Terminated (1)
	$	$	$ 143,500 (2)	$ 143,500(2)
ls				
				19,648(3)
	$	$	$ 143,500	$ 163,148

ns change in control, as defined in the officer's employment agreement.
ase salary.
all stock options granted in accordance with ASC Topic 718. The amount shown excludes the impact of estimated forfeitures re
ed vesting conditions. This amount reflects our accounting expense for these awards, and does not correspond to the actual value tha
by the officer.

mation

ain information with respect to all of our equity compensation plans in effect as of August 31, 2010:

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
oved by stockholders	1,391,288	$ 14.25	2,697,228
pproved by stockholders	-	-	-
	1,391,288	$ 14.25	2,697,228

cks and Insider Participation

Committee has served as one of our officers or employees at any time. None of the Company's executive officers serves, or has serve of the compensation committee or a member of the board of directors of any other company that has an executive officer serving as a or the Company's board of directors.

REPORT OF THE COMPENSATION COMMITTEE OF THE RAPTOR BOARD OF DIRECTORS

has reviewed and discussed the preceding Compensation Discussion and Analysis of Raptor Pharmaceutical Corp. with the Co review and discussions, the Compensation Committee recommended to the board of directors that the Compensation Discussion and A nt.

Compensation Committee

/s/ Bill Anderson, Chair

/s/ Llew Keltner, M.D., Ph.D.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

ns

has not been nor is there currently proposed any transaction or series of similar transactions to which we were or are to be a party in w
00 and in which any of our directors, executive officers, persons who we know hold more than 5% of our common stock, or any memb
oregoing persons had or will have a direct or indirect material interest other than: (i) compensation agreements and other arrangement
roxy statement, and (ii) the transactions described below.

agreements with all of our officers and directors which provide, among other things, that we will indemnify such officer or director, u
provided for therein, for expenses, damages, judgments, fines and settlements he or she may be required to pay in actions or proceeding
arty by reason of his or her position as a director, officer or other agent of us or our subsidiaries, and otherwise to the fullest extent p
aws.

purchase agreement, we and our wholly-owned subsidiary, Raptor Therapeutics Inc., purchased certain assets of Convivia, Inc., whic
ed Daley (currently the President of Raptor Therapeutics Inc.). To date, in aggregate, Mr. Daley has received 104,904 shares of our c
es and may receive additional common stock and cash bonuses based on the successful development of our ConviviaTM development p
he ConviviaTM product candidate along with other clinical-stage programs at Raptor Therapeutics Inc.

ess, our officers have loaned money to us by paying expenses for travel and equipment and other costs from their personal fund
ursed the officers for such expenses and costs.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT
AND RELATED STOCKHOLDER MATTERS

of February 4, 2011, each beneficial owner (or group of affiliated beneficial owners) of more than five percent (5%) of any class of ou
ecutive officers as of the end of the fiscal year ended August 31, 2010, each our directors and all of our executive officers and direc
ated, each listed stockholder directly owned his or her shares and had sole voting and investment power. Unless otherwise noted, the
aptor Pharmaceutical Corp., 9 Commercial Blvd., Suite 200, Novato, CA 94949.

Address	Number of Shares Of Common Stock Beneficially Owned	Number of Shares Subject to Options/ Options and Warrants (1)	Percentage of Outstanding Shares of Common Stock (2)
	2,544,320	1,951,220	
tal			
	2,262,811	1,172,764	
	2,200,491	1,156,399	
	915,363	215,994	
	800,598	101,229	
	530,434	294,980	
	203,803	98,899	
	178,418	178,418	
	129,010	128,428	
	86,224	86,224	
	63,313	63,313	
	53,113	53,113	
	--	--	
rs as a			
	2,960,274	1,220,596	

than one percent.

etermined in accordance with SEC rules and generally includes voting or investment power with respect to
non stock subject to options, warrants and convertible preferred stock currently exercisable or convertible, or
within sixty (60) days of February 4, 2011, are counted as outstanding for computing the percentage held by
options or warrants but are not counted as outstanding for computing the percentage of any other person.
es outstanding as of February 4, 2011.
nd warrants to purchase 741,464 shares held by Deerfield Special Situations Fund, LP, and 371,942 shares
e 1,209,756 shares held by Deerfield Special Situations Fund International, Limited. Deerfield Special
Deerfield Special Situations Fund International, Limited, (or collectively, the “Deerfield Funds”) are affiliated
nt Company, LP. The Deerfield Funds were issued warrants to purchase an aggregate of 1,951,220 shares of
0 Private Placement. However, these warrants are exercisable only to the extent that the number of shares
ntities affiliated with Deerfield Management Company, LP does not exceed 9.999% of our outstanding stock
f those warrants have not been counted as outstanding for purposes of computing the percentage held by the
erfield Capital Management, LP. The principal business address of each of the Deerfield Funds is 780 3rd
York, NY 10017.

and warrants to purchase 117,863 shares held by Epworth-Ayer Capital, (ii) 32,064 shares and warrants to
eld by Ayer Capital Partners Krestrel Fund, LP and (iii) 971,282 shares and warrants to purchase 1,026,824
tal Partners Master Fund, LP (or collectively with Epworth-Ayer Capital and Ayer Capital Partners Krestrel
tal Funds”). Each of the Ayer Capital Funds is affiliated with Ayer Capital Management, LP. The address for
Funds is 230 California Street, Suite 600, San Francisco, CA 94111.
y is Bahnhofplatz, P.O. Box 4010, 6304 Zug, Switzerland. Aran Asset Management disclaims beneficial
registered in its name on behalf of its clients. The Chairman and CEO of Aran Asset Management SA is
o disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

REPORT OF OUR AUDIT COMMITTEE

mittee have been appointed by our board of directors. Our Audit Committee is governed by its charter, which has been approved and ado will be reviewed and reassessed annually by our Audit Committee.

ust 31, 2010, the Audit Committee was comprised of three directors, Mr. Anderson, Dr. Franklin and Dr. Keltner.

Report does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any other Raptor filing u ed, or under the Exchange Act, except to the extent we specifically incorporate this Audit Committee Report by reference therein.

board of directors in fulfilling its oversight responsibilities by reviewing (i) the financial reports and other financial information prov al body or to the public, (ii) the Company's systems of internal controls regarding finance, accounting, legal compliance and ethics and and financial reporting processes. It is not the responsibility of our Audit Committee to determine that the Company's financial state nted in accordance with accounting principles generally accepted in the United States or present fairly the results of operations of the C the Company maintains appropriate internal controls. Nor is it the duty of our Audit Committee to determine that the audit of the Co arried out in accordance with generally accepted auditing standards or that the Company's independent registered public accountin

ttee hereby reports as follows:

d and discussed the audited financial statements of the Company as of and for our fiscal year ended August 31, 2010 t and the independent registered public accounting firm.

ttee discussed with the independent registered public accounting firm the matters required to be discussed by ting Standards No. 61, as amended ("Communication with Audit Committees"), as adopted by the Public Company ght Board in Rule 3200T.

tee received from the independent registered public accounting firm the written disclosures and letter required by y Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee endence, and the Audit Committee discussed with the independent registered public accounting firm the e independent registered public accounting firm.

ussion referred to in the three bullet points above, we recommended to the board, and the board has approved, that the audited f our fiscal year ended August 31, 2010 be included in our Annual Report on Form 10-K for the fiscal year ended August 31, 2010 an r Audit Committee also has recommended, and the board of directors also has approved, subject to stockholder ratification, the appoint dependent registered public accounting firm for our fiscal year ending August 31, 2011.

Audit Committee
/s/ Bill Anderson (Chair)
/s/ Rick Franklin, M.D., Ph.D.
/s/ Llew Keltner, M.D., Ph.D.

OTHER MATTERS

hip Reporting Compliance

Act requires our directors, executive officers and 10% stockholders of a registered class of equity securities to file reports of owners of our common stock and other equity securities with the SEC. Directors, executive officers and 10% stockholders of a registered furnish us with copies of all Section 16(a) forms they file. To our knowledge, based on a review of the copies of such reports furnish year ended August 31, 2010, our directors, executive officers and 10% stockholders of a registered class of equity securities timely to them, except that the following Form 4s were filed late: Dr. Rioux filed a Form 4 on July 9, 2010, which was seven business d ption grant in fulfillment of a milestone; Mr. Daley filed a Form 4 on July 9, 2010, which was eight business days late, reporting the r lment of a milestone; and Dr. Franklin filed a Form 4 on March 12, 2010, which was one day late, reporting the receipt of a stock opti as a director.

t part of this proxy statement and you should not rely on that information in deciding whether to approve any of the proposals describe rmation is also in this proxy statement.

rrent reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other informa rence Room at 100 F Street, N.E., Washington, D.C. 20549 on official business days during the hours of 10:00 a.m. to 3:00 p.m. Pleas her information on the Public Reference Room. Our SEC filings are also available to the public from commercial document retrieval y the SEC at http://www.sec.gov. Reports, proxy statements and other information concerning us also may be inspected at the office uthority, Inc., Listing Section, 1735 K Street, Washington, D.C. 20006. You may also obtain free copies of the documents that we file d Media section of our website, www.raptorpharma.com.

out charge to each person solicited upon the written request of any such person, a copy of the Company's annual report to stockholde ur annual report to stockholders or copies of the documents that we file with the SEC, please send a request in writing to the following umber:

Pharmaceutical Corp.
ercial Blvd., Suite 200
ovato CA 94949
415) 382-1390
n: Corporate Secretary

ormation contained in this proxy statement to vote your shares at our annual meeting. We have not authorized anyone to provide y t contained in this proxy statement. This proxy statement is dated February 11, 2010. You should not assume that the information cont s of any date other than that date.

other Raptor product and service names are registered trademarks or trademarks of Raptor in the United States and in other select count on and U.S. trademark, respectively. Other third-party logos and product/trade names are registered trademarks or trade names of the

mit a proposal to be considered at the Company's 2012 annual meeting of stockholders (including director nominations), (i) the sto
hereof in writing to the Corporate Secretary, (ii) the business must be a proper matter for stockholder action under the Delaware
kholder intends to solicit proxies from stockholders with respect to such proposal, such stockholder has delivered a proxy statement a
number of shares required under applicable law to approve such proposal and has included copies of such materials with the notice d
ockholder desires that the proposal be included in the proxy

Company in connection with the annual meeting, the stockholder must not have solicited proxies sufficient to have required it to deliv
t intends to solicit proxies from stockholders. The notice delivered by the stockholder must comply with the requirements set fort
, and must be delivered to the Corporate Secretary at the Company's principal executive offices not later than the close of business or
business on the 120th day prior to the anniversary of the date of the 2011 annual meeting. However, if the date of the 2012 annual me
han 30 days prior to or delayed more than 30 days after the anniversary of the date of the 2011 annual meeting, then notice must be d
ness on the 120th day prior to the anniversary of the date of 2011 annual meeting and not later than the close of business on the 90th d
2011 annual meeting or the 10th day following the day on which public announcement of the date of the 2012 annual meeting is firs
year's proxy statement prepared by the Company must comply with certain rules and regulations promulgated by the SEC and the pr
s, as amended.

of Directors

ided a procedure for stockholders or other persons to send written communications to our board of directors, committees of our b
including complaints to our Audit Committee regarding accounting, internal accounting controls, or auditing matters. Stockholders m
board of directors, the appropriate committee or any of the directors by certified mail only, c/o Audit Committee Chairman,
rcial Blvd., Suite 200, Novato, California 94949. All such written communications will be compiled by the Chairman of the Audit Co
directors, a committee of our board of directors or the individual director(s), as appropriate, within a reasonable period of time
with our corporate records.

t to Multiple Stockholders with the Same Address

permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy materials with respect to two
address by delivering a single set of proxy materials addressed to those stockholders. This process, which is commonly referr
ns extra convenience for stockholders and cost savings for companies.

will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stock
rom your broker that it will be "householding" communications to your address, "householding" will continue until you are notified
aptor that you no longer wish to participate in "householding." If, at any time, you no longer wish to participate in "householding" and
ials in the future, you may (1) notify your broker, (2) direct your written request to: Corporate Secretary, Raptor Pharmaceutical
ovato, California 94949, or (3) contact our Chief Financial Officer, Kim R. Tsuchimoto, at (415) 382-1390. Upon a written or oral re
above, we will promptly deliver a separate set of proxy materials to a stockholder at a shared address to which a single copy of the do
who currently receive multiple copies of the proxy materials at their address and would like to request "householding" of their comm

APPENDIX A

2011 PLAN AMENDMENTS TO THE RAPTOR PHARMACEUTICAL CORP.
2010 STOCK INCENTIVE PLAN

ed to be amended and restated as follows:

on 9 below and the remainder of this Section 3(a), a total of 3,000,000 Shares shall be available for issuance under the Plan (the n as adjusted pursuant to this Section 3(a) and subject to Section 9, the "Share Pool"), which includes the 400,000 Shares that were av entified in Section 1(d) as of February 1, 2010. On the 2011 Share Pool Adoption Date, the Share Pool automatically shall increase b uch date. On August 31, 2011 and August 31, 2012, the Share Pool automatically shall increase by 5% of the total Shares outstanding , shall the 2011 Share Pool Adoption Date and the August 31, 2011 and August 31, 2012 Share Pool increases exceed 6,000,000 Shar l may be used for any form of Award under the Plan. The Shares deliverable pursuant to Awards shall be authorized but unissued Sh se holds in treasury or in trust."

Pool Adoption Date" is proposed to be added to Appendix I of the Plan as follows:

" shall mean the date the amendment of the Plan providing for the 2011 Share Pool Adoption Date, the August 31, 2011 and the Augus Section 3(a) of the Plan is approved by the Company's stockholders.

ed to be amended and restated as follows:

hstanding anything to the contrary in any Award Agreement, in the event of a Change in Control, no less than 50% of each Award 011 Share Pool Adoption Date) that was outstanding and unvested immediately prior to such Change in Control shall immediately vest xercisable) as to 50% of the Shares that otherwise would have been unvested (the "Automatic Vesting"). For the sake of clarity, oyment agreement may provide for more favorable accelerated vesting terms in which case the more favorable accelerated vesting ter ed employment agreement shall apply.

ntrol, subject to the terms of any Award Agreements or employment-related agreements between the Company or any Affiliates ard shall be assumed or a substantially equivalent award shall be substituted by the surviving or successor company or a parent or subsi case, the "Successor Company") upon consummation of the transaction. Notwithstanding the foregoing, instead of having outstandin ivalent awards by the Successor Company, the Committee may in its sole and absolute discretion and authority, without obtaining the a ckholders or any Participant with respect to his or her outstanding Awards, take one or more of the following actions (with respect to a n to differentiate between individual Participants and Awards for any reason):

rds (in addition to the Automatic Vesting) so that Awards shall vest (and, to the extent applicable, become exercisable) as to the Sh sted and provide that repurchase rights of the Company with respect to Shares issued pursuant to an Award shall lapse as to the Shares

for the payment of cash or other consideration to Participants in exchange for the satisfaction and cancellation of outstanding Awards (unt payable to each Participant based on the Fair Market Value, on the date of the Change in Control, of the Award being canceled, b selected by the Committee, which amount may be adjusted downward to the extent the Committee reasonably determines required by

rds upon the consummation of the transaction, provided that the Committee shall provide for vesting of such Awards in full as o
ion of the Change in Control. To the extent that an Award is not exercised prior to consummation of a transaction in which the Awa
ch Award shall terminate upon such consummation;

ns, adjustments or amendments to outstanding Awards or this Plan as the Committee deems necessary or appropriate, subject however t

RAPTOR PHARMACEUTICAL CORP.

ANNUAL MEETING PROXY CARD

HIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS OF RAPTOR PHARMACEUTICAL CORP.
FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MARCH 22, 2011

The undersigned, having read the Notice of Annual Meeting of Stockholders and the Proxy Statement dated February 11, 2011, receipt of which are hereby acknowledged, hereby appoints Christopher M. Starr, Ph.D., and Kim R. Tsuchimoto and each of them, with power to act without the other and with power of substitution, as proxies and attorneys-in-fact and hereby authorizes them to represent and vote as provided on the other side, all the shares of Raptor Pharmaceutical Corp. ("Raptor") common stock that the undersigned is entitled to vote at Raptor's Annual Meeting of Stockholders on March 22, 2011, at 10:00 a.m. (Pacific) at Raptor's corporate offices at 9 Commercial Blvd., Suite 200, Novato, CA 94949, and at any continuation, adjournment or postponement thereof.

(Continued and to be signed on the reverse side.)

ANNUAL MEETING OF STOCKHOLDERS OF

RAPTOR PHARMACEUTICAL CORP.

March 22, 2011

NSTRUCTIONS

voteproxy.com" and follow the on-screen instructions. Have your proxy card available when you access the web page, a

rd.

300-PROXIES (1-800-776-9437) in the United States or 1-718-921-8500 from foreign countries from any touch-tone telephone and fo

when you call and use the Company Number and Account Number shown on your proxy card.

M EST the day before the meeting.

r proxy card in the envelope provided as soon as possible.

r shares in person by attending the Annual Meeting.

LABILITY OF PROXY MATERIAL: The Notice of Meeting, proxy statement, proxy card and annual report to
s://materials.proxyvote.com/75382F

ne and mail in the envelope provided IF you are not voting via telephone or the Internet.

RECOMMENDS A VOTE "FOR" EACH OF THE NOMINEES FOR DIRECTOR AND "FOR" PROPOSALS 2 AND 3.
TURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN H

OLD AUTHORITY

.D.

uthority to vote for any individual nominee(s), mark "FOR ALL EXCEPT"

nominee you wish to withhold, as shown here: X

the audit committee of the Board of Directors of Burr Pilger Mayer, Inc. as Raptor's independent
firm for the fiscal year ending August 31, 2011.

nts to the Raptor Pharmaceutical Corp. 2010 Stock Incentive Plan.

ROXIES ARE AUTHORIZED AND EMPOWERED TO
ERS THAT MAY PROPERLY COME BEFORE THE
ALL CONTINUATIONS, ADJOURNMENTS OR POSTPONEMENTS THEREOF.

SPECIFY YOUR CHOICE BY MARKING THE APPROPRIATE BOX. THE PROXY, WHEN PROPERLY EXECUTED, WILL BE
N. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED

E NAMED NOMINEES FOR DIRECTOR, "FOR" THE
APPOINTMENT OF RAPTOR'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, AND "FOR" THE APPRO
THE RAPTOR PHARMACEUTICAL CORP. 2010 STOCK INCENTIVE PLAN, IN ACCORDANCE WITH THE JUDGM

undersigned to vote at the Annual Meeting or at any adjournment or postponement thereof are hereby revoked.

T. PLEASE COMPLETE YOUR VOTING SELECTION
IL YOUR PROXY CARD BACK IN THE ENCLOSED ENVELOPE AS SOON AS POSSIBLE!

count, please check the box at right and indicate your new address in the address space above. Please note that changes to the registere
be submitted via

s your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When strator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by