

EVEREST REINSURANCE HOLDINGS INC

Form 424B5

March 22, 2004

Table of Contents

Filed Pursuant to Rule 424(b)(5)

Registration No. 333-106595

The information in this prospectus supplement is not complete and may be changed. This prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 22, 2004

PROSPECTUS SUPPLEMENT

(TO PROSPECTUS DATED DECEMBER 22, 2003)

Preferred Securities

Everest Re Capital Trust II

% 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.

Each of the % 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 , 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.

Edgar Filing: EVEREST REINSURANCE HOLDINGS INC - Form 424B5

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-7 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.

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

(1) Plus accrued distributions, if any, from March , 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. per preferred security (\$ in the aggregate, \$ in the aggregate if the over-allotment option referred to below is exercised in full).

Within 30 days from the date of this prospectus the underwriters may also purchase up to an additional preferred securities at \$25 per preferred security plus accrued distributions from March , 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 , 2004.

Joint Book-Running Managers

Wachovia Securities

Citigroup

Merrill Lynch & Co.

Morgan Stanley

UBS Investment Bank

Deutsche Bank Securities

Goldman, Sachs & Co.

JPMorgan

RBC Capital Markets

Prospectus Supplement dated March , 2004.

Table of Contents

TABLE OF CONTENTS

	Page
Prospectus Supplement	
<u>About This Prospectus</u>	S-1
<u>Cautionary Note Regarding Forward-Looking Statements</u>	S-1
<u>Summary Information - Q&A</u>	S-2
<u>Risk Factors</u>	S-8
<u>Use of Proceeds</u>	S-12
<u>Ratio of Earnings to Fixed Charges of Everest Holdings</u>	S-12
<u>Accounting Treatment</u>	S-12
<u>Capitalization</u>	S-14
<u>Terms of the Preferred Securities</u>	S-15
<u>Terms of the Junior Subordinated Debt Securities</u>	S-21
<u>United States Federal Income Tax Consequences</u>	S-28
<u>ERISA Considerations</u>	S-33
<u>Underwriting</u>	S-35
<u>Experts</u>	S-37
<u>Legal Matters</u>	S-38
<u>Incorporation by Reference</u>	S-38
Prospectus	
About This Prospectus	1
Everest Re Group, Ltd.	1
Everest Reinsurance Holdings, Inc.	2
Everest Re Capital Trust II and Everest Re Capital Trust III	2
Risk Factors	4
Cautionary Note Regarding Forward-Looking Statements	16
Use of Proceeds	17
Ratio of Earnings to Fixed Charges	17
Accounting Treatment	17
Description of our Capital Stock	18
Description of the Debt Securities	22
Description of the Warrants	34
Description of the Share Purchase Contracts and the Share Purchase Units	35
Description of the Trust Preferred Securities	35
Description of the Trust Preferred Securities Guarantee	43
Relationship of the Trust Preferred Securities, the Preferred Securities Guarantee and the Debt Securities Held by the Everest Capital Trusts	46
Plan of Distribution	47
Experts	49
Legal Matters	49
Enforcement of Civil Liabilities	49
Where You Can Find More Information	50

Table of Contents

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-7 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.

Table of Contents

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.

Edgar Filing: EVEREST REINSURANCE HOLDINGS INC - Form 424B5

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.

S-2

Table of Contents

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;

Edgar Filing: EVEREST REINSURANCE HOLDINGS INC - Form 424B5

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.

S-3

Table of Contents

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 _____ % 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 % 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 % per year compounded quarterly until the end of the deferral period.

S-4

Table of Contents

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 31, 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

S-5

Table of Contents

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?

Edgar Filing: EVEREST REINSURANCE HOLDINGS INC - Form 424B5

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

S-6

Table of Contents

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 1, 2004.

S-7

Table of Contents

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.

S-8

Table of Contents

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.

Table of Contents

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.

Edgar Filing: EVEREST REINSURANCE HOLDINGS INC - Form 424B5

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

S-10

Table of Contents

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.

Edgar Filing: EVEREST REINSURANCE HOLDINGS INC - Form 424B5

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

S-11

Table of Contents

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 \$ _____ million after deducting the underwriting commission and estimated offering expenses (\$ _____ 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.

S-12

Table of Contents

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.

S-13

Table of Contents**CAPITALIZATION**

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)		
Total debt less current portion:		
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	
Total debt (less current portion)	729.1	
Stockholder s Equity:		
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
Total stockholder s equity	1,546.9	1,546.9
Total capitalization	\$ 2,276.0	

- (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 % junior subordinated debt securities issued by Everest Holdings to Everest Capital Trust. The junior subordinated debt securities will mature on March , 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.

Table of Contents

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 _____ (_____ 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 hold

RBC Capital Markets, LLC

Auto-Callable Contingent Coupon Barrier Notes

INFORMATION REGARDING THE REFERENCE STOCK ISSUER

The Reference Stock is registered under the Securities Exchange Act of 1934 (the "Exchange Act"). Companies with securities registered under that Act are required to file periodically certain financial and other information specified by the SEC. Information provided to or filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC or through the SEC's website at www.sec.gov. In addition, information regarding the Reference Stock may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents.

The following information regarding the Reference Stock Issuer is derived from publicly available information.

We have not independently verified the accuracy or completeness of reports filed by the Reference Stock Issuer with the SEC, information published by it on its website or in any other format, information about it obtained from any other source or the information provided below. We obtained the information regarding the historical performance of the Reference Stock set forth below from Bloomberg Financial Markets.

Netflix, Inc. ("NFLX")

Netflix, Inc. is an Internet subscription service for watching television shows and movies. Subscribers can watch unlimited television shows and movies streamed over the Internet to their televisions, computers, and mobile devices and in the United States, subscribers can receive standard definition DVDs and Blu-ray Discs delivered to their homes.

The company's common stock is listed on the Nasdaq Global Select Market under the ticker symbol "NFLX."

P-9 RBC Capital Markets, LLC

Auto-Callable Contingent Coupon Barrier Notes

The graph below illustrates the performance of the Reference Stock from January 1, 2009 to March 15, 2019, assuming an Initial Stock Price of \$361.46, which was the closing price of the Reference Stock on March 15, 2019. The red line represents a hypothetical Coupon Barrier and Trigger Price of \$216.88, which is equal to 60% of the closing price on March 15, 2019, rounded to two decimal places. The actual Coupon Barrier and Trigger Price will be based on the closing price of the Reference Stock on the Trade Date.

P-10 RBC Capital Markets, LLC

Auto-Callable Contingent Coupon Barrier Notes

SUPPLEMENTAL DISCUSSION OF
U.S. FEDERAL INCOME TAX CONSEQUENCES

The following disclosure supplements, and to the extent inconsistent supersedes, the discussion in the product prospectus supplement dated September 10, 2018 under “Supplemental Discussion of U.S. Federal Income Tax Consequences.”

Under Section 871(m) of the Code, a “dividend equivalent” payment is treated as a dividend from sources within the United States. Such payments generally would be subject to a 30% U.S. withholding tax if paid to a non-U.S. holder. Under U.S. Treasury Department regulations, payments (including deemed payments) with respect to equity-linked instruments (“ELIs”) that are “specified ELIs” may be treated as dividend equivalents if such specified ELIs reference an interest in an “underlying security,” which is generally any interest in an entity taxable as a corporation for U.S. federal income tax purposes if a payment with respect to such interest could give rise to a U.S. source dividend. However, the IRS has issued guidance that states that the U.S. Treasury Department and the IRS intend to amend the effective dates of the U.S. Treasury Department regulations to provide that withholding on dividend equivalent payments will not apply to specified ELIs that are not delta-one instruments and that are issued before January 1, 2021. Based on our determination that the Notes are not delta-one instruments, non-U.S. holders should not be subject to withholding on dividend equivalent payments, if any, under the Notes. However, it is possible that the Notes could be treated as deemed reissued for U.S. federal income tax purposes upon the occurrence of certain events affecting the Reference Stock or the Notes, and following such occurrence the Notes could be treated as subject to withholding on dividend equivalent payments. Non-U.S. holders that enter, or have entered, into other transactions in respect of the Reference Stock or the Notes should consult their tax advisors as to the application of the dividend equivalent withholding tax in the context of the Notes and their other transactions. If any payments are treated as dividend equivalents subject to withholding, we (or the applicable withholding agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld.

The accompanying product prospectus supplement notes that FATCA withholding on payments of gross proceeds from a sale or redemption of Notes will only apply to payments made after December 31, 2018. That discussion is modified to reflect regulations proposed by the U.S. Treasury Department in December 2018 indicating an intent to eliminate the requirement under FATCA of withholding on gross proceeds of the disposition of financial instruments. The U.S. Treasury Department has indicated that taxpayers may rely on these proposed regulations pending their finalization. Prospective investors are urged to consult with their own tax advisors regarding the possible implications of FATCA on their investment in the Notes.

SUPPLEMENTAL PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

We expect that delivery of the Notes will be made against payment for the Notes on or about March 29, 2019, which is the second (2nd) business day following the Trade Date (this settlement cycle being referred to as “T+2”). See “Plan of Distribution” in the prospectus dated September 7, 2018. For additional information as to the relationship between us and RBCCM, please see the section “Plan of Distribution—Conflicts of Interest” in the prospectus dated September 7, 2018.

In the initial offering of the Notes, they will be offered to investors at a purchase price equal to par, except with respect to certain accounts as indicated on the cover page of this document.

The value of the Notes shown on your account statement may be based on RBCCM’s estimate of the value of the Notes if RBCCM or another of our affiliates were to make a market in the Notes (which it is not obligated to do). That estimate will be based upon the price that RBCCM may pay for the Notes in light of then prevailing market conditions, our creditworthiness and transaction costs. For a period of approximately three months after the issue date of the Notes, the value of the Notes that may be shown on your account statement may be higher than RBCCM’s estimated value of the Notes at that time. This is because the estimated value of the Notes will not include the underwriting discount and our hedging costs and profits; however, the value of the Notes shown on your account statement during that period may initially be a higher amount, reflecting the addition of RBCCM’s underwriting

discount and our estimated costs and profits from hedging the Notes. This excess is expected to decrease over time until the end of this period. After this period, if RBCCM repurchases your Notes, it expects to do so at prices that reflect their estimated value.

We may use this terms supplement in the initial sale of the Notes. In addition, RBCCM or another of our affiliates may use this terms supplement in a market-making transaction in the Notes after their initial sale. Unless we or our agent informs the purchaser otherwise in the confirmation of sale, this terms supplement is being used in a market-making transaction.

P-11 RBC Capital Markets, LLC

Auto-Callable Contingent Coupon Barrier Notes

STRUCTURING THE NOTES

The Notes are our debt securities, the return on which is linked to the performance of the Reference Stock. As is the case for all of our debt securities, including our structured notes, the economic terms of the Notes reflect our actual or perceived creditworthiness at the time of pricing. In addition, because structured notes result in increased operational, funding and liability management costs to us, we typically borrow the funds under these Notes at a rate that is more favorable to us than the rate that we might pay for a conventional fixed or floating rate debt security of comparable maturity. Using this relatively lower implied borrowing rate rather than the secondary market rate, is a factor that is likely to reduce the initial estimated value of the Notes at the time their terms are set. Unlike the estimated value that will be set forth on the cover page of the final pricing supplement, any value of the Notes determined for purposes of a secondary market transaction may be based on a different funding rate, which may result in a lower value for the Notes than if our initial internal funding rate were used.

In order to satisfy our payment obligations under the Notes, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) on the issue date with RBCCM or one of our other subsidiaries. The terms of these hedging arrangements take into account a number of factors, including our creditworthiness, interest rate movements, the volatility of the Reference Stock, and the tenor of the Notes. The economic terms of the Notes and their initial estimated value depend in part on the terms of these hedging arrangements.

The lower implied borrowing rate is a factor that reduces the economic terms of the Notes to you. The initial offering price of the Notes also reflects the underwriting commission and our estimated hedging costs. These factors result in the initial estimated value for the Notes on the Trade Date being less than their public offering price. See “Selected Risk Considerations—The Initial Estimated Value of the Notes Will Be Less than the Price to the Public” above.

P-12 RBC Capital Markets, LLC
