

EVEREST REINSURANCE HOLDINGS INC

Form 424B5

March 25, 2004

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**Filed Pursuant to Rule 424(b)(5)**

**Registration No. 333-106595**

**PROSPECTUS SUPPLEMENT**

**(TO PROSPECTUS DATED DECEMBER 22, 2003)**

## **11,200,000 Preferred Securities**

### **Everest Re Capital Trust II**

#### **6.20% Trust Preferred Securities**

**(\$25 Liquidation Amount per Preferred Security)**

**Guaranteed to the extent described in this prospectus supplement and the accompanying prospectus by**

#### **Everest Reinsurance Holdings, Inc.**

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Each of the 6.20% Trust Preferred Securities, referred to in this prospectus supplement as preferred securities, represents an undivided beneficial ownership interest in the assets of Everest Re Capital Trust II. Everest Re Capital Trust II will redeem all of the outstanding preferred securities on March 29, 2034. In addition, Everest Reinsurance Holdings, Inc. may cause Everest Re Capital Trust II to redeem the preferred securities on or after March 30, 2009. Everest Reinsurance Holdings, Inc. will be the owner of all of the undivided beneficial ownership interests represented by common securities of Everest Re Capital Trust II.

A brief description of the preferred securities can be found under **Summary Information** **Q&A** in this prospectus supplement. The preferred securities have been approved for listing on the New York Stock Exchange, subject to official notice of issuance. Trading of the preferred securities is expected to begin within 30 days after they are first issued.

**See Risk Factors beginning on page S-8 of this prospectus supplement to read about certain factors you should consider before buying the preferred securities.**

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	<b>Per</b>	
	<b>Preferred</b>	
	<b>Security</b>	<b>Total</b>
Initial public offering price(1)	\$ 25.00	\$ 280,000,000
Underwriting commission to be paid by Everest Reinsurance Holdings, Inc.	(2)	(2)
Proceeds, before expenses, to Everest Re Capital Trust II	\$ 25.00	\$ 280,000,000

(1) Plus accrued distributions, if any, from March 29, 2004.

(2) In view of the fact that the proceeds of the sale of the preferred securities will ultimately be used to purchase junior subordinated debt securities of Everest Reinsurance Holdings, Inc., the underwriting agreement provides that Everest Reinsurance Holdings, Inc. will pay as compensation to the underwriters \$0.7875 per preferred security (\$8,820,000 in the aggregate, \$10,080,000 in the aggregate if the over-allotment option referred to below is exercised in full). See Underwriting herein.

Within 30 days from the date of this prospectus the underwriters may also purchase up to an additional 1,600,000 preferred securities at \$25 per preferred security plus accrued distributions from March 29, 2004, to cover over-allotments, if any.

The preferred securities will be ready for delivery in book-entry form only through The Depository Trust Company on or about March 29, 2004.

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*Joint Book-Running Managers*

**Wachovia Securities**

**Citigroup**

**Merrill Lynch & Co.**

**Morgan Stanley**

**UBS Investment Bank**

**Deutsche Bank Securities**

**Goldman, Sachs & Co.**

**JPMorgan**

**RBC Dain Rauscher**

**Prospectus Supplement dated March 24, 2004.**

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**ABOUT THIS PROSPECTUS**

This document consists of two parts. The first part is this prospectus supplement, which describes the terms of the offering of the preferred securities and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to the offering of the preferred securities.

Unless the context otherwise requires, references in this prospectus supplement to Everest Group refer to Everest Re Group, Ltd. and its subsidiaries, collectively. References to Everest Holdings refer to Everest Reinsurance Holdings, Inc. and its subsidiaries, collectively. References to Everest Capital Trust refer to Everest Re Capital Trust II, a Delaware statutory trust. References to Everest Bermuda refer to Everest Reinsurance (Bermuda), Ltd. References to \$ are to United States currency, and the terms United States and U.S. mean the United States of America, its states, its territories, its possessions and all areas subject to its jurisdiction.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. Incorporated by reference means that Everest Holdings and Everest Capital Trust can disclose important information to you by referring you to another document filed separately with the SEC. Neither Everest Holdings nor Everest Capital Trust has authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither Everest Holdings nor Everest Capital Trust is making, nor will they make, an offer to sell securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus is current only as of the dates on their covers. Everest Holdings' business, financial condition, results of operations and prospects may have changed since that date.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus supplement and the information incorporated by reference in this prospectus supplement may contain forward-looking statements within the meaning of the U.S. federal securities laws. These forward-looking statements are intended to be covered by the safe harbor provisions for forward-looking statements in the federal securities laws. In some cases, you can identify these statements by the use of forward-looking words such as may, will, should, anticipate, estimate, expect, plan, believe, predict, potential, and intend. that these statements and any other forward-looking statements in these documents only reflect expectations and are not guarantees of performance. These statements involve risks, uncertainties and assumptions. Actual events or results may differ materially from expectations. Important factors that could cause actual results to be materially different from expectations include those discussed under the captions Risk Factors on page S-8 of this prospectus supplement and on page 4 of the accompanying prospectus. Neither Everest Holdings nor Everest Capital Trust undertakes any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

**CERTAIN PERSONS PARTICIPATING IN THE OFFERING MADE HEREBY MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SECURITIES, INCLUDING OVER-ALLOTMENT, STABILIZING AND SHORT-COVERING TRANSACTIONS IN THE SECURITIES AND THE IMPOSITION OF A PENALTY BID, IN CONNECTION WITH THE OFFERING MADE HEREBY.**

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**SUMMARY INFORMATION Q&A**

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

**What are the preferred securities?**

Each preferred security represents an undivided beneficial interest in the assets of Everest Capital Trust. Each preferred security will entitle the holder to receive quarterly cash distributions as described in this prospectus supplement. The underwriters are offering preferred securities at a price of \$25 for each preferred security.

Everest Holdings will own all of the common securities issued by Everest Capital Trust and Everest Holdings will guarantee the preferred securities issued by Everest Capital Trust to the extent described in this prospectus supplement and the accompanying prospectus.

**Who is Everest Holdings?**

Everest Holdings' principal business, conducted through its operating subsidiaries, is the underwriting of reinsurance and insurance in the United States and international markets. Reinsurance is a form of insurance purchased by an insurance company to indemnify it for all or part of the loss that it may sustain under insurance contracts it has written. Insurance companies purchasing reinsurance are often referred to as ceding companies or reinsureds. Everest Holdings underwrites reinsurance both through brokers and directly with ceding companies, giving it the flexibility to pursue business regardless of the ceding company's preferred reinsurance purchasing method.

Everest Holdings was established in 1993 in Delaware to serve as the parent holding company of Everest Reinsurance Company, referred to in this prospectus supplement as Everest Re. Until October 6, 1995, Everest Holdings was an indirect, wholly-owned subsidiary of The Prudential Insurance Company of America, referred to in this prospectus supplement as The Prudential. On October 6, 1995, The Prudential sold its entire interest in Everest Holdings' shares of common stock in an initial public offering. Effective February 24, 2000, Everest Holdings completed a restructuring pursuant to which Everest Holdings became the wholly-owned subsidiary of Everest Group, and each outstanding share of common stock of Everest Holdings automatically converted into one common share of Everest Group. Everest Holdings continues to act as the holding company for the subsidiaries of Everest Group in the United States and Canada, the most significant of which are listed below:

*Everest Reinsurance Company*, a Delaware insurance company, underwrites property and casualty reinsurance for insurance and reinsurance companies in the United States and international markets.

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*Everest National Insurance Company*, an Arizona insurance company, writes property and casualty insurance in the United States.

*Everest Indemnity Insurance Company*, a Delaware insurance company, engages in the excess and surplus lines insurance business in the United States. Excess and surplus lines insurance is specialty property and liability coverage that an insurer not licensed to write insurance in a particular state is permitted to provide when the specific specialty coverage is unavailable from licensed insurers.

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*Mt. McKinley Insurance Company*, formerly known as Gibraltar Casualty Company, a Delaware insurance company, engaged in the excess and surplus lines insurance business in the United States from 1978 to 1985. In 1985, it ceased writing new and renewal insurance, and now its ongoing operations relate to servicing claims arising from its previously written business.

*Everest Security Insurance Company*, formerly known as Southeastern Security Insurance Company, a Georgia insurance company, writes property and casualty insurance in Georgia and Alabama.

Everest Holdings' principal executive offices are located at 477 Martinsville Road, P.O. Box 830, Liberty Corner, New Jersey 07938-0830, and its telephone number is (908) 604-3000.

## **Who is Everest Group?**

Everest Group was established in 1999 as a Bermuda company to serve as the parent holding company of Everest Holdings. Everest Group's principal business is the underwriting of reinsurance and insurance in the United States and international markets through Everest Holdings' operating subsidiaries and through Everest Group's subsidiary, Everest Bermuda. Everest Bermuda is a Bermuda insurance company that writes property and casualty business and life and annuity business from its offices in Bermuda. All of Everest Group's insurance company subsidiaries, except Mt. McKinley Insurance Company and Everest International Reinsurance, Ltd., are rated A+ ( Superior ) by A.M. Best Company, an independent insurance industry rating organization that rates insurance companies on factors of concern to policyholders.

Everest Group is not issuing or guaranteeing the preferred securities or the junior subordinated debt securities described in this prospectus supplement and will not have any liability for any of the securities described in this prospectus supplement.

Everest Group's principal executive offices are located at c/o ABG Financial & Management Services Inc., Parker House, Wildey Business Park, Wildey Road, St. Michael, Barbados, and its telephone number is (246) 228-7398.

## **Who is Everest Capital Trust?**

Everest Capital Trust is a Delaware statutory trust. Everest Capital Trust exists solely to:

issue and sell its preferred securities, representing undivided beneficial interests in the assets of Everest Capital Trust, to the public;

issue and sell its common securities, representing undivided beneficial interests in the assets of Everest Capital Trust, to Everest Holdings;

use the proceeds from the sale of its preferred and common securities to purchase a series of Everest Holdings' junior subordinated debt securities with the same financial terms as the preferred securities;



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distribute the cash payments it receives from the junior subordinated debt securities it owns to the holders of the preferred and common securities; and

engage in other activities that are necessary or incidental to these purposes.

Everest Holdings will purchase all of the common securities of Everest Capital Trust. The common securities will represent an aggregate liquidation amount equal to at least 3% of Everest Capital Trust's total capitalization. The preferred securities will represent the remaining 97% of Everest Capital Trust's total capitalization. The common securities will have terms substantially identical to, and will rank equal in priority of payment with, the preferred securities. However, if Everest Holdings defaults on the junior subordinated debt securities, then cash distributions and liquidation, redemption and other amounts payable on the common securities will be subordinate in priority of payment to these amounts payable on the preferred securities.

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The preferred securities will be guaranteed by Everest Holdings as described in this prospectus supplement and the accompanying prospectus.

Everest Holdings has appointed five trustees to conduct Everest Capital Trust's activities and affairs:

JPMorgan Chase Bank, as property trustee;

Chase Manhattan Bank USA, National Association, as Delaware trustee; and

Three officers of Everest Holdings, as administrative trustees.

Except under specified limited circumstances, only Everest Holdings can remove or replace the trustees. In addition, Everest Holdings can increase or decrease the number of trustees.

The duties and obligations of each trustee are contained in the trust agreement governing the preferred securities, referred to in this prospectus supplement as the trust agreement. The trust agreement is described in this prospectus supplement and the accompanying prospectus. Pursuant to the trust agreement, the property trustee must hold the junior subordinated debt securities in trust for the benefit of the holders of the preferred securities and the common securities and has the power to exercise all rights, powers and privileges under the junior subordinated indenture as the holder of the junior subordinated debt securities.

Everest Holdings will pay all fees and expenses related to Everest Capital Trust and the offering of the preferred securities and will pay all ongoing costs and expenses of Everest Capital Trust, except Everest Capital Trust's obligations under the preferred and common securities.

Everest Capital Trust does not have separate financial statements. The statements would not be material to holders of the preferred securities because Everest Capital Trust will not have any independent operations and exists solely for the reasons summarized above. Everest Holdings and Everest Group will reflect the junior subordinated debt securities as a liability in their consolidated financial statements.

Everest Capital Trust's principal executive offices are located at 477 Martinsville Road, P.O. Box 830, Liberty Corner, New Jersey 07938-0830, and its telephone number is (908) 604-3000.

**When will you receive quarterly distributions?**

You will be entitled to receive cumulative cash distributions at an annual rate of 6.20% of the liquidation amount of \$25 per preferred security. Distributions will accrue from the date Everest Capital Trust issues the preferred securities and will be paid quarterly in arrears on the 30th day of March, June, September and December of each year, beginning June 30, 2004.

**When can payment of your distributions be deferred?**

The ability of Everest Capital Trust to pay distributions on the preferred securities is solely dependent on the receipt of interest payments from Everest Holdings on the junior subordinated debt securities. Everest Holdings may, at any time and from time to time, so long as Everest Holdings is not in default with respect to the terms of the junior subordinated debt securities, defer the interest payments due on the junior subordinated debt securities for up to 20 consecutive quarters, but not beyond the maturity date of the junior subordinated debt securities. These deferred interest payments will accumulate at the rate of 6.20% per year compounded quarterly. Once Everest Holdings makes all interest payments on the junior subordinated debt securities, it can again postpone interest payments on the junior subordinated debt securities.

If Everest Holdings defers interest payments on the junior subordinated debt securities, the corresponding quarterly distributions on the preferred securities will be deferred by Everest Capital Trust but will continue to accumulate and will accrue interest at the rate of 6.20% per year compounded quarterly until the end of the deferral period.

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During any period in which Everest Holdings defers any interest payment on the junior subordinated debt securities or is in default under the terms of the junior subordinated debt securities or the guarantee, neither it nor its subsidiaries will be permitted to:

declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of Everest Holdings' capital stock;

make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any debt securities of Everest Holdings, including other junior subordinated debt securities, that rank equally with or junior in interest to the junior subordinated debt securities; or

make any guarantee payments with respect to any guarantee by Everest Holdings of the debt securities of any subsidiary of Everest Holdings if that guarantee ranks equally with or junior in interest to the junior subordinated debt securities.

In addition, during any period in which Everest Holdings has elected to defer interest payments on the junior subordinated debt securities, neither Everest Group, the parent company of Everest Holdings, nor its subsidiaries may declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of Everest Group's capital stock.

There are limited exceptions to these restrictions that are described in this prospectus supplement under the headings "Terms of the Junior Subordinated Debt Securities - Option to Extend Interest Payment Period" and "Restrictions of Specified Payments." If Everest Holdings defers interest payments on the junior subordinated debt securities, and distributions on the preferred securities are consequently deferred, you will be required to accrue interest income for U.S. federal income tax purposes prior to receiving any corresponding distribution with respect to the deferred distributions on the preferred securities. See "Risk Factors - Everest Holdings' ability to defer distributions has tax consequences for you and may affect the trading price of the preferred securities" and "United States Federal Income Tax Consequences."

### **When can Everest Capital Trust redeem the preferred securities?**

Everest Capital Trust will redeem all of the outstanding preferred securities when the junior subordinated debt securities are paid at maturity on March 29, 2034. In addition, if Everest Holdings redeems any junior subordinated debt securities before their maturity, Everest Capital Trust will use the cash it receives from the redemption of the junior subordinated debt securities to redeem, on a proportionate basis, preferred securities and common securities having an aggregate liquidation amount equal to the aggregate principal amount of the junior subordinated debt securities redeemed.

Everest Holdings can redeem the junior subordinated debt securities before their maturity at 100% of their principal amount plus accrued and unpaid interest to the date of redemption:

in whole or in part, on one or more occasions at any time on or after March 30, 2009; and

at any time, in whole, but not in part, within 90 days of the occurrence and continuation of specified changes in tax or regulatory law, referred to in this prospectus supplement as a tax event and an investment company event, respectively.

**What is the nature of the guarantee by Everest Holdings?**

Everest Holdings has irrevocably and unconditionally guaranteed, on a subordinated basis:

the payment in full of distributions on the preferred securities to the extent Everest Capital Trust has available funds for distribution;

the redemption price of the preferred securities called for redemption by Everest Capital Trust upon an optional redemption or a redemption due to the occurrence of a tax event or an investment company event to the extent Everest Capital Trust has available funds for distribution; and

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upon a liquidation of Everest Capital Trust, unless junior subordinated debt securities are distributed to holders of the preferred securities, the lesser of (1) the liquidation amount of, and accumulated distributions on, the preferred securities to the extent Everest Capital Trust has available funds for distribution and (2) the amount of assets of Everest Capital Trust available for distribution to holders of preferred securities after satisfaction of liabilities to creditors.

If Everest Holdings does not make a required payment on the junior subordinated debt securities, Everest Capital Trust will not have sufficient funds to make the related payment on the preferred securities. The guarantee does not cover payments on the preferred securities when Everest Capital Trust does not have sufficient funds to make these payments. If Everest Holdings does not pay any amounts on the junior subordinated debt securities when due, you will have to rely on the enforcement by the property trustee of the trustee's rights as registered holder of the junior subordinated debt securities, or proceed directly against Everest Holdings for payment of any amounts due on the preferred securities. Everest Holdings' obligations under the guarantee are unsecured and are subordinated to and junior in right of payment to all of Everest Holdings' secured and senior debt, and rank on parity with all other similar guarantees issued by Everest Holdings.

### **When could the junior subordinated debt securities be distributed to you?**

Everest Holdings, as the depositor of Everest Capital Trust, has the right to dissolve Everest Capital Trust at any time. If Everest Holdings exercises this right to dissolve Everest Capital Trust, the trust, after satisfying any creditors it has, will be liquidated by distribution of the junior subordinated debt securities to holders of the preferred securities and the common securities issued by the trust. If Everest Capital Trust distributes the junior subordinated debt securities, Everest Holdings will use its best efforts to list the junior subordinated debt securities on the New York Stock Exchange or any other exchange or quotation system on which the preferred securities are then listed.

### **What happens if Everest Capital Trust is dissolved and the junior subordinated debt securities are not distributed?**

Everest Capital Trust may also be dissolved in circumstances where the junior subordinated debt securities will not be distributed to you. In that event, after satisfying any of its creditors, Everest Capital Trust will be obligated to pay in cash the liquidation amount of \$25 for each preferred security plus accumulated distributions to the date the payment is made. Everest Capital Trust will be able to make this liquidation distribution only if the junior subordinated debt securities are paid or redeemed by Everest Holdings.

### **What voting rights will the preferred securities have?**

Generally, you will have no voting rights with respect to the preferred securities, as described in detail under the heading "Terms of the Preferred Securities - Voting Rights" in this prospectus supplement and under the headings "Description of the Trust Preferred Securities - Voting Rights" and "Description of the Trust Preferred Securities Guarantees - Amendments and Assignment" in the accompanying prospectus, except in cases in which the trustees of Everest Capital Trust propose any action which materially and adversely affects the powers, preferences or special rights of the preferred securities, whether by amending the trust agreement, the guarantee agreement or otherwise. You also will have the right to vote on the exercise of the property trustee's rights as holder of the junior subordinated debt securities and on waivers of defaults under the indenture governing the junior subordinated debt securities, referred to in this prospectus supplement as the junior subordinated indenture.

### **Will the preferred securities be listed on a stock exchange?**

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The preferred securities have been approved for listing on the New York Stock Exchange, subject to official notice of issuance. Trading of the preferred securities is expected to commence within 30 days after

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they are first issued. You should be aware that the listing of the preferred securities will not necessarily ensure that a liquid trading market will be available for the preferred securities or that you will be able to sell your preferred securities at the price you paid for them.

**In what form will the preferred securities be issued?**

The preferred securities will be represented by one or more global securities that will be deposited with, or on behalf of, and registered in the name of The Depository Trust Company, New York, New York, referred to in this prospectus supplement as DTC, or its nominee. This means that you will not receive a certificate for your preferred securities. Instead, you will hold your interest in your preferred securities through DTC's book-entry-only system. Everest Capital Trust expects that the preferred securities offered under this prospectus supplement will be ready for delivery through DTC on or about March 29, 2004.

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**RISK FACTORS**

*You should carefully consider the following risk factors regarding the preferred securities, in addition to the other information in this prospectus supplement and the accompanying prospectus, before you purchase any preferred securities.*

**Your investment in the preferred securities is also an investment in the junior subordinated debt securities.**

Because Everest Capital Trust will rely on the payments it receives on the junior subordinated debt securities to fund all payments on the preferred securities, and because Everest Capital Trust may distribute the junior subordinated debt securities in exchange for the preferred securities, you are making an investment decision with respect to the junior subordinated debt securities, as well as the preferred securities. As a result, you also should carefully review the information in this prospectus supplement and the accompanying prospectus about the junior subordinated debt securities.

**Everest Holdings obligations under the junior subordinated debt securities are unsecured and subordinated in right of payment to all of Everest Holdings secured and senior debt.**

The junior subordinated debt securities are unsecured obligations of Everest Holdings, subordinated in right of payment to the prior payment in full of all secured and senior indebtedness of Everest Holdings. As a result, in the event of the bankruptcy, liquidation or reorganization of Everest Holdings, or upon acceleration of the junior subordinated debt securities due to an event of default, Everest Holdings assets will be available to pay its obligations on the junior subordinated debt securities only after all secured and senior indebtedness has been paid in full. There may not be sufficient assets remaining to pay amounts due on any or all of the junior subordinated debt securities then outstanding. As of December 31, 2003, Everest Holdings had no secured indebtedness outstanding and approximately \$519.1 million of unsecured senior indebtedness outstanding, which ranks senior in priority to the junior subordinated debt securities and which does not include indebtedness of its subsidiaries.

**Everest Holdings obligations under the junior subordinated debt securities are effectively subordinated to all of the indebtedness and other liabilities of Everest Holdings subsidiaries.**

Everest Holdings is a holding company that conducts substantially all of its business through its subsidiaries. The junior subordinated debt securities are effectively subordinated to the indebtedness and other liabilities of Everest Holdings subsidiaries. As a result, in the event of the bankruptcy, liquidation or reorganization of Everest Holdings, or upon acceleration of the junior subordinated debt securities due to an event of default, assets of Everest Holdings subsidiaries will be available to pay obligations under the junior subordinated debt securities only after all creditors of the subsidiaries have been paid in full. Accordingly, holders of the junior subordinated debt securities should look only to the assets of Everest Holdings for payments on the junior subordinated debt securities. As of December 31, 2003, Everest Holdings subsidiaries had approximately \$8.4 billion of indebtedness and other liabilities, excluding trust preferred securities but including insurance reserves, which would rank structurally senior to debt securities issued by Everest Holdings and trust preferred securities issued by Everest Capital Trust.

**Everest Holdings may incur additional indebtedness that could limit the amount of funds available to make payments on the junior subordinated debt securities.**

Neither the junior subordinated indenture nor the trust agreement prohibit or limit the incurrence of secured or senior indebtedness or the incurrence of other indebtedness and liabilities by Everest Holdings or its subsidiaries. Any additional indebtedness or liabilities so incurred would reduce the amount of funds Everest Holdings would have available to pay its obligations under the junior subordinated debt securities.

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**Everest Holdings is a holding company that relies on payments from its subsidiaries to make payments under the junior subordinated debt securities.**

Everest Holdings is a holding company that has no significant operations or assets other than its ownership of the capital stock of Everest Re. Dividends and other permitted payments from Everest Re are expected to be the sole source of funds to meet the financial obligations of Everest Holdings and to make payments under the junior subordinated debt securities. The payment of dividends by Everest Re to Everest Holdings is limited by the Delaware Insurance Code and the Delaware General Corporation Law. Accordingly, Everest Re may not be able to pay dividends to Everest Holdings in the future, which would prevent Everest Holdings from making payments on the junior subordinated debt securities.

Everest Group, which owns Everest Holdings, is not issuing or guaranteeing the preferred securities or the junior subordinated debt securities described in this prospectus supplement and will not have any liability for any of the securities described in this prospectus supplement.

**If Everest Holdings does not make payments on the junior subordinated debt securities, Everest Capital Trust will not be able to pay distributions on the preferred securities and you will not be able to rely on the guarantee.**

The ability of Everest Capital Trust to pay distributions on the preferred securities and pay the redemption price or liquidation amount of the preferred securities depends solely upon Everest Holdings making the related payments on the junior subordinated debt securities when due. If Everest Holdings defaults on its obligations under the junior subordinated debt securities, Everest Capital Trust will not have sufficient funds to pay distributions on, or the redemption or liquidation amounts due with respect to, the preferred securities. In that case, you will not be able to rely upon the preferred securities guarantee for payment of these amounts because the guarantee only applies if Everest Capital Trust has funds available to make the payments due. Instead, you or the property trustee will have to bring a legal action against Everest Holdings to enforce the property trustee's rights under the junior subordinated indenture. Furthermore, Everest Holdings' obligations under the guarantee are unsecured and are subordinated to and junior in right of payment to all of Everest Holdings' secured and senior debt, and rank on parity with all other similar guarantees issued by Everest Holdings. The junior subordinated indenture provides that if an event occurs that is or would become an event of default with respect to the junior subordinated debt securities, and the indenture trustee knows of the event, the indenture trustee must give holders of the junior subordinated debt securities notice within 90 days, unless the default has been cured or waived. However, except in the case of a payment default on the junior subordinated debt securities, the indenture trustee will be protected in withholding the notice if the board of directors of Everest Holdings or the responsible officers of the indenture trustee determine in good faith that withholding of the notice is in the interest of the holders of the junior subordinated debt securities.

**You have limited rights to enforce Everest Holdings' obligations under the trust agreement and the junior subordinated debt securities.**

If an event of default occurs under the junior subordinated indenture, the event will also be an event of default under the trust agreement. These events of default are limited to payment defaults, breach of covenants and events of bankruptcy, insolvency and reorganization of Everest Holdings. The holders of 33% in aggregate liquidation amount of the outstanding preferred securities may accelerate payment of the principal and accrued and unpaid interest on the junior subordinated debt securities only upon the occurrence and continuation of an event of default under the junior subordinated indenture, and only if the indenture trustee or the holders of 33% in principal amount of the junior subordinated debt securities fail to so accelerate. In addition, if Everest Holdings fails to pay interest or principal on the junior subordinated debt securities when due, and the failure to pay is continuing, you may directly institute a proceeding against Everest Holdings for enforcement of payment of the principal of or interest on the junior subordinated debt securities having a principal amount equal to the aggregate stated liquidation amount of your preferred securities.



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### **You have limited voting rights and generally are not entitled to vote on the appointment, removal or replacement of the property trustee or the Delaware trustee.**

Generally, you will have no voting rights with respect to the preferred securities. You will have the right to vote on any action that materially and adversely affects the power, preferences or special rights of the preferred securities in any material respects, on the exercise of the property trustee's rights as holder of the junior subordinated debt securities and on waivers of defaults under the junior subordinated indenture. Except under limited circumstances, only Everest Holdings can elect and remove trustees. Additionally, Everest Holdings, the property trustee and the Delaware trustee can amend the trust agreement, without the consent of the holders of the preferred securities, to ensure that the junior subordinated debt securities will be treated as indebtedness for U.S. federal income tax purposes or to ensure that Everest Capital Trust will not be required to register as an investment company, in each case to the extent that the action does not adversely affect the interests of holders of preferred securities in any material respect. However, no amendment to the trust agreement may be made if the amendment would cause Everest Capital Trust to be taxable as a corporation or classified as anything other than a grantor trust for U.S. federal income tax purposes or to be treated as an investment company.

### **An active trading market for the preferred securities may not develop and may not afford sufficient liquidity to allow timely disposition of the preferred securities.**

The preferred securities constitute a new issue of securities with no established trading market. The preferred securities have been approved for listing on the New York Stock Exchange, subject to official notice of issuance. Trading of the preferred securities is expected to commence within 30 days after they are first issued. You should be aware that the listing of the preferred securities will not necessarily ensure that an active trading market will be available for the preferred securities. A lack of liquidity in the trading of the preferred securities could prevent you from selling the preferred securities in the amount and at the time you desire. Additionally, an illiquid trading market for the preferred securities could result in trading prices that are substantially below the value of the principal of and the accrued but unpaid distributions on the preferred securities.

### **The preferred securities may be redeemed prior to maturity; you may be taxed on the proceeds and you may not be able to reinvest the proceeds at the same or a higher rate of return.**

The junior subordinated debt securities may be redeemed in whole or in part on one or more occasions at any time on or after March 30, 2009, or at any time, in whole, but not in part, within 90 days of the occurrence and continuation of specified events relating to changes in tax or regulatory law described in this prospectus supplement. If redeemed on or after March 30, 2009, or upon the occurrence of a tax event or an investment company event, the redemption price for the junior subordinated debt securities would be equal to 100% of the principal amount to be redeemed plus accrued and unpaid interest on the junior subordinated debt securities. Upon redemption, Everest Capital Trust must use the redemption price it receives to redeem on a proportionate basis preferred securities and common securities having an aggregate liquidation amount equal to the aggregate principal amount of the junior subordinated debt securities redeemed.

The redemption of the preferred securities would be a taxable event to you for U.S. federal income tax purposes. In addition, you may not be able to reinvest the money that you receive in the redemption at a rate that is equal to or higher than the rate of return on the preferred securities.

### **Everest Holdings' ability to defer distributions has tax consequences for you and may affect the trading price of the preferred securities.**

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So long as no event of default under the junior subordinated indenture has occurred and is continuing, Everest Holdings can, on one or more occasions, defer interest payments on the junior subordinated debt securities for up to 20 consecutive quarters, but not beyond the maturity date of the junior subordinated debt

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securities. Because interest payments on the junior subordinated debt securities fund the distributions on the preferred securities, any deferral of interest payments on the junior subordinated debt securities will result in a corresponding deferral of distributions on the preferred securities. At the end of any extension period, Everest Holdings must pay all of the accrued interest on the junior subordinated debt securities and must also pay interest on the deferred interest payments.

If Everest Holdings defers interest payments on the junior subordinated debt securities, you will be required to accrue interest income for U.S. federal income tax purposes in respect of your proportionate share of the junior subordinated debt securities held by Everest Capital Trust even if you normally report income only when received. As a result, you may be required to include the accrued interest in your gross income for U.S. federal income tax purposes prior to your receiving any cash distribution.

Everest Holdings does not currently intend to defer interest payments on the junior subordinated debt securities. However, if it does so in the future, the preferred securities may trade at prices that do not fully reflect the value of the accrued but unpaid distributions. During an extension period, if you sell any preferred securities, you may not receive the same return on your investment as someone who continues to hold the preferred securities. Furthermore, if you sell your preferred securities before the record date for the first distribution after an extension period, you may never receive the cash related to the accrued interest that you reported for tax purposes. In addition, Everest Holdings' right to defer interest payments on the junior subordinated debt securities could mean that the market price for the preferred securities may be more volatile than that of other securities without interest deferral rights.

### **A distribution of the junior subordinated debt securities in exchange for the preferred securities could have an adverse effect on the holders of preferred securities.**

Everest Holdings has the right at any time to dissolve Everest Capital Trust and cause the pro rata distribution of the junior subordinated debt securities, after payment of all of the trust's debts, if any, in exchange for the preferred securities. There can be no assurance as to the market prices for the junior subordinated debt securities that may be distributed upon a liquidation of the trust. As a result, the junior subordinated debt securities that you may receive upon liquidation of the trust may trade at a discount to the price that you paid to purchase the preferred securities.

Under current U.S. federal income tax law, the distribution of the junior subordinated debt securities upon dissolution of Everest Capital Trust would not be a taxable event to you. However, if the trust becomes subject to U.S. federal income tax with respect to income received or accrued on the junior subordinated debt securities, a distribution of the junior subordinated debt securities by the trust could be a taxable event to you.

In the event of this type of distribution, Everest Holdings has agreed to use its best efforts to list the junior subordinated debt securities on the New York Stock Exchange or any other exchange or quotation system on which the preferred securities are then listed. However, Everest Holdings cannot assure you that the New York Stock Exchange will approve the junior subordinated debt securities for listing or that a trading market will exist for the junior subordinated debt securities.

Everest Holdings has no current intention to dissolve Everest Capital Trust and cause the distribution of the junior subordinated debt securities.

**If you sell preferred securities between record dates for distributions, you may incur an adverse tax effect.**

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If you dispose of preferred securities between record dates for payments of distributions, you will not receive a distribution for the period prior to the disposition. Nevertheless, you will be required to include accrued but unpaid distributions through the date of disposition as ordinary income. In addition, the amount of the accrued but unpaid distribution will be subtracted from the proceeds of the disposed preferred securities. Because the preferred securities may trade at prices that do not fully reflect the value of accrued but unpaid distributions, if you sell preferred securities between record dates for distributions, you may recognize

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a capital loss for tax purposes as a result of subtracting from the proceeds of the preferred securities the amount of the accrued but unpaid distributions. This capital loss may not be available to offset the ordinary income recognized as a result of the accrued but unpaid distributions because, subject to limited exceptions, capital losses cannot be applied to offset ordinary income for U.S. federal income tax purposes.

**USE OF PROCEEDS**

Everest Capital Trust intends to use the proceeds from the sale of the preferred securities in this offering to purchase a corresponding series of junior subordinated debt securities issued by Everest Holdings. Everest Holdings intends to use the net proceeds from its sale of those junior subordinated debt securities, estimated to be \$270.83 million after deducting the underwriting commission and estimated offering expenses (\$309.57 million if the underwriters' over-allotment option is exercised in full), for general corporate purposes, including capital contributions to its operating subsidiaries and potential future debt reduction.

**RATIO OF EARNINGS TO FIXED CHARGES OF EVEREST HOLDINGS**

The following table sets forth the ratio of earnings to fixed charges of Everest Holdings for each of the periods indicated:

	Years Ended December 31,				
	2003	2002	2001	2000	1999
Ratio of Earnings to Fixed Charges (1)	5.6	4.0	1.6	6.0	73.4

- (1) For purposes of determining this ratio, earnings consist of consolidated net income before federal income taxes plus fixed charges. Fixed charges consist of interest expense on senior and subordinated debt and the revolving credit agreement and that portion of operating leases that are representative of the interest factor.

**ACCOUNTING TREATMENT**

Historically, issuer trusts that have issued preferred securities have been consolidated by their parent companies and the accounts of such issuer trusts have been included in the consolidated financial statements of the parent companies. However, in January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities, or FIN 46, to provide guidance for determining when an entity should consolidate another entity that meets the definition of a variable interest entity. In December 2003, the FASB issued a revised version of FIN 46, referred to as FIN 46R, which requires entities that had not adopted FIN 46 as of December 24, 2003 to apply the provisions of FIN 46R no later than the end of the first reporting period that ends after March 15, 2004. Under the provisions of FIN 46R, Everest Capital Trust will not be consolidated with Everest Holdings or Everest Group for financial reporting purposes. However, during any financial reporting periods when Everest Capital Trust has preferred securities outstanding, each of Everest Holdings and Everest Group will: (1) include the junior subordinated debt securities issued by Everest Holdings to Everest Capital Trust as a component of long-term debt in the liabilities section of its consolidated balance sheets, (2) report interest payable on the junior subordinated debt securities as interest expense in its consolidated statements of operations and comprehensive income, (3) include in a footnote to its financial statements disclosure that the sole assets of Everest Capital Trust are the junior subordinated debt securities, specifying the principal amount, interest rate and maturity date of the junior subordinated debt securities held, and (4) include in a footnote to its financial statements the following additional disclosures:

Everest Capital Trust is a wholly-owned finance subsidiary of Everest Holdings.

Everest Holdings considers that the mechanisms and obligations relating to the trust preferred securities, taken together, constitute a full and unconditional guarantee by Everest Holdings of the Everest Capital Trust's payment obligation with respect to the trust preferred securities.

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There are regulatory and contractual restrictions on the ability of Everest Holdings' operating subsidiaries to transfer funds to Everest Holdings in the form of cash dividends, loans or advances. The insurance laws of the State of Delaware, where Everest Holdings' direct insurance subsidiaries are domiciled, require regulatory approval before those subsidiaries can pay dividends or make loans or advances to Everest Holdings that exceed specified statutory thresholds. In addition, the terms of Everest Holdings' credit facility require Everest Re, Everest Holdings' principal insurance subsidiary, to maintain a certain surplus level. At December 31, 2003, \$1,561.1 million of the \$2,264.0 million in net assets of Everest Holdings' consolidated subsidiaries were subject to the foregoing regulatory restrictions. If regulatory approval were obtained from the Delaware Insurance Department for the payment of an extraordinary dividend by Everest Holdings' direct insurance subsidiaries, then only \$1,045.8 million of the \$2,264.0 million in net assets of Everest Holdings' consolidated subsidiaries would be subject to the remaining restrictions, principally those relating to Everest Holdings' Credit Facility.

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The following table sets forth the consolidated capitalization of Everest Holdings as of December 31, 2003 on an actual and as adjusted basis. The Actual column reflects Everest Holdings capitalization as of December 31, 2003 on a historical basis. The As Adjusted column reflects the issuance of the preferred securities contemplated by this prospectus supplement (assuming no exercise of the underwriters' over-allotment option) and the application of the net proceeds from this offering as described under the heading Use of Proceeds. The following data should be read in conjunction with the consolidated financial statements of Everest Holdings and accompanying notes, which are incorporated herein by reference.

	December 31, 2003	
	Actual	As Adjusted
(in millions)		
<b>Total debt less current portion:</b>		
8.50% Senior notes due 3/15/2005	\$ 249.9	\$ 249.9
8.75% Senior notes due 3/15/2010	199.2	199.2
Revolving credit agreement borrowings	70.0	70.0
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely junior subordinated debt securities(1)	210.0	490.0
<b>Total debt (less current portion)</b>	<b>729.1</b>	<b>1,009.1</b>
<b>Stockholder's Equity:</b>		
Common stock, par value: \$0.01; 3,000 shares authorized; 1,000 shares issued		
Additional paid-in capital (net of treasury shares)	240.3	240.3
Accumulated other comprehensive income, net of deferred income taxes of \$117.5 million	208.3	208.3
Retained earnings	1,098.2	1,098.2
<b>Total stockholder's equity</b>	<b>1,546.9</b>	<b>1,546.9</b>
<b>Total capitalization</b>	<b>\$ 2,276.0</b>	<b>\$ 2,556.0</b>

- (1) As described in this prospectus supplement, the sole assets of Everest Capital Trust, which is the trust issuing the preferred securities offered hereby, will be the 6.20% junior subordinated debt securities issued by Everest Holdings to Everest Capital Trust. The junior subordinated debt securities will mature on March 29, 2034. Everest Holdings owns all the common securities of Everest Capital Trust. Everest Holdings also owns all the common securities of another wholly owned financing subsidiary trust that issued preferred securities in 2002 and whose sole assets are the 7.85% junior subordinated debt securities of Everest Holdings, which mature on November 15, 2032.

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### **TERMS OF THE PREFERRED SECURITIES**

The following summary, supplemented by the description of the terms and provisions of the preferred securities set forth in the accompanying prospectus under the heading "Description of the Trust Preferred Securities," to which description reference is made, sets forth all of the material terms and provisions of the preferred securities. This summary does not purport to be complete and is qualified in its entirety by reference to the trust agreement, the Statutory Trust Act of the State of Delaware and the Trust Indenture Act.

The trust agreement qualifies as an indenture under the Trust Indenture Act. JPMorgan Chase Bank acts as the property trustee under the trust agreement for purposes of compliance with the provisions of the Trust Indenture Act. The terms of the preferred securities are set forth in the trust agreement and portions of the Trust Indenture Act. You should read the trust agreement, which is filed as an exhibit to the registration statement of which this prospectus supplement and the accompanying prospectus form a part and which contains important information regarding the preferred securities and the rights and responsibilities of the property trustee.

#### **General**

The preferred securities will be issued pursuant to the terms of the trust agreement. Under the trust agreement, Everest Capital Trust may issue up to 11,200,000 (12,800,000 if the underwriters' over-allotment option is exercised in full) preferred securities. The trust agreement does not permit Everest Capital Trust to issue any securities other than the preferred securities and the common securities of Everest Capital Trust. All of the common securities of Everest Capital Trust, which have a total liquidation amount equal to at least 3% of Everest Capital Trust's total capital, will be owned by Everest Holdings.

The preferred securities rank equally with, and payments are made on a pro rata basis with, the common securities of Everest Capital Trust. However, if an event of default on the junior subordinated debt securities exists, the rights of the holders of the common securities of Everest Capital Trust to receive payments from Everest Capital Trust will be subordinated to the rights of the holders of the preferred securities. Events that constitute an event of default with respect to the junior subordinated debt securities are described below under the heading "Terms of the Junior Subordinated Debt Securities - Events of Default." An event of default does not entitle the holders of the preferred securities to require the redemption of the preferred securities.

The preferred securities have no stated maturity but must be redeemed upon the maturity of the junior subordinated debt securities or their earlier redemption. The junior subordinated debt securities mature on March 29, 2034.

Everest Holdings will execute a guarantee agreement with respect to the preferred securities. Everest Holdings' guarantee is held by the guarantee trustee for the benefit of the holders of the preferred securities. Everest Holdings' obligations under the guarantee agreement are subordinate to the secured and senior debt of Everest Holdings. The guarantee does not cover payment of distributions on the preferred securities, or amounts payable on redemption or liquidation of the preferred securities, in the event Everest Capital Trust does not have sufficient funds available to pay those distributions or amounts.

The guarantee is described in more detail under the heading "Description of the Trust Preferred Securities Guarantees" in the accompanying prospectus. However, in the aggregate, the following obligations of Everest Holdings provide a full and unconditional guarantee of the amounts due on the preferred securities:

Everest Holdings guarantee of the preferred securities;

Everest Holdings obligations under the junior subordinated debt securities;

Everest Holdings obligations under the junior subordinated indenture;

Everest Holdings obligations under the trust agreement; and

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Everest Holdings' obligations under the expense agreement to pay all costs, expenses, debts and liabilities of Everest Capital Trust, other than with respect to the preferred securities.

## **Distributions**

The preferred securities represent beneficial interests in Everest Capital Trust. Everest Capital Trust's funds available for distribution to you, as a holder of the preferred securities, will be limited to payments received from Everest Holdings on the junior subordinated debt securities. If Everest Holdings does not make a required payment on the junior subordinated debt securities, Everest Capital Trust will not have sufficient funds to make the related payment on the preferred securities. The payment of distributions, if and to the extent Everest Capital Trust has funds legally available for the payment of the distributions in cash sufficient to make the payments, is guaranteed by Everest Holdings on a limited basis as described under "Description of the Trust Preferred Securities Guarantees" in the accompanying prospectus.

The following are the general distribution rights of the preferred securities:

Distributions on each of the preferred securities will accrue at the annual rate of 6.20% of the stated liquidation amount of \$25.

Distributions on the preferred securities will be cumulative and will accrue from March 29, 2004 and will be payable quarterly in arrears on the 30th day of March, June, September and December of each year, commencing June 30, 2004, when, as and if funds are available for payment.

Distributions payable for each full distribution period will be computed by dividing the rate per annum by four. The amount of distributions payable for any period less than a full period will be computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed in a partial month in a period.

If any date on which distributions are payable on the preferred securities is not a business day, payment of the distributions payable on that date will be made on the next succeeding day that is a business day without any interest or other payment as a result of that delay, except that, if that business day is in the next succeeding calendar year, that payment will be made on the immediately preceding business day, in each case with the same force and effect as if made on the date the payment was originally payable.

So long as no event of default with respect to the junior subordinated debt securities has occurred and is continuing, Everest Holdings has the right under the junior subordinated indenture to defer the payment of interest on the junior subordinated debt securities at any time or from time to time; provided, that no extension period may exceed 20 consecutive quarters or may extend beyond the stated maturity of the junior subordinated debt securities. As a consequence of this type of election, quarterly distributions on the preferred securities will be deferred by Everest Capital Trust during the extension period. Distributions to which holders of the preferred securities are entitled will accumulate additional distributions on the preferred securities at the rate per year of 6.20% of the deferred distributions, compounded quarterly from the relevant payment date for the distributions. The term "distributions" as used in this prospectus supplement includes any additional distributions. Any deferral of interest payment must end on one of the quarterly interest payment dates.

During any period for which Everest Holdings has elected to defer interest payments on the junior subordinated debt securities, the junior subordinated indenture limits Everest Holdings' ability to pay or declare dividends with respect to, or otherwise acquire, its capital stock, to make principal or interest payments on junior debt or to make specified payments with respect to related guarantees. In addition, during any period in which Everest Holdings has elected to defer interest payments on the junior subordinated debt securities, Everest Group may not declare or pay any dividend with respect to, or otherwise acquire, its capital stock. These limitations are more fully described below under the heading "Terms of Junior Subordinated Debt Securities - Restrictions on Specified Payments."





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Prior to the termination of any period for which Everest Holdings has elected to defer interest payments on the junior subordinated debt securities, Everest Holdings may further extend the interest payment period; provided, that no extension period may exceed 20 consecutive quarters or extend beyond the stated maturity of the junior subordinated debt securities. Upon the termination of any extension period and the payment of all amounts then due, Everest Holdings may elect to begin a new extension period. There is no limitation on the number of times that Everest Holdings may elect to begin an extension period. See Terms of Junior Subordinated Debt Securities Option to Extend Interest Payment Period and United States Federal Income Tax Consequences Interest Income and Original Issue Discount.

Everest Holdings has no current intention of exercising its right to defer payments of interest by extending the interest payment period on the junior subordinated debt securities.

Each distribution on the preferred securities will be payable to the holders, as they appear on the books and records of Everest Capital Trust, at the close of business on the relevant record date, which will be 15 days prior to the relevant payment date.

## **Optional Redemption of Preferred Securities**

Upon the repayment or redemption, in whole or in part, of the junior subordinated debt securities, whether at stated maturity or upon earlier redemption as provided in the junior subordinated indenture, the proceeds from the repayment or redemption will be applied by the property trustee to redeem both preferred and common securities on a proportionate basis, upon not less than 30 nor more than 60 days notice to the holders of the preferred securities prior to the date fixed for repayment or redemption. The repayment or redemption, as the case may be, will be at a redemption price, with respect to the preferred securities, equal to the aggregate liquidation amount of the preferred securities plus accumulated and unpaid distributions on the preferred securities to the date of redemption. See Terms of the Junior Subordinated Debt Securities Redemption.

The junior subordinated debt securities are redeemable at the option of Everest Holdings before their maturity at 100% of their principal amount plus accrued and unpaid interest to the date of redemption, referred to in this prospectus supplement as the redemption price:

in whole or in part, on one or more occasions any time on or after March 30, 2009; and

at any time, in whole, but not in part, within 90 days of the occurrence and continuation of a tax event or an investment company event. A tax event and an investment company event are more fully described under the heading Terms of the Junior Subordinated Debt Securities Redemption in this prospectus supplement.

## **Events of Default**

The trust agreement provides that any one or more of the following events constitutes an event of default with respect to the preferred securities:

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An event of default under the junior subordinated indenture with respect to the junior subordinated debt securities. See Terms of the Junior Subordinated Debt Securities Events of Default ;

Everest Capital Trust s failure, for a period of 30 days, to pay any distribution on the preferred securities when due, subject to the right of Everest Holdings to defer interest payments on the junior subordinated debt securities and the resulting deferral of distributions on the preferred securities;

Everest Capital Trust s failure to pay the redemption price of any preferred security when due;

Everest Capital Trust s failure to observe or perform, in any material respect, any other covenant contained in the trust agreement for a period of 60 days after receiving written notice of the failure

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from the holders of at least 33% in aggregate liquidation amount of the outstanding preferred securities; provided, that the 60-day period may be extended by the holders of at least the same principal amount of the outstanding preferred securities that had given the notice of the default, and the holders will be deemed to have agreed to an extension so long as Everest Capital Trust has initiated and is diligently pursuing corrective action; and

specified events of bankruptcy, insolvency or reorganization of the property trustee if a successor property trustee has not been appointed within 90 days.

The holder of common securities shall have no right to act with respect to any event of default under the trust agreement until all events of default under the trust agreement relating to the preferred securities have been cured, waived or otherwise eliminated. Until an event of default regarding the preferred securities has been cured, waived or otherwise eliminated, the property trustee will be considered to be acting solely on behalf of the holders of the preferred securities and only the holders of the preferred securities will have the right to direct the property trustee under the trust agreement.

If an event of default with respect to the junior subordinated debt securities occurs and is continuing, and the indenture trustee or the holders of not less than 33% in principal amount of the junior subordinated debt securities outstanding fail to declare the principal amount of all of the junior subordinated debt securities to be immediately due and payable, the holders of at least 33% in aggregate liquidation amount of the outstanding preferred securities will have the right to declare the principal amount immediately due and payable by providing notice to Everest Holdings, the property trustee and the indenture trustee.

In addition, if an event of default with respect to the junior subordinated debt securities occurs and is continuing and is attributable to the failure of Everest Holdings to pay interest or principal on the junior subordinated debt securities when otherwise payable, any holder of preferred securities may directly institute a legal proceeding against Everest Holdings to enforce these rights without first suing the indenture trustee or any other person.

Everest Holdings and the administrative trustees are required to furnish annually to the property trustee certificates to the effect that, to the best knowledge of the individuals providing the certificates, Everest Holdings and Everest Capital Trust are not in default under the trust agreement, or if there has been a default, specifying the default and its status.

### **Distribution of Junior Subordinated Debt Securities Upon Dissolution of Everest Capital Trust**

Everest Holdings has the right to dissolve Everest Capital Trust at any time and, after satisfaction of the liabilities of creditors of Everest Capital Trust as provided by applicable law, cause the junior subordinated debt securities to be distributed to the holders of the preferred securities in liquidation of Everest Capital Trust.

Under current U.S. federal income tax law and interpretations, a distribution of the junior subordinated debt securities upon liquidation of Everest Capital Trust would not be a taxable event to holders of the preferred securities. However, if any of the specified changes in, or interpretation of, tax or regulatory law in the description of tax event under the heading Terms of the Junior Subordinated Debt Securities Redemption in this prospectus supplement were to occur which would cause Everest Capital Trust to be subject to U.S. federal income tax with respect to income received or accrued on the junior subordinated debt securities (as the case would be, for example, if Everest Capital Trust were treated as an association taxable as a corporation), a distribution of the junior subordinated debt securities by Everest Capital Trust could be a taxable event to Everest Capital Trust and the holders of the preferred securities. See United States Federal Income Tax



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### **Liquidation Value**

The amount payable on the preferred securities in the event of a dissolution of Everest Capital Trust is \$25 per preferred security plus accumulated and unpaid distributions. This amount may be in the form of a distribution of a like amount of junior subordinated debt securities, unless the distribution is determined by the property trustee to not be practical, in which case trust property will be liquidated and Everest Capital Trust will be dissolved in the manner determined by the property trustee. The term "like amount" means:

with respect to a redemption of any common or preferred securities, common or preferred securities having a liquidation amount equal to that portion of the principal amount of the junior subordinated debt securities to be contemporaneously redeemed in accordance with the junior subordinated indenture, the proceeds of which will be used to pay the redemption price of the securities; and

with respect to a distribution of junior subordinated debt securities to holders of common or preferred securities in connection with a dissolution or liquidation of Everest Capital Trust, junior subordinated debt securities having a principal amount equal to the liquidation amount of the securities of the holder to whom the junior subordinated debt securities are distributed.

See "Description of the Trust Preferred Securities - Liquidation Distribution Upon Dissolution" in the accompanying prospectus.

### **Voting Rights**

The holders of the preferred securities will have no voting rights, except with respect to any action that would materially and adversely affect the powers, preferences or special rights of the preferred securities, whether by amending the trust agreement, the guarantee agreement or otherwise, or to dissolve, wind-up or terminate the trust, other than pursuant to the terms of the trust agreement. The holders of the preferred securities, voting as a class, would be entitled to vote on either of these types of proposals and these proposals would be effective only if approved by the holders of at least a majority in aggregate liquidation amount of the preferred securities.

In addition, so long as the property trustee holds the junior subordinated debt securities on behalf of Everest Capital Trust, without the prior approval of the holders of preferred securities, the trustees of Everest Capital Trust may not:

direct the time, method and place of conducting any proceeding for any remedy available to the indenture trustee with respect to proceedings for any available remedies or the property trustee with respect to the exercise of any trust or power with respect to the junior subordinated debt securities;

waive any default available under the junior subordinated indenture with respect to the junior subordinated debt securities;

cancel an acceleration of the principal of any junior subordinated debt securities; or

consent to any amendment, modification or termination of the junior subordinated indenture or any junior subordinated debt securities where consent is required.

In addition, the consent of each affected holder of the preferred securities is required for any action which requires the consent of each affected holder of the junior subordinated debt securities. Prior to taking any of the actions described above, Everest Capital Trust must obtain an opinion of counsel experienced in these matters to the effect that, as a result of the proposed action, Everest Capital Trust will not be taxable as a corporation or classified as other than a grantor trust for United States federal income tax purposes.

Any required approval of the holders of the preferred securities may be given at a meeting convened for that purpose or without a meeting and without prior notice pursuant to a written consent. The property

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trustee will cause a notice of any meeting at which holders of the preferred securities are entitled to vote to be given to each holder of record of the preferred securities at least 15 and not more than 90 days before the meeting.

No vote or consent of the holders of the preferred securities will be required for Everest Capital Trust to redeem and cancel the securities in accordance with the trust agreement.

In no case will holders of preferred securities be entitled to a vote in respect of any merger, business combination or change of control of or involving Everest Holdings.

## **Listing of Preferred Securities**

The preferred securities have been approved for listing on the New York Stock Exchange, subject to official notice of issuance. Trading of the preferred securities is expected to commence within 30 days after they are first issued. You should be aware that the listing of the preferred securities will not necessarily ensure that a liquid trading market will be available for the preferred securities or that you will be able to sell your preferred securities at the price you paid for them. If Everest Capital Trust distributes the junior subordinated debt securities, Everest Holdings will use its best efforts to list the junior subordinated debt securities on the New York Stock Exchange or any other exchange or quotation system on which the preferred securities are then listed.

## **Global Securities**

The preferred securities will be issued in whole or in part in the form of one or more global securities that will be deposited with, or on behalf of DTC.

Upon the issuance of a global security, DTC or its nominee will credit, on its book-entry registration and transfer system, the respective number of preferred securities represented by the global security. The accounts will be designated by the underwriters or agents with respect to the preferred securities. Ownership of beneficial interests in a global security will be limited to persons that may hold interests through DTC participants. Ownership of beneficial interests in the global security will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee, with respect to interests of participants, and on the records of participants, with respect to interests of persons other than participants. The laws of some states require that some purchasers of securities take physical delivery of securities in definitive form. These limits and laws may impair the ability to transfer beneficial interests in a global security.

So long as DTC, or its nominee, is the registered owner of the global security, DTC or its nominee, as the case may be, will be considered the sole owner or holder of the preferred securities represented by the global security for all purposes under the trust agreement.

Except as described below, owners of beneficial interests in a global security will not be entitled to have the preferred securities represented by the global security registered in their names and will not receive or be entitled to receive physical delivery of the preferred securities in definitive form.

Distributions and other payments with respect to the preferred securities registered in the name of DTC or its nominee will be paid to DTC or its nominee, as the case may be, as the registered owner of the global security representing the preferred securities. None of the trustee, any paying agent, the security registrar, Everest Holdings or Everest Capital Trust will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of the global security for the preferred securities or for maintaining, supervising or reviewing any records relating to the beneficial ownership interests.

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Everest Holdings expects that DTC or its nominee, upon receipt of any payment with respect to the preferred securities, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interest in the global security for the preferred securities as shown on the records of DTC or its nominee. Everest Holdings also expects that payments by participants to owners of beneficial interests in the global security held through its participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in street name, and will be the responsibility of the participants.

The trust agreement provides that if:

DTC, as depository for the preferred securities, notifies Everest Holdings that it is unwilling or unable to continue as depository or if DTC ceases to be eligible under the trust agreement and, in each case, a successor depository is not appointed by the issuer within 90 days of written notice,

Everest Holdings determines that the preferred securities will no longer be represented by global securities and executes and delivers to the trustee a company order to this effect, or

an event of default with respect to the junior subordinated debt securities has occurred and is continuing,

the global securities may be exchanged for preferred securities in definitive form of an equal aggregate number of preferred securities and aggregate liquidation amount in authorized denominations.

## **Registrar, Transfer Agent and Paying Agent**

JPMorgan Chase Bank will act as registrar, transfer agent and paying agent for the preferred securities. JPMorgan Chase Bank is presently located at 4 New York Plaza, New York, NY 10004. The paying agent may resign as paying agent upon 30 days' written notice to the administrative trustees and the property trustee. In the event that JPMorgan Chase Bank is no longer the paying agent, the administrative trustees will appoint a successor to act as paying agent, which must be a bank or trust company.

## **Governing Law**

The trust agreement and the preferred securities are governed by, and construed in accordance with, the internal laws of the State of Delaware.

## **TERMS OF THE JUNIOR SUBORDINATED DEBT SECURITIES**

### **General**

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The following summary, as supplemented by the description of the terms and provisions of the junior subordinated debt securities set forth in the accompanying prospectus under the heading "Description of the Debt Securities," to which description reference is made, sets forth all of the material terms and provisions of the junior subordinated debt securities. This summary of the junior subordinated debt securities does not purport to be complete and is subject to, and qualified in its entirety by reference to, the junior subordinated indenture, as supplemented from time to time, and the Trust Indenture Act.

The junior subordinated indenture qualifies as an indenture under the Trust Indenture Act. JPMorgan Chase Bank acts as the indenture trustee for the junior subordinated debt securities under the junior subordinated indenture for purposes of compliance with the provisions of the Trust Indenture Act. The terms of the junior subordinated debt securities are set forth in the junior subordinated indenture, as supplemented by a first supplemental indenture, and portions of the Trust Indenture Act. You should read the junior subordinated indenture, which is filed as an exhibit to the registration statement of which this prospectus

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supplement and the accompanying prospectus form a part and which contains important information regarding the junior subordinated debt securities and the rights and responsibilities of the indenture trustee.

Concurrently with the issuance of the preferred securities, Everest Capital Trust will invest the proceeds from the sale of the preferred securities, together with the consideration paid by Everest Holdings for the common securities, in the junior subordinated debt securities issued by Everest Holdings. The junior subordinated debt securities will be issued in denominations of \$25 and integral multiples thereof. The junior subordinated debt securities will mature on March 29, 2034, which date is referred to in this prospectus supplement as the stated maturity of the junior subordinated debt securities. The junior subordinated debt securities are not entitled to the benefit of a sinking fund.

It is anticipated that, unless there is a dissolution of Everest Capital Trust, each junior subordinated debt security will be held in the name of the property trustee in trust for the benefit of the holders of the preferred securities and the common securities.

## **Interest**

From and after March 29, 2004, the junior subordinated debt securities will bear interest accruing at an annual rate of 6.20% of the principal amount of the junior subordinated debt securities, payable quarterly in arrears on the 30th day of March, June, September and December of each year, referred to in this prospectus supplement as the interest payment dates, with the first payment to be made on June 30, 2004. Interest payments are made to the person in whose names the junior subordinated debt securities are registered, subject to specified exceptions, at the close of business on the fifteenth day next preceding the interest payment date.

The amount of interest payable for any full period shall be computed by dividing the rate per annum by four. The amount of interest payable for any partial period shall be computed on the basis of the number of days elapsed in a 360-day year of twelve 30-day months and the actual number of days elapsed in a partial month in a period. In the event that any date on which interest is payable on the junior subordinated debt securities is not a business day, then payment of the interest payable on that date will be made on the next succeeding day that is a business day (without any interest or other payment in respect of any delay), except that, if that business day is in the next succeeding calendar year, that payment shall be made on the immediately preceding business day, in each case with the same force and effect as if made on the date that payment was originally payable.

Accrued interest that is not paid on the applicable interest payment date will bear additional interest on the amount of the accrued interest (to the extent permitted by law) at the rate per year of 6.20% of the accrued interest, compounded quarterly, referred to in this prospectus supplement as additional interest. The term interest as used in this prospectus supplement includes quarterly interest payments, additional interest and the additional sums described below, as applicable.

## **Option to Extend Interest Payment Period**

So long as no event of default with respect to the junior subordinated debt securities, as described below under Events of Default, has occurred and is continuing, Everest Holdings has the right under the junior subordinated indenture at any time during the term of the junior subordinated debt securities to defer the payment of interest at any time or from time to time for a period not exceeding 20 consecutive quarters with respect to each extension period; provided, that no extension period may extend beyond the stated maturity of the junior subordinated debt securities and the period for any deferral of interest payments must end on one of the quarterly interest payment dates. At the end of a period for which Everest

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Holdings has elected to defer interest payments, Everest Holdings must pay all interest then accrued and unpaid, together with any additional interest, to the extent permitted by applicable law. During any period for which Everest Holdings

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has elected to defer interest payments, interest will continue to accrue on the junior subordinated debt securities, and corresponding distributions will continue to accrue on the preferred securities, and holders of junior subordinated debt securities and holders of preferred securities will be required to accrue interest income for U.S. federal income tax purposes as described under the heading United States Federal Income Tax Consequences Interest Income and Original Issue Discount.

During any period in which Everest Holdings has elected to defer interest payments on the junior subordinated debt securities, Everest Holdings ability to make specified payments with respect to its capital stock and its debt obligations, and Everest Group s ability to make specified payments with respect to its capital stock, is restricted as described below under the heading Restrictions on Specified Payments.

Prior to the termination of any period for which Everest Holdings has elected to defer interest payments, Everest Holdings may elect to further defer interest payments; provided, that the deferral of interest payments may not exceed 20 consecutive quarters or extend beyond the stated maturity of the junior subordinated debt securities. There is no limitation on the number of times that Everest Holdings may elect to defer interest payments on the junior subordinated debt securities, except that no extension period may extend beyond the stated maturity of the junior subordinated debt securities. Upon the termination of any deferral period and the payment of all amounts then due, Everest Holdings may elect to begin a new deferral period. No interest shall be due and payable during any period for which Everest Holdings has elected to defer interest payments, except at the end of the extension period.

Everest Holdings must give Everest Capital Trust and the indenture trustee notice of its election to defer interest payments on the junior subordinated debt securities at least one business day prior to the earlier of:

the date the distributions on the preferred securities would have been payable except for Everest Holdings election to defer interest payments on the junior subordinated debt securities; or

the date the property trustee is required to give notice to the New York Stock Exchange or other applicable self-regulatory organization or to holders of the preferred securities of the record date or the date the distributions are payable.

The indenture trustee will give notice of Everest Holdings election to defer interest payments on the junior subordinated debt securities to Everest Capital Trust, and the administrative trustees will give notice of the deferral to the holders of the preferred securities.

Everest Holdings has no current intention of exercising its right to defer payments of interest on the junior subordinated debt securities.

## **Restrictions on Specified Payments**

During any period in which Everest Holdings has elected to defer interest payments on the junior subordinated debt securities or is in default under the terms of the junior subordinated debt securities or the guarantee, neither it nor its subsidiaries will be permitted to:

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declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of Everest Holdings' capital stock;

make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any debt securities of Everest Holdings, including other junior subordinated debt securities, that rank equally with or junior in interest to the junior subordinated debt securities; or

make any guarantee payments with respect to any guarantee by Everest Holdings of the debt securities of any subsidiary of Everest Holdings if that guarantee ranks equally with or junior in interest to the junior subordinated debt securities.

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In addition, during any period in which Everest Holdings has elected to defer interest payments on the junior subordinated debt securities, neither Everest Group nor its subsidiaries may declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of Everest Group's capital stock.

These restrictions do not apply to:

repurchases, redemptions or other acquisitions of capital stock in connection with employment contracts, benefit plans or other similar arrangements, in connection with a dividend reinvestment or stockholder stock purchase plan or in connection with the issuance of, or securities convertible into or exercisable for, its capital stock as consideration in specified acquisition transactions;

exchanges or conversions of any capital stock or indebtedness for any other capital stock and the purchase of any fractional interests in connection with the exchange or conversion;

any dividend in connection with any rights plan or the redemption or repurchase of rights pursuant to any rights plan; or

any dividend in the form of stock, warrants, options or other rights where the stock to be issued is the same stock as that on which the dividend is being paid or ranks equally with or junior in interest to the stock to be issued.

## **Events of Default**

The junior subordinated indenture provides that any one or more of the following events constitutes an event of default with respect to the junior subordinated debt securities:

Everest Holdings failure, for a period of 30 days, to pay any interest on the junior subordinated debt securities when due, subject to Everest Holdings right to defer interest payments;

Everest Holdings failure to pay any principal or premium, if any, on the junior subordinated debt securities when due, whether at maturity, upon redemption, by declaration of acceleration or otherwise;

Everest Holdings failure to observe or perform any other covenant contained in the junior subordinated indenture for a period of 60 days after receiving written notice of the failure from the indenture trustee or holders of at least 33% in aggregate outstanding principal amount of the junior subordinated debt securities; provided, that the 60-day period may be extended by either the indenture trustee or the indenture trustee and the holders of at least the same principal amount of the outstanding junior subordinated debt securities that had given the notice of the default, and the indenture trustee and the holders, as the case may be, will be deemed to have agreed to an extension so long as Everest Holdings has initiated and is diligently pursuing corrective action;

specified events of bankruptcy, insolvency or reorganization of Everest Holdings; or

Everest Group fails to observe or perform its covenant not to make the specified payments described above under the heading Restrictions on Specified Payments.

The holders of a majority in aggregate outstanding principal amount of the junior subordinated debt securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the indenture trustee. The indenture trustee or the holders of not less than 33% in aggregate outstanding principal amount of junior subordinated debt securities may declare the principal due and payable immediately upon an event of default with respect to the junior subordinated debt securities, and, if the indenture trustee or the holders of the junior subordinated debt securities fail to make the declaration, the holders of at least 33% in aggregate liquidation amount of the preferred securities shall have this right. The holders of a majority in aggregate outstanding principal amount of the junior subordinated debt securities may annul the declaration and waive the default if the default, other than the non-payment of the principal of

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which has become due solely by the acceleration, has been cured or waived and a sum sufficient to pay all matured installments of interest and principal due other than by acceleration has been paid or deposited with the indenture trustee. If the holders of the junior subordinated debt securities fail to annul the declaration and waive the default, the holders of a majority in aggregate liquidation amount of the preferred securities shall have this right.

The holders of a majority in aggregate outstanding principal amount of the junior subordinated debt securities and the holders of a majority in aggregate liquidation amount of the preferred securities may waive any past default, except a default in the payment of principal or interest, unless the default has been cured and a sum sufficient to pay all matured installments of interest and principal due other than by acceleration has been paid or deposited with the indenture trustee, or a default in respect of a covenant or provision which under the junior subordinated indenture cannot be modified or amended without the consent of the holder of each outstanding junior subordinated debt security.

Everest Holdings is required to furnish annually to the indenture trustee a certificate to the effect that, to the best knowledge of the officers providing the certificate, it is not in default under the junior subordinated indenture or, if there has been a default, specifying the default and the status.

## **Subordination**

The junior subordinated debt securities are unsecured obligations of Everest Holdings, subordinated in right of payment to the prior payment in full of all secured and senior debt of Everest Holdings to the extent provided in the junior subordinated indenture. As a result, in the event of the bankruptcy, liquidation or reorganization of Everest Holdings, or upon acceleration of the junior subordinated debt securities due to an event of default, Everest Holdings' assets will be available to pay its obligations on the junior subordinated debt securities only after all secured and senior debt has been paid in full. There may not be sufficient assets remaining to pay amounts due on any or all of the junior subordinated debt securities then outstanding.

No payments in respect of junior subordinated debt securities may be made if there shall have occurred and be continuing a default in any payment of any principal, interest or premium on any senior debt, whether at maturity, at a date fixed for prepayment or by declaration of acceleration.

The term "debt" means with respect to any person, whether recourse is to all or a portion of the assets of the person and whether or not contingent:

every obligation of the person for money borrowed;

every obligation of the person evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses;

every reimbursement obligation of the person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of the person;

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every obligation of the person issued or assumed as the deferred purchase price of property or services, but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business;

every capital lease obligation of the person;

all indebtedness for claims in respect of derivative products, including interest rate, foreign exchange rate and commodity forward contracts, options and swaps and similar arrangements;

every obligation of the type described above of another person and all dividends of another person the payment of which, in either case, the person has guaranteed or is responsible or liable, directly or indirectly, as obligor or otherwise; and

any renewals, extensions, refundings, amendments or modifications of any obligations of the type described above.

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The term **senior debt** means the principal of and interest and premium, if any, on debt, whether incurred on or prior to the date of the junior subordinated indenture or later incurred, unless, in the instrument creating or evidencing the debt or pursuant to which the debt is outstanding, it is provided that the obligations are not superior in right of payment to the junior subordinated debt securities or to other debt which is equal with, or subordinated to, the junior subordinated debt securities; provided, that senior debt does not include:

any debt of Everest Holdings which, when incurred and without respect to any election under Section 1111(b) of the Bankruptcy Code, was without recourse to Everest Holdings;

any debt of Everest Holdings to any of its subsidiaries;

debt to any employee of Everest Holdings;

trade accounts payable of Everest Holdings;

accrued liabilities arising in the ordinary course of business; or

any other debt securities issued pursuant to the junior subordinated indenture.

Everest Holdings is a holding company that conducts substantially all of its business through its subsidiaries. The junior subordinated debt securities are effectively subordinated to the indebtedness and other liabilities of Everest Holdings subsidiaries. As a result, in the event of the bankruptcy, liquidation or reorganization of Everest Holdings, or upon acceleration of the junior subordinated debt securities due to an event of default, assets of Everest Holdings subsidiaries will be available to pay obligations under the junior subordinated debt securities only after all creditors of the subsidiaries have been paid in full. Accordingly, holders of the junior subordinated debt securities should look only to the assets of Everest Holdings for payments on the junior subordinated debt securities. In addition, dividends and other permitted payments from Everest Re are expected to be the sole source of funds to meet the financial obligations of Everest Holdings and to make payments under the junior subordinated debt securities. The payment of dividends by Everest Re to Everest Holdings is limited by the Delaware Insurance Code and the Delaware General Corporation Law.

In addition, the junior subordinated indenture does not prohibit or limit the incurrence of secured debt or the incurrence of other indebtedness and liabilities by Everest Holdings or its subsidiaries. Everest Holdings may from time to time incur additional indebtedness constituting senior debt.

## **Additional Sums**

If Everest Capital Trust is required to pay any additional taxes, and so long as no event of default has occurred and is continuing, duties or other governmental charges, referred to in this prospectus supplement as additional sums, as a result of a tax event, Everest Holdings will pay as additional amounts on the junior subordinated debt securities these amounts as shall be required so that the distributions payable by Everest Capital Trust shall not be reduced as a result of these additional taxes, duties or other governmental charges. These amounts will be paid only if Everest Holdings does not elect to either:

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redeem the junior subordinated debt securities and cause a mandatory redemption of Everest Capital Trust securities within 90 days of the corresponding tax event; or

terminate Everest Capital Trust and, after satisfaction of the liabilities of the creditors of Everest Capital Trust, cause the junior subordinated debt securities to be distributed to the holders of Everest Capital Trust securities in liquidation of Everest Capital Trust.

### **Redemption**

Everest Holdings can redeem the junior subordinated debt securities before their maturity at 100% of their principal amount plus accrued and unpaid interest to the fixed date for redemption:

in whole or in part, on one or more occasions any time on or after March 30, 2009, and

at any time, in whole, but not in part, within 90 days of the occurrence and continuation of a tax event or an investment company event.

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**Tax Event.** For purposes of the redemption described above, a tax event means that Everest Capital Trust has received an opinion of counsel experienced in these types of matters to the effect that, as a result of:

any amendment to or change in, including any announced prospective change in, the laws or any regulations of the United States or any political subdivision or taxing authority thereof, or

any judicial decision or any official administrative pronouncement, including any private letter ruling, technical advice memorandum or field service advice, or regulatory procedure, referred to in this prospectus supplement collectively as an administrative action, regardless of whether the judicial decision or administrative action is issued to or in connection with a proceeding involving Everest Holdings or Everest Capital Trust and whether or not it is subject to review or appeal,

which amendment, change, administrative action or decision is enacted, promulgated or announced, and on or after the date of the issuance of Everest Capital Trust's preferred securities, there is more than an insubstantial risk that:

Everest Capital Trust is, or will be within 90 days of the receipt of the opinion of counsel, subject to United States federal income tax with respect to income received or accrued on the junior subordinated debt securities,

interest payable by Everest Holdings or the original issue discount accruing on the junior subordinated debt securities is not, or will not be within 90 days of the receipt of the opinion of counsel, deductible by Everest Holdings, in whole or in part, for United States federal income tax purposes, or

Everest Capital Trust is, or will be within 90 days of the receipt of the opinion of counsel, subject to more than a *de minimis* amount of other taxes, duties or other governmental charges.

**Investment Company Event.** For purposes of the redemption described above, an investment company event means that Everest Capital Trust has received an opinion of counsel experienced in these types of matters to the effect that, as a result of the occurrence of a change in law or regulation or a written change, including any announced prospective change, in the interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, there is more than an insubstantial risk that Everest Capital Trust is or will be considered an investment company that is required to be registered under the Investment Company Act of 1940, which change or prospective change becomes effective or would become effective on or after the date of the issuance of the preferred securities.

Notice of any redemption will be mailed at least 45 days but not more than 75 days before the redemption date to each registered holder of junior subordinated debt securities to be redeemed at its registered address. Unless Everest Holdings defaults in payment of the redemption price, on and after the redemption date interest shall cease to accrue on the junior subordinated debt securities. In the event any junior subordinated debt securities are called for redemption, neither Everest Holdings nor the indenture trustee will be required to register the transfer of or exchange the junior subordinated debt securities to be redeemed during a period beginning 15 days before the redemption date.

## **Distribution of Junior Subordinated Debt Securities upon Dissolution of Trust**

Under specified circumstances involving the dissolution of Everest Capital Trust, junior subordinated debt securities may be distributed to the holders of the preferred securities in liquidation of Everest Capital Trust after satisfaction of liabilities to creditors of Everest Capital Trust as

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provided by applicable law. If distributed to holders of preferred securities in liquidation, the junior subordinated debt securities will initially be issued in the form of one or more global securities and DTC, or any successor depository for the preferred securities, will act as depository for the junior subordinated debt securities. It is anticipated that the depository arrangements for the junior subordinated debt securities would be substantially identical to those in effect for the preferred securities. If the junior subordinated debt securities are distributed to the holders of

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preferred securities upon the liquidation of Everest Capital Trust, Everest Holdings will use its best efforts to list the junior subordinated debt securities on the New York Stock Exchange or any other exchange or quotation system on which the preferred securities are then listed. There can be no assurance as to the market price of any junior subordinated debt securities that may be distributed to the holders of preferred securities. For a description of DTC and the terms of the depositary matters, see "Description of the Debt Securities Global Securities" in the accompanying prospectus.

## **Governing Law**

The junior subordinated indenture and the junior subordinated debt securities are governed by, and construed in accordance with, the laws of the State of New York.

## **UNITED STATES FEDERAL INCOME TAX CONSEQUENCES**

The following summary describes the material U.S. federal income and estate tax consequences of the purchase, ownership and disposition of the preferred securities. This summary does not address all aspects of U.S. federal income and estate tax that may be relevant to a holder in light of the holder's particular circumstances or to special classes of holders, such as dealers in securities or currencies, financial institutions, regulated investment companies, tax-exempt entities, traders in securities that elect to use a mark-to-market method of accounting, persons liable for alternative minimum tax, insurance companies, persons holding preferred securities as part of a straddle, hedge, conversion transaction or other integrated investment, or persons whose functional currency is not the U.S. dollar.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds preferred securities, the tax consequences to each partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding preferred securities, you should consult your own tax advisor.

The discussion below is based on the Internal Revenue Code of 1986, as amended, referred to in this prospectus supplement as the "Code", the U.S. Treasury regulations promulgated under the Code, and judicial decisions and administrative interpretations now in effect, all of which are subject to change, possibly on a retroactive basis.

**YOU SHOULD CONSULT YOUR OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES TO YOU OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE PREFERRED SECURITIES IN LIGHT OF YOUR OWN PARTICULAR CIRCUMSTANCES, AS WELL AS THE STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE PREFERRED SECURITIES.**

## **Classification of Everest Capital Trust**

Under current law and assuming full compliance with the terms of the trust agreement, Everest Capital Trust will be classified as a grantor trust for U.S. federal income tax purposes and not as an association taxable as a corporation. As a result, for U.S. federal income tax purposes, you

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generally will be treated as owning an undivided beneficial interest in the junior subordinated debt securities. Accordingly, you will be treated as receiving your proportionate share of the interest income or original issue discount that is paid or accrued on the junior subordinated debt securities.

### **Classification of the Junior Subordinated Debt Securities**

Everest Holdings intends to take the position that the junior subordinated debt securities will be classified for U.S. federal income tax purposes as indebtedness of Everest Holdings. Everest Holdings, Everest

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Capital Trust and you (through your purchase of a beneficial interest in the preferred securities) agree to treat the junior subordinated debt securities as indebtedness of Everest Holdings for U.S. federal income tax purposes. The remainder of this discussion assumes that the junior subordinated debt securities will be classified as indebtedness of Everest Holdings for U.S. federal income tax purposes.

### **U.S. Holders**

Except as otherwise stated, this summary deals only with preferred securities held as capital assets by a holder who or which (1) purchases the preferred securities upon original issuance at their issue price and (2) is a U.S. holder. For purposes of this summary, a U.S. holder means a beneficial owner of a preferred security that is:

an individual citizen or resident of the United States;

a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) which is created or organized in or under the laws of the United States or any political subdivision thereof;

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

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

*Interest Income and Original Issue Discount.* Under the Code and U.S. Treasury regulations, if a debt instrument is issued at a price equal to its stated redemption price at maturity (or at a price that is less than its stated redemption price at maturity by no more than the statutory *de minimis* amount), interest is payable at least annually at a single fixed rate and the instrument contains terms and conditions that make the nonpayment of interest no more than a remote contingency, the instrument will not be considered to be issued with original issue discount, referred to in this prospectus supplement as *OID*.

It is anticipated that the junior subordinated debt securities will not be issued with an issue price that is less than their stated redemption price at maturity by more than the statutory *de minimis* amount. In addition, as described above, interest is payable on the junior subordinated debt securities at a fixed rate on a quarterly basis. Further, Everest Holdings believes that the likelihood of it exercising its option to defer payments of interest is remote based on, among other things, Everest Holdings' and Everest Group's inability, if the deferral option is exercised, to pay a dividend, to engage in specified capital transactions with respect to its stock, and Everest Holdings' inability, if the deferral option is exercised, to repay, repurchase or redeem, or make any payments of interest, principal or premium on, any debt securities that rank equally with or junior to the junior subordinated debt securities. Based on this conclusion, Everest Holdings has taken the position that the junior subordinated debt securities should not be treated as issued with *OID* unless and until it exercises its option to defer payment of interest, so that the stated interest on the junior subordinated debt securities will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your regular method of tax accounting.

If, however, Everest Holdings were to exercise its right to defer payments of interest on the junior subordinated debt securities, the junior subordinated debt securities would be treated as reissued with *OID* at that time. As a result, you would be subject to the special *OID* rules described below. Once the junior subordinated debt securities become *OID* instruments, they would be taxed as *OID* instruments for as long as they remain outstanding. Furthermore, it is possible that the Internal Revenue Service, referred to in this prospectus supplement as the *IRS*, could assert that the junior subordinated debt securities were initially issued with *OID*. If the *IRS* were successful in this regard, you would be

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subject to the special OID rules described below regardless of whether the option to defer payments of interest on the junior subordinated debt securities is exercised. Under the OID economic accrual rules, the following would occur:

regardless of your method of accounting, you would accrue an amount of interest income each year using a constant yield method of accrual whether or not interest is paid;

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the actual cash payments of interest you receive on the junior subordinated debt securities would not be reported separately as taxable income;

any amount of OID included in your gross income with respect to the junior subordinated debt securities would increase your tax basis in the preferred securities; and

the amount of distributions you receive in respect of accrued OID would reduce your tax basis in the preferred securities.

Because the junior subordinated debt securities are debt for U.S. federal income tax purposes, you will not be entitled to a dividends-received deduction with respect to any income you recognize on the preferred securities.

*Distribution of Junior Subordinated Debt Securities Upon Dissolution of Everest Capital Trust.* The junior subordinated debt securities held by Everest Capital Trust may be distributed to you in exchange for your preferred securities if Everest Capital Trust is dissolved before the maturity date of the junior subordinated debt securities. Under current law, except as described below, this type of distribution from a grantor trust would not be taxable. Upon this type of a distribution, you will receive your proportionate share of the junior subordinated debt securities previously held indirectly through Everest Capital Trust. Your holding period and total tax basis in the junior subordinated debt securities will include the holding period and total tax basis that you had in your preferred securities immediately before the distribution. If, however, Everest Capital Trust is treated as an association taxable as a corporation and Everest Holdings elects to distribute the junior subordinated debt securities to you at that time, the distribution would be taxable to you and Everest Capital Trust.

If you receive junior subordinated debt securities in exchange for your preferred securities, you would accrue interest in respect of the junior subordinated debt securities in the same manner described above under the heading Interest Income and Original Issue Discount.

*Sales or Redemptions of Preferred Securities.* If you sell your preferred securities, including a redemption for cash, you generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale or redemption of the preferred securities (not including amounts attributable to accrued but unpaid interest that you did not previously include in income, which would be taxable as ordinary income) and your adjusted tax basis in the preferred securities sold or redeemed. Your adjusted tax basis in the preferred securities generally will equal the cost of the preferred securities to you, and if the OID rules described above under the heading Interest Income and Original Issue Discount apply, increased by any accrued OID and decreased by any payment received on the preferred securities in respect of accrued OID.

Your gain or loss will be a capital gain or loss and generally will be a long-term capital gain or loss if, at the time of disposition, you held the preferred securities for more than one year. Long-term capital gains of individuals are currently subject to a maximum U.S. federal income tax rate of 15% (and at a rate of 20% for dispositions occurring on or after January 1, 2009). The deductibility of capital losses is subject to specified limitations.

The preferred securities may trade at a price that does not fully reflect the value of accrued but unpaid interest with respect to the underlying junior subordinated debt securities. If you dispose of the preferred securities between record dates for payments of distributions, you will nevertheless be required to include accrued but unpaid interest on the junior subordinated debt securities through the date of disposition in income as ordinary income and to subtract that amount from the proceeds of the disposition of the preferred securities. You may recognize a capital loss to the extent that the proceeds of the disposition are less than your basis in the preferred securities. The deductibility of capital losses is subject to limitations.

**Non-U.S. Holders**

This subsection describes the tax consequences to a non-U.S. holder of purchasing, owning, and disposing of, a preferred security. You are a non-U.S. holder if you are the beneficial owner of a preferred security and you are not a U.S. holder, as defined above.

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*Payment of Interest:* Generally, subject to the discussion of backup withholding below, if you are a non-U.S. holder, interest income and OID, if any, that is not effectively connected with a United States trade or business will not be subject to a U.S. withholding tax under the portfolio interest exemption provided that:

you do not actually or constructively own 10% or more of the combined voting power of all of classes of Everest Holdings stock entitled to vote;

you are not a controlled foreign corporation related to Everest Holdings actually or constructively through stock ownership;

either (a) you provide a Form W-8BEN (or a suitable substitute form) signed under penalties of perjury that includes your name and address and certifies as to your Non-U.S. holder status, or (b) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business, provides a statement to us or our agent under penalties of perjury in which it certifies that a Form W-8BEN or W-8IMY (or a suitable substitute form) has been received by it from you or a qualifying intermediary and furnishes us or our agent with a copy of such form.

Treasury regulations provide alternative methods for satisfying the certification requirement described in the paragraph above. These regulations may require a non-U.S. holder that provides an IRS form, or that claims the benefit of an income tax treaty, to also provide its U.S. taxpayer identification number.

Interest on junior subordinated debt securities not exempted from U.S. withholding tax as described above and not effectively connected with a United States trade or business generally will be subject to U.S. withholding tax at 30% rate, except where an applicable tax treaty provides for the reduction or elimination of such withholding tax. We may be required to report annually to the IRS and to each non-U.S. holder the amount of interest paid to, and the tax withheld, if any, with respect to, each non-U.S. holder.

Except to the extent that an applicable treaty otherwise provides, generally you will be taxed in the same manner as a U.S. Holder with respect to interest and OID, if any, if the interest income and OID, if any, is effectively connected with your conduct of a United States trade or business. If you are a corporate non-U.S. holder, you may also, under certain circumstances, be subject to an additional branch profits tax at a 30% rate (or, if applicable, a lower treaty rate). Even though such effectively connected interest is subject to income tax, and may be subject to the branch profits tax, it may not be subject to withholding tax if you deliver proper documentation.

To claim the benefit of a tax treaty or to claim exemption from withholding because the income is U.S. trade or business income, the non-U.S. holder must provide a properly executed Form W-8BEN or W-8ECI. Under the Treasury Regulations, a non-U.S. holder may under certain circumstances be required to obtain a U.S. taxpayer identification number and make certain certifications to us. Special procedures are provided in the Treasury Regulations for payments through qualified intermediaries. Prospective investors should consult their tax advisors regarding the effect, if any, of the Treasury Regulations.

*Sale, Exchange or Redemption of Preferred Securities:* If you are a non-U.S. holder of a preferred security, generally you will not be subject to the U.S. federal income tax or withholding tax on any gain realized on the sale, exchange or redemption of the preferred security, unless:

the gain is effectively connected with your conduct of a United States trade or business;

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you are an individual and are present in the United States for a period or periods aggregating 183 days or more during taxable year (as determined under the Internal Revenue Code) of the disposition and certain other conditions are met; or

you are subject to tax pursuant to the provisions of the Code applicable to certain United States expatriates.

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*Death of a non-U.S. holder:* If you are an individual non-U.S. holder and you hold a preferred security at the time of your death, it will not be includable in your gross estate for United States estate tax purposes, provided that you do not at the time of death actually or constructively own 10% or more of the combined voting power of all classes of Endurance Holdings of stock entitled to vote, and provided that, at the time of death, payments with respect to such preferred security would not have been effectively connected with your conduct of a trade or business within the United States.

## **Backup Withholding and Information Reporting**

In general, if you are a non-corporate U.S. holder, information reporting requirements will apply to payments to you of all payments of principal and interest, including OID, if any, on a preferred security and the proceeds of the sale of a preferred security. If you are a U.S. holder, you may be subject to backup withholding when you receive interest, including OID, if any, with respect to the notes, or when you receive proceeds upon the sale, exchange, redemption, retirement or other disposition of a preferred security. The backup withholding rate currently is 28%; without congressional action, this rate will increase to 31% in 2011. In general, you can avoid this backup withholding by properly executing under penalties of perjury an IRS Form W-9 or substantially similar form that provides:

your correct taxpayer identification number; and

a certification that (a) you are exempt from backup withholding because you are a corporation or come within another enumerated exempt category, (b) you have not been notified by the IRS that you are subject to backup withholding, or (c) you have been notified by the IRS that you are no longer subject to backup withholding.

We will report to the U.S. holders of preferred securities and to the IRS the amount of any reportable payments for each calendar year and the amount of tax withheld, if any, with respect to such payments.

If you are a non-U.S. holder, U.S. information reporting requirements and backup withholding tax will not apply to payments of interest, including OID, if any, if you provide the statement described in *Non-U.S. Holders Payment of Interest*, provided that the payor does not have actual knowledge that you are a U.S. person. Information reporting will not apply to any payment of the proceeds of the sale of a note effected outside the United States by a foreign office of a broker (as defined in applicable Treasury Regulations), unless such broker:

(i) is a U.S. person;

(ii) is a non-U.S. person that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States;

(iii) is a controlled foreign corporation for U.S. federal income tax purposes; or