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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2004

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-31219

SUNOCO LOGISTICS PARTNERS L.P.

(Exact name of registrant as specified in its charter)

Delaware	**23-3096839**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
Ten Penn Center **1801 Market Street, Philadelphia, PA**	**19103-1699**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (215) 977-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Units representing limited partnership interests	**New York Stock Exchange**
Senior Notes 7.25%, due February 15, 2012	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments of this Form 10-K. ☒

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No ☐

The aggregate value of the Common Units held by non-affiliates of the registrant (treating all executive officers and directors of the registrant and holders of 10 percent or more of the Common Units outstanding (including the General Partner of the registrant, Sunoco Partners LLC, as if they may be affiliates of the registrant)) was approximately $328.5 million as of June 30, 2004, based on $35.90 per unit, the closing price of the Common Units as reported on the New York Stock Exchange on that date.

At February 28, 2005, the number of the registrant's Common Units outstanding was 15,606,314, and its Subordinated Units outstanding was 8,537,729.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

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Forward-Looking Statements

Certain matters discussed in this report, excluding historical information, include forward-looking statements made in reliance on the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements discuss Sunoco Logistics Partners L.P.'s (the "Partnership") expected future results based on current and pending business operations, and may be identified by words such as "anticipates", "believes", "expects", "planned", "scheduled" or similar expressions. Although management of the Partnership believes these forward-looking statements are reasonable, they are based upon a number of assumptions, any or all of which ultimately may prove to be inaccurate. Statements made regarding future results are subject to numerous assumptions, uncertainties and risks that may cause future results to be materially different from the results stated or implied in this document.

The following are among the important factors that could cause actual results to differ materially from any results projected, forecasted, estimated or budgeted:

- *Changes in demand both for crude oil we buy and sell, as well as for crude oil and refined petroleum products that we store and distribute;*
- *Changes in demand for storage in the Partnership's petroleum terminals;*
- *The loss of Sunoco, Inc. (R&M) as a customer or a significant reduction in its current level of throughput and storage with the Partnership;*
- *An increase in the competition encountered by the Partnership's petroleum terminals, pipelines and crude oil acquisition and marketing operations;*
- *Changes in the throughput on petroleum pipelines owned and operated by third parties and connected to the Partnership's petroleum pipelines and terminals;*
- *Changes in the financial condition or operating results of joint ventures and other holdings in which the Partnership has an equity ownership interest;*
- *Changes in the general economic conditions in the United States;*
- *Changes in laws and regulations to which the Partnership is subject, including federal, state, and local tax, safety, environmental and employment laws;*
- *Phase-outs or restrictions on the use of MTBE;*
- *Improvements in energy efficiency and technology resulting in reduced demand;*
- *The Partnership's ability to manage rapid growth;*
- *The Partnership's ability to control costs;*
- *The effect of changes in accounting principles and tax laws and interpretations of both;*
- *Global and domestic economic repercussions from terrorist activities and international hostilities and the government's response thereto;*
- *Changes in the level of operating expenses and hazards related to operating facilities (including equipment malfunction, explosions, fires, spills and the effects of severe weather conditions);*
- *The occurrence of operational hazards or unforeseen interruptions for which the Partnership may not be adequately insured;*
- *The age of, and changes in the reliability and efficiency of the Partnership's operating facilities or those of Sunoco, Inc. (R&M) or third parties;*
- *Changes in the expected level of environmental capital, operating, or remediation spending;*

- *Delays related to construction of, or work on, new or existing facilities and issuance of applicable permits;*
- *Changes in insurance markets resulting in increased costs and reductions in the level and types of coverage available;*
- *The Partnership's ability to identify acquisitions under favorable terms, successfully consummate announced acquisitions or expansions and integrate them into existing business operations;*
- *Risks related to labor relations and workplace safety;*
- *Non-performance by major customers, suppliers or other business partners;*
- *Price trends and overall demand for refined petroleum products, crude oil and natural gas liquids in the United States, economic activity, weather, alternative energy sources, conservation and technological advances may affect price trends and demand for the Partnership's business activities;*
- *Changes in the Partnership's tariff rates, implemented by federal and/or state government regulators;*
- *The amount of the Partnership's indebtedness, which could make the Partnership vulnerable to general adverse economic and industry conditions, limit the Partnership's ability to borrow additional funds, place it at competitive disadvantages compared to competitors that have less debt, or have other adverse consequences;*
- *Restrictive covenants in the Partnership's or Sunoco, Inc.'s credit agreements;*
- *Changes in the Partnership's or Sunoco, Inc.'s credit ratings, as assigned by ratings agencies;*
- *The condition of the debt capital markets and equity capital markets in the United States, and the Partnership's ability to raise capital in a cost-effective way;*
- *Changes in interest rates on the Partnership's outstanding debt, which could increase the costs of borrowing;*
- *Military conflicts between, or internal instability in, one or more oil-producing countries, and governmental actions or other disruptions in the ability to obtain crude oil;*
- *Changes in applicable statutes and governmental regulations (or the interpretations thereof), including those relating to the environment and global warming;*
- *Claims of the Partnership's non-compliance with regulatory and statutory requirements; and*
- *The costs and effects of legal and administrative claims and proceedings against the Partnership or any entity which it has an ownership interest, and changes in the status of, or the initiation of new litigation, claims or proceedings, to which the Partnership, or any entity which it has an ownership interest, is a party.*

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of the Partnership's forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results. The Partnership undertakes no obligation to update publicly any forward-looking statement whether as a result of new information or future events.

PART I

ITEM 1. BUSINESS

(a) General Development of Business

The Partnership is a Delaware limited partnership formed by Sunoco, Inc. on October 15, 2001 to own, operate and acquire a geographically diversified portfolio of complementary pipeline, terminalling, and crude oil acquisition and marketing assets. The Partnership completed its initial public offering ("IPO") on February 8, 2002. The principal executive offices of Sunoco Partners LLC, the Partnership's general partner (the "General Partner"), are located at Ten Penn Center, 1801 Market Street, Philadelphia, Pennsylvania 19103 (telephone (215) 977-3000). The Partnership's website address is www.sunocologistics.com.

Sunoco, Inc., through its wholly-owned subsidiaries (collectively, "Sunoco"), owns approximately 62.6 percent of the partnership interests at December 31, 2004, including the 2 percent general partner interest.

(b) Financial Information about Segments

See Part II, Item 8. Financial Statements and Supplementary Data.

(c) Narrative Description of Business

The Partnership is principally engaged in the transport, terminalling and storage of refined products and crude oil and the purchase and sale of crude oil. Sunoco, Inc. (R&M), a wholly-owned refining and marketing subsidiary of Sunoco ("Sunoco R&M"), accounted for approximately 51 percent of the Partnership's total revenues for the year ended December 31, 2004. The business comprises three segments:

- The *Eastern Pipeline System* primarily serves the Northeast and Midwest United States operations of Sunoco R&M and includes: approximately 1,740 miles of refined product pipelines, including a two-thirds interest in the 80-mile refined product Harbor pipeline, and 58 miles of interrefinery pipelines between two of Sunoco R&M's refineries; a 123-mile crude oil pipeline; a 9.4 percent interest in Explorer Pipeline Company, a joint venture that owns a 1,413-mile refined product pipeline; a 31.5 percent interest in Wolverine Pipe Line Company, a joint venture that owns a 721-mile refined product pipeline; a 12.3 percent interest in West Shore Pipe Line Company, a joint venture that owns a 652-mile refined product pipeline; and a 14.0 percent interest in Yellowstone Pipe Line Company, a joint venture that owns a 655-mile refined product pipeline.
- The *Terminal Facilities* consist of 35 inland refined product terminals with an aggregate storage capacity of 5.9 million barrels, primarily serving the Partnership's Eastern Pipeline System; a 2.0 million barrel refined product terminal serving Sunoco R&M's Marcus Hook refinery near Philadelphia, Pennsylvania; a 12.5 million barrel marine crude oil terminal on the Texas Gulf Coast, the Nederland Terminal; one inland and two marine crude oil terminals with a combined capacity of 3.4 million barrels, and related pipelines, all of which serve Sunoco R&M's Philadelphia refinery; a ship and barge dock which serves Sunoco R&M's Eagle Point refinery; and a 1.0 million barrel liquefied petroleum gas ("LPG") terminal near Detroit, Michigan.
- The *Western Pipeline System* gathers, purchases, sells, and transports crude oil principally in Oklahoma and Texas and consists of approximately 1,930 miles of crude oil trunk pipelines and approximately 520 miles of crude oil gathering lines that supply the trunk pipelines; approximately 120 crude oil transport trucks; approximately 130 crude oil truck unloading facilities; and a 43.8 percent interest in West Texas Gulf Pipe Line Company, a joint venture that owns a 579-mile crude oil pipeline.

The Partnership and its equity interests are principally engaged in the transport, terminalling, and storage of refined products and crude oil and in the purchase and sale of crude oil in 19 states. Revenues are generated by

charging tariffs for transporting refined products, crude oil and other hydrocarbons through the pipelines and by charging fees for storing refined products, crude oil, and other hydrocarbons, and for providing other services at the Partnership's terminals. The Partnership also generates revenue by purchasing domestic crude oil and selling it to Sunoco R&M and other customers. Generally, as crude oil is purchased, corresponding sale transactions are simultaneously entered into involving physical deliveries of crude oil, which enables the Partnership to secure a profit on the transaction at the time of purchase and establish a substantially balanced position, thereby minimizing exposure to price volatility after the initial purchase. The Partnership's practice is to not enter into futures contracts.

Upon the closing of the Partnership's IPO on February 8, 2002, the Eastern Pipeline System, Terminal Facilities and Western Pipeline System were transferred to the Partnership, including certain related liabilities. Certain other liabilities, including environmental and toxic tort liabilities, have been retained by Sunoco, Inc. under the indemnification provisions of an omnibus agreement (the "Omnibus Agreement") (see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations-Agreements with Sunoco R&M and Sunoco, Inc."). The following discussion has been prepared as if the assets were operated as a stand-alone business throughout the periods presented. Unless otherwise noted, the Partnership owns and operates all of the assets described.

Eastern Pipeline System

Sunoco R&M accounted for approximately 66 percent of the Eastern Pipeline segment's total revenues for the year ended December 31, 2004.

Refined Product Pipelines

The refined product pipelines transport refined products from Sunoco R&M's Philadelphia and Marcus Hook, Pennsylvania, Toledo, Ohio and Eagle Point, New Jersey refineries, as well as from third parties, to markets in New York, New Jersey, Pennsylvania, Ohio, and Michigan. The refined products transported in these pipelines include multiple grades of gasoline, middle distillates (such as heating oil, diesel and jet fuel), LPGs (such as propane, butane, isobutene, and a butane/butylene mixture), refining feedstocks, and other hydrocarbons (such as toluene and xylene). The Federal Energy Regulatory Commission ("FERC") regulates the rates for interstate shipments on the Eastern Pipeline System and the Pennsylvania Public Utility Commission ("PA PUC") regulates the rates for intrastate shipments in Pennsylvania. The Partnership also leases to Sunoco R&M three bi-directional, 18-mile interrefinery pipelines and a four-mile pipeline spur extending to the Philadelphia International Airport.

The following table details the total shipments on the refined product pipelines in each of the years presented. Total shipments represent the total average daily pipeline throughput multiplied by the number of miles of pipeline through which each barrel has been shipped. Management of the Partnership believes that total shipments is a better performance indicator for the Eastern Pipeline System than barrels transported as certain refined product pipelines, including interrefinery and transfer pipelines, transport large volumes over short distances and generate minimal revenues. The following excludes amounts attributable to equity ownership interests in the corporate joint ventures:

	Year Ended December 31,		
	2002	2003	2004
Total shipments (in thousands of barrel miles per day)	45,712	44,657	46,284

The mix of refined petroleum products delivered varies seasonally, with gasoline demand peaking during the summer months, and demand for heating oil and other distillate fuels being higher in the winter. In addition, weather conditions in the areas served by the Eastern Pipeline System affect both the demand for, and the mix of,

the refined petroleum products delivered through the Eastern Pipeline System, although historically any overall impact on the total volume shipped has been short term.

Crude Oil Pipeline

This 123-mile, 16-inch crude oil pipeline runs from Marysville, Michigan to Toledo, Ohio. This pipeline receives crude oil from the Enbridge pipeline system for delivery to Sunoco R&M and BP refineries located in Toledo, Ohio and to Marathon Ashland's ("MAP") Samaria, Michigan tank farm, which supplies its refinery in Detroit, Michigan. Marysville is also a truck injection point for local production. Sunoco R&M is the major shipper on the pipeline.

The table below sets forth the average daily number of barrels of crude oil transported through this crude oil pipeline in each of the years presented:

	Year Ended December 31,		
	2002	2003	2004
Crude oil throughput (in barrels per day ("bpd"))	95,311	91,951	111,104

Explorer Pipeline

The Partnership owns a 9.4 percent interest in Explorer Pipeline Company ("Explorer"), a joint venture that owns a 1,413-mile common carrier refined product pipeline. Other owners of Explorer are Shell, MAP, ChevronTexaco, CITGO, and ConocoPhillips. The system, which is operated by Explorer employees, originates from the refining centers of Lake Charles, Louisiana and Beaumont, Port Arthur and Houston, Texas, and extends to Chicago, Illinois, with delivery points in the Houston, Dallas/Fort Worth, Tulsa, St. Louis, and Chicago areas. Shippers on the pipeline include most of the affiliates of the owners and non-affiliated customers. Sunoco R&M does not regularly ship on the pipeline. In 2000, the FERC approved Explorer's application for market-based rates for all its tariffs. The Partnership receives a quarterly cash dividend from Explorer that is proportionate with its ownership interest.

During the third quarter of 2003, Explorer completed its $100 million plus expansion of the system's capacity. The capacity from Port Arthur to Tulsa was expanded by 130,000 bpd to 690,000 bpd and the capacity from Tulsa to Chicago was expanded by 100,000 bpd to 450,000 bpd.

Wolverine Pipe Line

On November 15, 2002, the Partnership acquired a 31.5 percent interest in Wolverine Pipe Line Company ("Wolverine"), a joint venture that owns a 721-mile common carrier pipeline that transports primarily refined products. Other owners of Wolverine are Citgo, ExxonMobil, MAP, and Shell. The system, which is operated by ExxonMobil and Wolverine employees, originates from Chicago, Illinois and extends to Detroit, Grand Haven, and Bay City, Michigan with delivery points along the way. Shippers on the pipeline include affiliates of most of the owners and non-affiliated customers. The Partnership and its affiliates do not ship on the pipeline. In 2002, the FERC approved Wolverine's application for market-based rates for the Detroit, Jackson, Niles, Hammond, and Lockport destinations. The Partnership receives a quarterly cash dividend from Wolverine that is proportionate with its ownership interest.

West Shore Pipe Line

On November 15, 2002, the Partnership acquired a 9.2 percent interest in West Shore Pipe Line Company ("West Shore"), a joint venture that owns a 652-mile common carrier refined product pipeline. On September 30, 2003, the Partnership acquired an additional 3.1 percent interest in West Shore increasing its overall ownership percentage to 12.3 percent. Other owners of West Shore are Citgo, ExxonMobil, BP, Buckeye, and Shell. The

system, which is operated by Citgo employees, originates from the Chicago, Illinois refining center and extends to Madison and Green Bay, Wisconsin with delivery points along the way. Shippers on the pipeline include affiliates of most of the owners and non-affiliated customers. The Partnership and its affiliates do not ship on the pipeline. In 2002, the FERC approved West Shore's application for market-based rates for the Chicago area. The Partnership receives a quarterly cash dividend from West Shore that is proportionate with its ownership interest.

Yellowstone Pipe Line

On November 15, 2002, the Partnership acquired a 14.0 percent interest in Yellowstone Pipe Line Company ("Yellowstone"), a joint venture that owns a 655-mile common carrier refined product pipeline. Other owners of Yellowstone are ExxonMobil and ConocoPhillips. The system, which is operated by ConocoPhillips employees, originates from the Billings, Montana refining center and extends to Moses Lake, Washington with delivery points along the way. Shippers on the pipeline include affiliates of the owners and non-affiliated customers. Tariff rates are regulated by the FERC for interstate shipments and the Montana Public Service Commission for intrastate shipments in Montana. The Partnership and its affiliates do not ship on the pipeline.

In 1997, the Yellowstone board of directors established a dividend policy whereby dividends would not be paid to owners until the debt incurred to finance a multi-year pipeline upgrade program was repaid. The last payment on the debt was made in 2004, and the Partnership received a quarterly cash dividend from Yellowstone of $0.3 million in January 2005, proportionate with its ownership interest.

Terminal Facilities

Sunoco R&M accounted for approximately 67 percent of the Terminal Facilities segment's total revenues for the year ended December 31, 2004.

Refined Product Terminals

The Partnership's 35 inland refined product terminals receive refined products from pipelines and distribute them to Sunoco R&M and to third parties, who in turn deliver them to end-users and retail outlets. Terminals play a key role in moving product to the end-user market by providing the following services: storage and inventory management; distribution; blending to achieve specified grades of gasoline; and other ancillary services that include the injection of additives and the filtering of jet fuel. Typically, the Partnership's terminal facilities consist of multiple storage tanks and are equipped with automated truck loading equipment that is available 24 hours a day. This automated system provides for control of allocations, credit and carrier certification.

The Partnership's refined product terminals derive most of their revenues from terminalling fees paid by customers. A fee is charged for receiving refined products into the terminal and delivering them to trucks, barges, or pipelines. In addition to terminalling fees, the Partnership's revenues are generated by charging customers fees for blending, injecting additives, and filtering jet fuel. Refined product terminals generate the balance of their revenues from the handling of other hydrocarbons for Sunoco R&M at Vanport, Pennsylvania and Toledo, Ohio and from lubricants handled for Sunoco R&M at Cleveland, Ohio. Sunoco R&M accounts for substantially all of the Partnership's refined product terminal revenues. The Eastern Pipeline System supplies the majority of the Partnership's refined product terminals, with third-party pipelines supplying the remainder.

The table below sets forth the total average daily throughput for the inland refined product terminals in each of the years presented:

	Year Ended December 31,		
	2002	2003	2004
Refined products throughput (bpd)	272,784	283,071	340,675

The following table outlines the number of terminals and storage capacity in barrels ("bbls") by state:

State	Number of Terminals	Storage Capacity (bbls)
Indiana	1	207,000
Maryland	1	646,000
Michigan	2	408,000
New Jersey	4	751,200
New York[1]	3	623,600
Ohio	7	916,500
Pennsylvania	16	2,043,700
Virginia	1	277,000
Total	35	5,873,000

(1) The Partnership has a 45 percent ownership interest in a terminal at Inwood, New York. The storage capacity included in the table represents the proportionate share of capacity attributable to the Partnership's ownership interest.

Nederland Terminal

The Nederland Terminal, which is located on the Sabine-Neches waterway between Beaumont and Port Arthur, Texas, is a large marine terminal that provides inventory management, storage, and distribution services for refiners and other large end-users of crude oil. The terminal receives, stores, and distributes crude oil, feedstocks, lubricants, petrochemicals, and bunker oils (used for fueling ships and other marine vessels). In addition, it also blends lubricants and is equipped with petroleum laboratory facilities. The terminal currently has a total shell storage capacity of approximately 12.5 million barrels in 128 aboveground storage tanks with individual capacities of up to 660,000 barrels. During 2003, construction of two new tanks was completed, which added approximately 1.3 million barrels of storage capacity to the terminal.

The Nederland Terminal can receive crude oil at each of its five ship docks and three barge berths, which can accommodate any vessel capable of navigating the 40-foot freshwater draft of the Sabine-Neches Ship Channel. The five ship docks are capable of receiving over 1.0 million bpd of crude oil. The terminal can also receive crude oil through a number of pipelines, including the Shell pipeline from Louisiana, the Department of Energy ("DOE") Big Hill pipeline, the DOE West Hackberry pipeline, and the Partnership's Western Pipeline System. The DOE pipelines connect the terminal to the United States Strategic Petroleum Reserve's West Hackberry caverns at Hackberry, Louisiana and Big Hill caverns near Winnie, Texas, which have an aggregate storage capacity of 370 million barrels. The Nederland Terminal's pipeline connections to major markets in the Lake Charles, Beaumont, Port Arthur, Houston, and Midwest areas provide customers with flexibility. During the second half of 2004, the Nederland Terminal was one of two facilities connected to the Cameron Highway pipeline, a new 390-mile, 24-inch to 30-inch pipeline that has the capacity to deliver up to 500,000 barrels per day of crude oil from off-shore production developments in the Gulf of Mexico. Crude oil deliveries through the Cameron Highway pipeline began in February 2005.

The Nederland Terminal can deliver crude oil and other petroleum products via pipeline, barge, ship, rail, or truck. In the aggregate, the terminal is capable of delivering over 1.0 million bpd of crude oil to 12 connecting pipelines. The connecting pipelines include the ExxonMobil pipelines to Wichita Falls, Texas and to its Beaumont, Texas refinery, the DOE pipelines to the Big Hill and West Hackberry Strategic Petroleum Reserve caverns, the Premcor pipeline to its Port Arthur, Texas refinery, the TotalFinaElf pipelines to its Port Arthur, Texas refinery, the Shell pipeline to Houston, Texas refineries, the West Texas Gulf and the Partnership's pipelines to the Mid-Valley pipeline at Longview, Texas and to the Citgo pipeline at Sour Lake, Texas, the Partnership's pipeline to Seabreeze, Texas, and the Alon pipeline to its Big Spring, Texas refinery.

The table below sets forth the total average daily throughput for the Nederland Terminal in each of the years presented:

	Year Ended December 31,		
	2002	2003	2004
Crude oil and refined products throughput (bpd)	437,381	441,701	487,828

Revenues are generated at the Nederland Terminal primarily by providing long-term and short-term, or spot, storage services and throughput capability to a number of customers. Most of the terminal's total revenues in 2004 were from unaffiliated third parties.

Fort Mifflin Terminal Complex

The Fort Mifflin Terminal Complex is located on the Delaware River in Philadelphia and supplies Sunoco R&M's Philadelphia refinery with all of its crude oil. These assets include the Fort Mifflin Terminal, the Hog Island Wharf, the Darby Creek Tank Farm and connecting pipelines. Revenues are generated from the Fort Mifflin Terminal Complex by charging fees based on tank capacity and throughput. Substantially all of the revenues from the Fort Mifflin Terminal Complex are derived from Sunoco R&M.

The Fort Mifflin Terminal consists of two ship docks with 40-foot freshwater drafts and nine tanks with a total storage capacity of 570,000 barrels. Two of the 80,000-barrel tanks can be used to store refined products. This terminal also has a connection from the Colonial Pipeline System. Crude oil and some refined products enter the Fort Mifflin Terminal primarily from marine vessels on the Delaware River. One Fort Mifflin dock is designed to handle crude oil from very large crude carrier-class tankers and smaller crude oil vessels. The other dock can accommodate only smaller crude oil vessels.

The Hog Island Wharf is located next to the Fort Mifflin Terminal on the Delaware River and receives crude oil via two ship docks, one of which can accommodate crude oil tankers and smaller crude oil vessels and the other of which can accommodate some smaller crude oil vessels. Hog Island Wharf supplies the Partnership's Darby Creek Tank Farm and Fort Mifflin Terminal with crude oil.

The Darby Creek Tank Farm is a primary crude oil storage terminal for Sunoco R&M's Philadelphia refinery. This facility has 26 tanks with a total storage capacity of 2.9 million barrels. Darby Creek receives crude oil from the Fort Mifflin Terminal and Hog Island Wharf via the Partnership's pipelines. The tank farm then stores the crude oil and pumps it to the Philadelphia refinery via the Partnership's pipelines.

The table below sets forth the average daily number of barrels of crude oil and refined products delivered to Sunoco R&M's Philadelphia refinery in each of the years presented:

	Year Ended December 31,		
	2002	2003	2004
Crude oil throughput (bpd)	310,980	311,455	330,022
Refined products throughput (bpd)	11,631	10,934	6,533
Total (bpd)	322,611	322,389	336,555

Marcus Hook Tank Farm

The Marcus Hook Tank Farm stores substantially all of the gasoline and middle distillates that Sunoco R&M ships from its Marcus Hook refinery. This facility has 16 tanks with a total storage capacity of approximately 2.0 million barrels. After receipt of refined products from the Marcus Hook refinery, the tank farm

either stores or delivers them to the Partnership's Twin Oaks terminal or to the Twin Oaks pump station, which supplies the Eastern Pipeline System.

The table below sets forth the total average daily throughput for the Marcus Hook Tank Farm in each of the years presented:

	Year Ended December 31,		
	2002	2003	2004
Refined products throughput (bpd)	150,008	157,233	144,724

Eagle Point Dock

On March 30, 2004, the Partnership acquired the Eagle Point logistics assets from Sunoco R&M (see "Acquisitions" for further description), including a ship and barge dock connected to the Sunoco R&M Eagle Point refinery. This dock, located on the Delaware River, can accommodate four ships or barges and supplies the Eagle Point refinery with all of its crude oil. The dock can also receive and deliver intermediate products and refined products to outbound ships and barges. For the period from the date of acquisition to December 31, 2004, the average daily number of barrels through the Eagle Point dock was 204,105 bpd, consisting of 136,888 bpd of crude oil and 67,217 bpd of refined products.

Inkster Terminal

The Inkster Terminal, located near Detroit, Michigan, consists of eight salt caverns with a total storage capacity of 975,000 barrels. The Partnership uses the Inkster Terminal's storage in connection with its Toledo, Ohio to Sarnia, Canada pipeline system and for the storage of LPGs from Sunoco R&M's Toledo refinery and from Canada. The terminal can receive and ship LPGs in both directions at the same time and has a propane truck loading rack.

Western Pipeline System

Sunoco R&M accounted for approximately 49 percent of the Western Pipeline System segment's total revenues for the year ended December 31, 2004.

Crude Oil Pipelines

The Partnership owns and operates approximately 1,930 miles of crude oil trunk pipelines and approximately 520 miles of crude oil gathering pipelines in three primary geographic regions—Oklahoma, West Texas, and the Texas Gulf Coast and East Texas region. The Partnership is the primary shipper on the Western Pipeline System. The Partnership also delivers crude oil for Sunoco R&M and for various third parties from points in Texas and Oklahoma. Refineries directly connected to the Western Pipeline System include Sunoco R&M's and Sinclair's Tulsa, Oklahoma refineries and the Gary-Williams refinery in Wynnewood, Oklahoma.

The Partnership's pipelines also access several trading hubs, including the largest and most significant trading hub for crude oil in the United States located in Cushing, Oklahoma ("Cushing"), as well as other trading hubs located in Colorado City and Longview, Texas. The Partnership's crude oil pipelines also connect with other pipelines that deliver crude oil to a number of third-party refineries. In each geographic region, the Partnership has major crude oil trunk line systems that ship crude oil across a number of different-sized trunk pipeline segments. The Partnership transports most of the crude oil to, and lube extracted feedstock from, Sunoco R&M's Tulsa, Oklahoma refinery.

The table below sets forth the average daily number of barrels of crude oil transported on the Partnership's crude oil pipelines in each of the years presented:

	Year Ended December 31,		
	2002	2003	2004
Crude oil throughput (bpd)[1]	286,912	304,471	298,797

[1] Includes lube extracted feedstocks transported from Sunoco R&M's Tulsa, Oklahoma refinery.

Oklahoma

The Partnership owns and operates a large crude oil pipeline and gathering system in Oklahoma. This system contains approximately 800 miles of crude oil trunk pipelines and approximately 180 miles of crude oil gathering pipelines. The Partnership has the ability to deliver substantially all of the crude oil gathered on its Oklahoma system to Cushing. Additionally, deliveries are made on the Oklahoma system to:

- Sunoco R&M's and Sinclair's Tulsa refineries;
- Gary-Williams' Wynnewood refinery; and
- ConocoPhillips' pipeline, which is connected to its Ponca City refinery.

Revenues are generated on the Partnership's Oklahoma system from tariffs paid by shippers utilizing the Partnership's transportation services. The Partnership files these tariffs with the Oklahoma Corporation Commission and the FERC. The Partnership is one of the largest purchasers of crude oil from producers in the state, and is the primary shipper on its Oklahoma system.

West Texas

The Partnership owns and operates approximately 760 miles of crude oil trunk pipelines and approximately 190 miles of crude oil gathering pipelines in West and North Central Texas. Deliveries are made on the West Texas system to:

- a Valero, L.P. pipeline at Dixon, Texas that delivers crude oil to Valero Energy Corporation's refinery in McKee, Texas;
- a ConocoPhillips' pipeline at South Bend, Texas that makes deliveries to ConocoPhillips's Ponca City refinery;
- a TEPPCO pipeline at South Bend that makes deliveries to Gary-Williams' Wynnewood refinery;
- the West Texas Gulf pipeline, which is 43.8 percent owned by the Partnership, at Tye and Colorado City, Texas that connects to the Mid-Valley pipeline in Longview, Texas, which is 55.3 percent owned by Sunoco and makes deliveries to Sunoco R&M's Toledo refinery and other Midwest refineries; and
- other third-party pipelines at Colorado City that deliver crude oil to Cushing.

The Partnership is the shipper of substantially all the volume on this system. Revenues are generated in West Texas from tariffs paid by shippers utilizing the Partnership's transportation services. These tariffs are filed with the Texas Railroad Commission.

Texas Gulf Coast and East Texas

The Partnership owns and operates approximately 370 miles of crude oil trunk pipelines and approximately 150 miles of crude oil gathering pipelines that extend between the Texas Gulf Coast region near Beaumont and Baytown, Texas and the East Texas field near Longview, Texas. The Partnership transports multiple grades of

crude oil, including foreign imports, and other refinery and petrochemical feedstocks, such as condensate and naphtha, on these pipelines. Crude oil is received for these systems from other pipelines, the Nederland Terminal, the Partnership's trucks, third-party trucks, and the Partnership's pipeline gathering systems. This system provides access to major delivery points with interconnecting pipelines in Texas at Longview, Sour Lake, and Nederland.

Revenues are generated from tariffs paid by shippers utilizing the Partnership's transportation services. These tariffs are filed with the Texas Railroad Commission and the FERC. The Partnership is the primary shipper on the Texas Gulf Coast and East Texas system. Sunoco R&M ships on the Nederland to Longview segment, which connects with the Mid-Valley pipeline for deliveries to Sunoco R&M's Toledo refinery.

West Texas Gulf Pipe Line

On November 15, 2002, the Partnership acquired a 43.8 percent interest in West Texas Gulf Pipe Line Company ("West Texas Gulf"), a joint venture that owns and operates a 579-mile common carrier crude oil pipeline. Other owners of West Texas Gulf are ChevronTexaco, BP, and Citgo. The system, which was operated by ChevronTexaco during 2004, originates from the West Texas oil fields at Colorado City and the Nederland crude oil import terminals and extends to Longview, Texas where deliveries are made to several pipelines, including the Mid-Valley pipeline. On January 1, 2005, the Partnership became the operator of this system. Shippers on the pipeline are the Partnership, Sunoco R&M, an affiliate of one other owner and several unaffiliated customers. The Partnership receives a quarterly cash dividend from West Texas Gulf that is proportionate with its ownership interest.

Crude Oil Acquisition and Marketing

In addition to receiving tariff revenues for transporting crude oil on the Western Pipeline System, the Partnership generates most of its revenues through its crude oil acquisition and marketing operations, primarily in Oklahoma and Texas. These activities include: purchasing crude oil at the wellhead from producers and in bulk from aggregators at major pipeline interconnections and trading locations; transporting crude oil on the Partnership's pipelines and trucks or, when necessary or cost effective, pipelines or trucks owned and operated by third parties; and marketing crude oil to refiners or resellers.

The marketing of crude oil is complex and requires detailed knowledge of the crude oil market and a familiarity with a number of factors, including types of crude oil, individual refinery demand for specific grades of crude oil, area market price structures for different grades of crude oil, location of customers, availability of transportation facilities, timing, and customers' costs (including storage). The Partnership sells crude oil to major integrated oil companies, independent refiners, including Sunoco R&M for its Tulsa and Toledo refineries, and resellers in various types of sale and exchange transactions, at market prices for terms generally ranging from one month to one year.

The Partnership mitigates most of its pricing risk on purchase contracts by selling crude oil for an equal term on a similar pricing basis. The Partnership also mitigates most of its volume risk by entering into sales agreements, generally at the same time that purchase agreements are executed, at similar volumes. As a result, volumes sold are generally equal to volumes purchased.

The Partnership enters into contracts with producers at market prices generally for a term of one year or less, with a majority of the transactions on a 30-day renewable basis. For the year ended December 31, 2004, the Partnership purchased 186,827 bpd from approximately 3,400 producers and from approximately 34,000 leases, and undertook approximately 282,500 bpd of exchanges and bulk purchases during the same period.

Crude Oil Purchases and Exchanges

In a typical producer's operation, crude oil flows from the wellhead to a separator where the petroleum gases are removed. After separation, the producer treats the crude oil to remove water, sand, and other contaminants and then moves it to an on-site storage tank. When the tank is full, the producer contacts the Partnership's field personnel to purchase and transport the crude oil to market. The crude oil in producers' tanks is then either delivered directly or transported via truck to the Partnership's pipeline or to a third party's pipeline. The trucking services are performed either by the Partnership's truck fleet or a third-party trucking operation.

The Partnership also enters into exchange agreements to enhance margins throughout the acquisition and marketing process. When opportunities arise to increase its margin or to acquire a grade of crude oil that more nearly matches its delivery requirement or the preferences of its refinery customers, the Partnership's physical crude oil is exchanged with third parties. Generally, the Partnership enters into exchanges to acquire crude oil of a desired quality in exchange for a common grade crude oil or to acquire crude oil at locations that are closer to the Partnership's end-markets, thereby reducing transportation costs.

The following table shows the Partnership's average daily volume for crude oil lease purchases and other exchanges and bulk purchases for the years presented:

	Year Ended December 31,		
	2002	2003	2004
	(in thousands of bpd)		
Lease purchases:			
Available for sale	157	167	164
Exchanged	32	26	23
Other exchanges and bulk purchases	215	300	282
Total	404	493	469

The Partnership's business practice is generally to purchase only crude oil for which there is a corresponding sale agreement for physical delivery of crude oil to a third party or a Sunoco R&M refinery. Through this process, the Partnership seeks to maintain a position that is substantially balanced between crude oil purchases and future delivery obligations. The Partnership does not acquire and hold crude oil futures contracts or enter into other commodity derivative contracts.

The following table shows the average daily sales and exchange volume of crude oil for the years presented:

	Year Ended December 31,		
	2002	2003	2004
	(in thousands of bpd)		
Sunoco R&M refineries:			
Toledo	35	26	24
Tulsa	73	80	80
Third parties	63	79	85
Exchanges:			
Purchased at the lease	32	26	23
Other	202	282	257
Total	405	493	469

Market Conditions

Market conditions impact the Partnership's sales and marketing strategies. During periods when demand for crude oil is weak, the market for crude oil is often in contango, meaning that the price of crude oil in a given

month is less than the price of crude oil for delivery in a subsequent month. In a contango market, storing crude oil is favorable because storage owners at major trading locations can simultaneously purchase production at low current prices for storage and sell at higher prices for future delivery. When there is a higher demand than supply of crude oil in the near term, the market is backwardated, meaning that the price of crude oil in a given month exceeds the price of crude oil for delivery in a subsequent month. A backwardated market has a positive impact on marketing margins because crude oil marketers can continue to purchase crude oil from producers at a fixed premium to posted prices while selling crude oil at a higher premium to such prices.

Producer Services

Crude oil purchasers who buy from producers compete on the basis of competitive prices and highly responsive services. Through its team of crude oil purchasing representatives, the Partnership maintains ongoing relationships with more than 3,400 producers. Management of the Partnership believes that its ability to offer competitive pricing and high-quality field and administrative services to producers is a key factor in its ability to maintain its volume of lease purchased crude oil and to obtain new volume. Field services include efficient gathering capabilities, availability of trucks, willingness to construct gathering pipelines where economically justified, timely pickup of crude oil from storage tanks at the lease or production point, accurate measurement of crude oil volume received, avoidance of spills, and effective management of pipeline deliveries. Accounting and other administrative services include securing division orders (statements from interest owners affirming the division of ownership in crude oil purchased by the Partnership), providing statements of the crude oil purchased each month, disbursing production proceeds to interest owners, and calculating and paying production taxes on behalf of interest owners. In order to compete effectively, records of title and division order interests must be maintained by the Partnership in an accurate and timely manner for purposes of making prompt and correct payment of crude oil production proceeds, together with the correct payment of all production taxes associated with these proceeds.

Credit with Customers

When crude oil is marketed, the Partnership must determine the amount of any line of credit to be extended to a customer. Since typical sales transactions can involve tens of thousands of barrels of crude oil, the risk of nonpayment and nonperformance by customers is a major consideration in this business. Management of the Partnership believes that its sales are made to creditworthy entities or entities with adequate credit support. Credit review and analysis are also integral to the Partnership's lease purchases. Payment for substantially all of the monthly lease production is sometimes made to the operator of the lease. The operator, in turn, is responsible for the correct payment and distribution of such production proceeds to the proper parties. In these situations, it must be determined by the Partnership whether the operator has sufficient financial resources to make such payments and distributions and to indemnify and defend the Partnership in the event a third party brings a protest, action, or complaint in connection with the ultimate distribution of production proceeds by the operator.

Crude Oil Trucking

The Partnership owns approximately 130 crude oil truck unloading facilities in Oklahoma, Texas, and New Mexico, the majority of which are located on the Partnership's pipeline system. Approximately 270 crude oil truck drivers are employed by the general partner of the Partnership and approximately 120 crude oil transport trucks are owned. The crude oil truck drivers pick up crude oil at production lease sites and transport it to various truck unloading facilities on the Partnership's pipelines and third-party pipelines. Third-party trucking firms are also retained to transport crude oil to certain facilities.

Pipeline and Terminal Control Operations

Almost all of the Partnership's refined products and crude oil pipelines are operated via satellite, microwave, and frame relay communication systems from central control rooms located in Montello,

Pennsylvania and Tulsa, Oklahoma. The Montello control center primarily monitors and controls the Partnership's Eastern Pipeline System, and the Tulsa control center primarily monitors and controls the Western Pipeline System. The Nederland Terminal has its own control center.

The control centers operate with System Control and Data Acquisition, or SCADA, systems that continuously monitor real time operational data, including refined product and crude oil throughput, flow rates, and pressures. In addition, the control centers monitor alarms and throughput balances. The control centers operate remote pumps, motors, engines, and valves associated with the delivery of refined products and crude oil. The computer systems are designed to enhance leak-detection capabilities, sound automatic alarms if operational conditions outside of pre-established parameters occur, and provide for remote-controlled shutdown of pump stations on the Partnership's pipelines. Pump stations and meter-measurement points along the Partnership's pipelines are linked by satellite or telephone communication systems for remote monitoring and control, which reduces the requirement for full-time on-site personnel at most of these locations.

Acquisitions

Columbus Terminal Acquisition. On November 30, 2004, the Partnership acquired a refined products terminal located in Columbus, Ohio for approximately $8.0 million. The terminal is connected to a third-party, refined product, common carrier pipeline and includes 6 refined product tanks with approximately 160,000 barrels of working storage capacity, located on 13 acres; two truck racks for shipping gasoline, distillate fuels, and ethanol via tanker truck; and rail siding access for 4 rail cars for ethanol handling.

Harbor Pipeline Interest Acquisition. On June 28, 2004, the Partnership purchased an additional 33.3 percent undivided interest in the Harbor pipeline for $7.3 million. The Harbor pipeline is an 80-mile, 180,000 bpd refined product, common carrier pipeline originating near Woodbury, New Jersey and terminating in Linden, New Jersey. As a result of this transaction, the Partnership increased its undivided ownership interest to 66.7 percent and will continue to be the operator of the pipeline.

Baltimore and Manassas Terminals Acquisition. On April 28, 2004, the Partnership purchased two refined product terminals located in Baltimore, Maryland and Manassas, Virginia for $12.0 million. The Baltimore terminal is connected to a third-party, refined product, common carrier pipeline and includes 13 refined product tanks with approximately 646,000 barrels of working storage capacity, located on 35 acres; one truck rack for shipping gasoline and distillate fuels via tanker truck; and one marine dock with two berths for receiving refined products. The Manassas terminal is connected to a third-party, refined product, common carrier pipeline and includes 7 refined product tanks with approximately 277,000 barrels of working storage capacity, located on 11 acres, and one truck rack for shipping gasoline and distillate fuels via tanker truck.

Eagle Point Logistics Assets Acquisition. On March 30, 2004, the Partnership acquired the Eagle Point refinery logistics assets from Sunoco R&M for $20 million. The Eagle Point logistics assets consist of a crude oil and refined product ship and barge dock, a refined product truck rack, and a 4.5 mile, refined product pipeline from the Eagle Point refinery to the origin of the Harbor pipeline. In connection with the acquisition, the Partnership entered into a throughput agreement with Sunoco R&M whereby they have agreed to minimum volumes on the truck rack upon completion of certain capital improvements, which were completed during the fourth quarter of 2004.

Wolverine, West Shore and Yellowstone Pipe Line Interest Acquisitions. On November 15, 2002, the Partnership acquired an entity whose assets included a 31.5 percent interest in Wolverine, a joint venture that owns a 721-mile refined product pipeline; a 9.2 percent interest in West Shore, a joint venture that owns a 652-mile refined product pipeline; and a 14.0 percent interest in Yellowstone, a joint venture that owns a 655-mile refined product pipeline, for $54 million in cash. On September 30, 2003, the Partnership acquired an additional 3.1 percent interest in West Shore for $3.7 million, increasing its overall ownership percentage to 12.3 percent.

West Texas Gulf Pipe Line Interest Acquisition. On November 15, 2002, the Partnership acquired a 43.8 percent interest in West Texas Gulf, a joint venture that owns a 579-mile crude oil pipeline, from an affiliate of Sunoco, Inc. for $10.6 million, including the issuance of 4,515 Partnership common units with a fair value at the date of issuance of $0.1 million. On January 1, 2005, the Partnership became the operator of this system.

The Partnership and its equity interests are principally engaged in the transport, terminalling and storage of refined products and crude oil and in the purchasing and sale of crude oil. Although the Partnership does not currently engage in business unrelated to the transportation or storage of crude oil and refined products and the other businesses described above, management of the Partnership may, in the future, consider and make acquisitions in other business areas.

Competition

As a result of the physical integration with Sunoco R&M's refineries and the contractual relationship with Sunoco pursuant to the Omnibus Agreement and Sunoco R&M pursuant to agreements such as the pipelines and terminals storage and throughput agreement, management of the Partnership believes that it will not face significant competition for crude oil transported to the Philadelphia, Toledo, Tulsa, and Eagle Point refineries, or refined products transported from the Philadelphia, Marcus Hook, Toledo, and Eagle Point refineries, particularly during the term of the pipelines and terminals storage and throughput agreement with Sunoco R&M. For further information on this agreement, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations-Agreements with Sunoco R&M and Sunoco, Inc." For the year ended December 31, 2004, Sunoco R&M accounted for approximately 51 percent of the Partnership's total revenues.

Eastern Pipeline System

Nearly all of the Eastern Pipeline System is directly linked to Sunoco R&M's refineries. Sunoco R&M constructed or acquired these assets as the most cost-effective means to access raw materials and distribute refined products. Generally, pipelines are the lowest cost method for long-haul, overland movement of refined products. Therefore, the most significant competitors for large volume shipments in the area served by the Eastern Pipeline System are other pipelines. Management of the Partnership believes that high capital requirements, environmental considerations, and the difficulty in acquiring rights-of-way and related permits make it difficult for other companies to build competing pipelines in areas served by the Partnership's pipelines. As a result, competing pipelines are likely to be built only in those cases in which strong market demand and attractive tariff rates support additional capacity in an area.

Although it is unlikely that a pipeline system comparable in size and scope to the Eastern Pipeline System will be built in the foreseeable future, new pipelines (including pipeline segments that connect with existing pipeline systems) could be built to effectively compete with it in particular locations.

In addition, the Partnership, including its interests in corporate joint ventures, faces competition from trucks that deliver refined products in a number of areas that it serves. While their costs may not be competitive for longer hauls or large volume shipments, trucks compete effectively for incremental and marginal volume in many areas that are served. The availability of truck transportation places a significant competitive constraint on the Partnership's ability to increase tariff rates.

Terminal Facilities

Historically, except for the Nederland Terminal, essentially all of the throughput at the Terminal Facilities segment has come from Sunoco R&M. Under the terms of the pipelines and terminals storage and throughput agreement and other agreements, the Partnership will continue to receive a significant portion of the throughput at these facilities from Sunoco R&M.

The 35 inland refined product terminals compete with other independent terminals regarding price, versatility, and services provided. The competition primarily comes from integrated petroleum companies, refining and marketing companies, independent terminal companies, and distribution companies with marketing and trading activities.

The primary competitors for the Nederland Terminal are its refinery customers' docks and other terminal facilities, located in the Beaumont, Texas area.

The Inkster Terminal's primary competition comes from other nearby facilities located in Michigan and Windsor, Canada.

Western Pipeline System

The Western Pipeline System, including the equity interest in West Texas Gulf pipeline, faces competition from a number of major oil companies and smaller entities. Competition among common carrier pipelines is based primarily on transportation charges, access to producing areas, and demand for the crude oil by end users. Management of the Partnership believes that high capital costs make it unlikely that other companies will build new competing crude oil pipeline systems in areas served by the Western Pipeline System. Crude oil purchasing and marketing competitive factors include price and contract flexibility, quantity and quality of services, and accessibility to end markets.

Partnership's Option to Purchase Pipelines from Sunoco

Sunoco has transferred to the Partnership most of its pipeline, terminalling, storage, and related assets that support Sunoco R&M's refinery operations. Sunoco has retained the assets described below:

- *Mid-Valley Pipeline.* A subsidiary of Sunoco owns a 55 percent interest in the Mid-Valley Pipeline Company (a 50 percent voting interest), which owns and operates a 1,087-mile crude oil pipeline from Longview, Texas to Samaria, Michigan. The Mid-Valley pipeline serves a number of refineries in the Midwest United States.
- *Mesa Pipeline.* A subsidiary of Sunoco owns an undivided 6 percent interest in the Mesa pipeline, an 80-mile crude oil pipeline from Midland, Texas to Colorado City, Texas. Mesa Pipeline connects to West Texas Gulf's pipeline, which supplies crude oil to Mid-Valley.
- *Inland Pipeline.* A subsidiary of Sunoco owns a 10 percent interest in Inland Corporation, which owns and operates a 611-mile refined products pipeline from Lima and Toledo, Ohio to Canton, Cleveland, Columbus, and Dayton, Ohio. This pipeline transports refined products for Sunoco R&M from its Toledo, Ohio refinery and for the other owners.

Sunoco has granted the Partnership a ten-year option, which expires in 2012, to purchase its interest in any of the preceding assets for fair market value at the date of purchase. Sunoco's interests in these assets are subject to agreements with the other interest owners that include, among other things, consent requirements and rights of first refusal that may be triggered upon certain transfers. The exercise of the option with respect to any of these assets is subject to the terms and conditions of those agreements, which may or may not require consents or trigger rights of first refusal, depending on the facts and circumstances existing at the time of the option exercise. The Partnership has no current intention to purchase the retained assets noted above.

Sunoco has also granted the Partnership a ten-year option, which expires in 2012, to purchase an idled 370-mile 6-inch refined product pipeline from Icedale, Pennsylvania to Cleveland, Ohio for fair market value at the date of purchase. The Partnership has no current intention to purchase this pipeline.

Both of the ten-year option agreements described above are contained in the Omnibus Agreement that was entered into with Sunoco, Sunoco R&M and the general partner. See Item 7. "Management's Discussion and

Analysis of Financial Condition and Results of Operations—Agreements with Sunoco R&M and Sunoco, Inc." In accordance with this agreement, if the Partnership decides to exercise the option to purchase any of the assets described above, written notice must be provided to Sunoco setting forth the fair market value the Partnership proposes to pay for the asset. If Sunoco does not agree with the proposed fair market value, the Partnership and Sunoco will appoint a mutually agreed-upon, nationally recognized investment banking firm to determine the fair market value of the asset. Once the investment bank submits its valuation of the asset, the Partnership will have the right, but not the obligation, to purchase the asset at the price determined by the investment banking firm.

Safety Regulation

A majority of the Partnership's pipelines are subject to United States Department of Transportation ("DOT") regulations under the Hazardous Liquid Pipeline Safety Act of 1979 ("HLPSA"), and to regulation under comparable state statutes relating to the design, installation, testing, construction, operation, replacement and management of pipeline facilities. In addition, the Partnership must permit access to and copying of records and must prepare certain reports and provide information required by the Secretary of Transportation.

New DOT regulations, adopted in December 2000, require operators of hazardous liquid interstate pipelines to develop and follow a program to assess the integrity of all pipeline segments that could affect designated "high consequence areas", including high population areas, drinking water and ecological resource areas that are unusually sensitive to environmental damage from a pipeline release, and commercially navigable waterways. The Partnership has prepared its own written Risk Based Integrity Management Program, identified the line segments that could impact high consequence areas and developed Baseline Assessment Plans. Management has completed the assessment of the highest risk 50 percent of line segments as of September 30, 2004, and expects that it will complete the full assessment of the remaining segments by March 31, 2008, the timeframe prescribed by the regulations.

The Pipeline Safety Improvement Act of 2002, effective December 17, 2002, mandates, among other things, the delivery to the DOT of data that can be used in a national pipeline mapping system, the implementation of operator examinations and other qualification programs, periodic pipeline safety inspections, and increased civil penalties for violators. It also includes whistleblower protection provisions for employees who reveal safety violations or operational flaws.

Management of the Partnership believes that its pipeline operations are in substantial compliance with applicable DOT regulations and comparable state requirements. However, an increase in expenditures may be needed in the future to comply with higher industry and regulatory safety standards. Such expenditures cannot be estimated accurately at this time, but management of the Partnership does not believe they would likely have a material adverse effect relative to its financial position.

Employee Safety

The Partnership is subject to the requirements of the United States Federal Occupational Safety and Health Act ("OSHA") and comparable state statutes that regulate worker health and safety. Management believes the Partnership is in substantial compliance with Federal OSHA requirements and comparable state statutes, including general industry standards, recordkeeping requirements and monitoring of occupational exposure to hazardous substances.

Environmental Regulation

General

The Partnership's operations are subject to complex federal, state, and local laws and regulations relating to the protection of health and the environment, including laws and regulations which govern the handling and release of crude oil and other liquid hydrocarbon materials, some of which are discussed below. Violations of

environmental laws or regulations can result in the imposition of significant administrative, civil and criminal fines and penalties and, in some instances, injunctions banning or delaying certain activities. Management of the Partnership believes it is in substantial compliance with applicable environmental laws and regulations. However, these laws and regulations are subject to frequent change at the federal, state and local levels, and the clear trend is to place increasingly stringent limitations on activities that may affect the environment.

There are also risks of accidental releases into the environment associated with the Partnership's operations, such as releases of crude oil or hazardous substances from its pipelines or storage facilities. To the extent not insured, such accidental releases could subject the Partnership to substantial liabilities arising from environmental cleanup and restoration costs, claims made by neighboring landowners and other third parties for personal injury and property damage, and fines or penalties for any related violations of environmental laws or regulations.

In connection with the February 2002 IPO, and the contribution of pipeline and terminalling assets to the Partnership by affiliates of Sunoco, Inc., Sunoco agreed to indemnify the Partnership for 100 percent of all losses from environmental liabilities related to the transferred assets arising prior to, and asserted within 21 years of, February 8, 2002. There is no monetary cap on this indemnification from Sunoco. Sunoco's share of liability for claims asserted thereafter will decrease by 10 percent each year through the thirtieth year following the February 8, 2002 date. Any remediation liabilities not covered by this indemnity will be the Partnership's responsibility. The Partnership has agreed to indemnify Sunoco, Inc. and its affiliates for events and conditions associated with the operation of the transferred assets occurring after February 8, 2002, and for environmental and toxic tort liabilities related to these assets to the extent Sunoco, Inc. is not required to indemnify the Partnership. Total future costs for environmental remediation activities will depend upon, among other things the extent of impact at each site, the timing and nature of required remedial actions, the technology available, and the determination of the Partnership's liability at multi-party sites. As of December 31, 2004, all material environmental liabilities incurred by, and known to, the Partnership have been either covered by the environmental indemnification or reserved for by the Partnership within its financial statements.

Air Emissions

The Partnership's operations are subject to the Clean Air Act, as amended, and comparable state and local statutes. The Partnership will be required to incur certain capital expenditures in the next several years for air pollution control equipment in connection with maintaining or obtaining permits and approvals addressing air emission related issues. Although no assurances can be given, management of the Partnership believes implementation of the 1990 Clean Air Act Amendments will not have a material adverse effect on its financial condition or results of operations.

The Partnership's customers, including Sunoco R&M, are also subject to, and affected by, environmental regulations. As a result of these regulations, Sunoco R&M could be required to make significant capital expenditures, operate these refineries at reduced levels, and pay significant penalties. It is uncertain what Sunoco, Inc.'s or Sunoco R&M's responses to these emerging issues will be. Those responses could reduce Sunoco R&M's obligations under the pipelines and terminals storage and throughput agreement, thereby reducing the Partnership's throughput in its pipelines and terminals, cash flow, and ability to make distributions or satisfy its debt obligations.

Hazardous Substances and Waste

In the course of ordinary operations, the Partnership may generate waste that falls within the Comprehensive Environmental Response, Compensation, and Liability Act's, referred to as CERCLA and also known as Superfund, definition of a "hazardous substance" and, as a result, may be jointly and severally liable under CERCLA for all or part of the costs required to clean up sites at which these hazardous substances have been released into the environment. Costs for any such remedial actions, as well as any related claims, could have a

material adverse effect on the Partnership's maintenance capital expenditures and operating expenses to the extent not all are covered by the indemnity from Sunoco. For more information, please see "Environmental Remediation".

The Partnership also generates solid wastes, including hazardous wastes that are subject to the requirements of the Federal Resource Conservation and Recovery Act, referred to as RCRA, and comparable state statutes. The Partnership is not currently required to comply with a substantial portion of the RCRA requirements because its operations generate minimal quantities of hazardous wastes. However, it is possible that additional wastes, which could include wastes currently generated during the Partnership's operating activities, will in the future be designated as "hazardous wastes." Hazardous wastes are subject to more rigorous and costly disposal requirements than are non-hazardous wastes. Any changes in the regulations could have a material adverse effect on the Partnership's maintenance capital expenditures and operating expenses.

The Partnership currently owns or leases, and the Partnership's predecessor has in the past owned or leased, properties where hydrocarbons are being or have been handled for many years. These properties and wastes disposed thereon may be subject to CERCLA, RCRA, and analogous state laws. Under these laws, the Partnership could be required to remove or remediate previously disposed wastes (including wastes disposed of or released by prior owners or operators), to clean up contaminated property (including contaminated groundwater), or to perform remedial operations to prevent future contamination.

The Partnership has not been identified by any state or federal agency as a potentially responsible party in connection with the transport and/or disposal of any waste products to third party disposal sites.

Water

The Partnership's operations can result in the discharge of regulated substances, including crude oil. The Federal Water Pollution Control Act of 1972, also known as the Clean Water Act, and analogous state laws impose restrictions and strict controls regarding the discharge of regulated substances into state waters or waters of the United States.

The Oil Pollution Act subjects owners of covered facilities to strict, joint, and potentially unlimited liability for removal costs and other consequences of a release of oil, where the release is into navigable waters, along shorelines or in the exclusive economic zone of the United States. Spill prevention control and countermeasure requirements of the Clean Water Act and some state laws require diking and similar structures to help prevent the impact on navigable waters in the event of a release. The Office of Pipeline Safety of the DOT, the EPA, or various state regulatory agencies have approved the Partnership's oil spill emergency response plans, and management of the Partnership believes it is in substantial compliance with these laws.

In addition, some states maintain groundwater protection programs that require permits for discharges or operations that may impact groundwater conditions. Management of the Partnership believes that compliance with existing permits and compliance with foreseeable new permit requirements will not have a material adverse effect on its financial condition or results of operations.

Environmental Remediation

Contamination resulting from releases of refined products and crude oil is not unusual within the petroleum pipeline industry. Historic releases along the Partnership's pipelines, gathering systems, and terminals as a result of past operations have resulted in impacts to the environment, including soils and groundwater. Site conditions, including soils and groundwater, are being evaluated at a number of properties where operations may have resulted in releases of hydrocarbons and other wastes. Sunoco has agreed to indemnify the Partnership from environmental and toxic tort liabilities related to the assets transferred to the extent such liabilities exist or arise from operation of these assets prior to the closing of the February 2002 IPO and are asserted within 30 years after

the closing of the IPO. This indemnity will cover the costs associated with performance of the assessment, monitoring, and remediation programs, as well as any related claims and penalties. See “Environmental Regulation—General.”

The Partnership has experienced several petroleum releases for which it is not covered by an indemnity from Sunoco, Inc., and for which it is responsible for necessary assessment, remediation, and/or monitoring activities. Management of the Partnership estimates that the total aggregate cost of performing the currently anticipated assessment, monitoring, and remediation activities at these sites is not material in relation to its financial position at December 31, 2004. The Partnership has implemented an extensive inspection program to prevent releases of refined products or crude oil into the environment from its pipelines, gathering systems, and terminals. Any damages and liabilities incurred due to future environmental releases from the Partnership’s assets have the potential to substantially affect its business.

Rate Regulation

General Interstate Regulation. Interstate common carrier pipeline operations are subject to rate regulation by the FERC under the Interstate Commerce Act, the Energy Policy Act of 1992, and rules and orders promulgated pursuant thereto. The Interstate Commerce Act requires that tariff rates for petroleum pipelines be “just and reasonable” and not unduly discriminatory. This statute also permits interested persons to challenge proposed new or changed rates and authorizes the FERC to suspend the effectiveness of such rates for up to seven months and to investigate such rates. If, upon completion of an investigation, the FERC finds that the new or changed rate is unlawful, it is authorized to require the carrier to refund revenues in excess of the prior tariff during the term of the investigation. The FERC also may investigate, upon complaint or on its own motion, rates that are already in effect and may order a carrier to change its rates prospectively. Upon an appropriate showing, a shipper may obtain reparations for damages sustained for a period of up to two years prior to the filing of a complaint.

The FERC generally has not investigated interstate rates on its own initiative when those rates, like the Partnership’s, have not been the subject of a protest or a complaint by a shipper. However, the FERC could investigate the Partnership’s rates at the urging of a third party if the third party is either a current shipper or has a substantial economic interest in the tariff rate level. Although no assurance can be given that the tariffs charged by the Partnership ultimately will be upheld if challenged, management believes that the tariffs now in effect for the Partnership’s pipelines are within the maximum rates allowed under current FERC guidelines.

Sunoco R&M and its subsidiaries are the only current shippers on many of the pipelines. Sunoco R&M has agreed not to challenge, cause others to challenge, or assist others in challenging, the tariff rates for the term of the pipelines and terminals storage and throughput agreement. Since most of the pipelines are common carrier pipelines, the Partnership may be required to accept new shippers who wish to transport on the pipelines. It is possible that any new shippers, current shippers, or other interested parties, may decide to challenge the tariff rates. If any rate challenge or challenges were successful, revenues, cash flows, and the cash available for distribution could be materially reduced.

Intrastate Regulation. Some of the Partnership’s pipeline operations are subject to regulation by the Texas Railroad Commission, the PA PUC, the Ohio Public Utility Commission, the Oklahoma Corporation Commission and the Montana Public Service Commission. The applicable state statutes require that pipeline rates be nondiscriminatory and provide no more than a fair return on the aggregate value of the pipeline property used to render services. State commissions generally have not been aggressive in regulating common carrier pipelines or investigating rates or practices of petroleum pipelines in the absence of shipper complaints. Complaints to state agencies have been infrequent and are usually resolved informally. Although management cannot be certain that the Partnership’s intrastate rates ultimately would be upheld if challenged, it believes that, given this history, the tariffs now in effect are not likely to be challenged or, if challenged, are not likely to be ordered to be reduced.

Title to Properties

Substantially all of the Partnership's pipelines were constructed on rights-of-way granted by the apparent record owners of the property and in some instances these rights-of-way are revocable at the election of the grantor. Several rights-of-way for the pipelines and other real property assets are shared with other pipelines and other assets owned by affiliates of Sunoco, Inc. and by third parties. In many instances, lands over which rights-of-way have been obtained are subject to prior liens that have not been subordinated to the right-of-way grants. The Partnership has obtained permits from public authorities to cross over or under, or to lay facilities in or along, watercourses, county roads, municipal streets, and state highways and, in some instances, these permits are revocable at the election of the grantor. The Partnership has also obtained permits from railroad companies to cross over or under lands or rights-of-way, many of which are also revocable at the grantor's election. In some cases, property for pipeline purposes was purchased in fee. In some states and under some circumstances, the Partnership has the right of eminent domain to acquire rights-of-way and lands necessary for the common carrier pipelines. The previous owners of the applicable pipelines may not have commenced or concluded eminent domain proceedings for some rights-of-way.

Some of the leases, easements, rights-of-way, permits, and licenses transferred to the Partnership upon the closing of the February 2002 IPO required the consent of the grantor to transfer these rights, which in some instances is a governmental entity. The Partnership has obtained or is in the process of obtaining third-party consents, permits, and authorizations sufficient for the transfer of the assets necessary to operate the business in all material respects. In management's opinion, with respect to any consents, permits, or authorizations that have not been obtained, the failure to obtain them will not have a material adverse effect on the operation of the business.

The Partnership has satisfactory title to all of the assets contributed to it in connection with the February 2002 IPO, or is entitled to indemnification from Sunoco, Inc. under the Omnibus Agreement for title defects to these assets and for failures to obtain certain consents and permits necessary to conduct its business that arise within ten years after the closing of the February 2002 IPO. Record title to some of the assets may continue to be held by affiliates of Sunoco, Inc. until the Partnership has made the appropriate filings in the jurisdictions in which such assets are located and obtained any consents and approvals that were not obtained prior to the closing of the February 2002 IPO. Although title to these properties is subject to encumbrances in some cases, such as customary interests generally retained in connection with acquisition of real property, liens that can be imposed in some jurisdictions for government-initiated action to clean up environmental contamination, liens for current taxes and other burdens, and easements, restrictions, and other encumbrances to which the underlying properties were subject at the time of acquisition by the predecessor or the Partnership, in management's opinion, none of these burdens should materially detract from the value of these properties or from the Partnership's interest in these properties or should materially interfere with their use in the operation of its business. Further, the Partnership has satisfactory title to all assets acquired subsequent to the February 2002 IPO.

Employees

To carry out the Partnership's operations, the general partner and its affiliates employed approximately 1,150 people at December 31, 2004 who provide direct support to the operations. Labor unions or associations represent approximately 650 of these employees at December 31, 2004. The general partner considers its employee relations to be good. The Partnership has no employees.

(d) Financial Information about Geographical Areas

The Partnership has no significant amount of revenue or segment profit or loss attributable to international activities.

(e) Available Information

The Partnership makes available, free of charge on its website, *www.sunocologistics.com*, all materials that it files electronically with the Securities Exchange Commission, including its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the SEC.

ITEM 2. PROPERTIES

See Item 1.(c) for a description of the locations and general character of the Partnership's material properties.

ITEM 3. LEGAL PROCEEDINGS

There are certain legal and administrative proceedings arising prior to the February 2002 IPO pending against the Partnership's Sunoco-affiliated predecessors and the Partnership (as successor to certain liabilities of those predecessors). Although the ultimate outcome of these proceedings cannot be ascertained at this time, it is reasonably possible that some of them may be resolved unfavorably. Sunoco, Inc. has agreed to indemnify the Partnership for any losses it may suffer as a result of these pending legal actions.

There are certain other pending legal proceedings related to matters arising after the February 2002 IPO that are not indemnified by Sunoco, Inc. Management believes that any liabilities that may arise from these legal proceedings will not be material to the Partnership's financial position at December 31, 2004.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITYHOLDERS

No matters were submitted to a vote of the securityholders, through solicitation of proxies or otherwise, during fiscal 2004.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SECURITYHOLDER MATTERS AND PURCHASES OF EQUITY SECURITIES

The Partnership's common units were listed on the New York Stock Exchange under the symbol "SXL" beginning on February 5, 2002. Prior to February 5, 2002, the Partnership's equity securities were not traded on any public trading market. At the close of business on February 8, 2005, there were 74 holders of record of the Partnership's common units. These holders of record included the general partner with 3,455,095 common units registered in its name, and Cede & Co. with 9,237,543 common units registered to it.

The high and low closing sales price ranges (composite transactions) and distributions declared by quarter for 2003 and 2004 were as follows:

	2003			2004		
	Unit Price			Unit Price		
	High	Low	Declared Distributions[1]	High	Low	Declared Distributions[1]
1st	$ 25.95	$ 22.85	$ 0.4875	$ 42.20	$ 34.48	$ 0.5700
2nd	$ 30.75	$ 26.20	$ 0.5000	$ 39.75	$ 31.47	$ 0.5875
3rd	$ 32.45	$ 28.35	$ 0.5125	$ 39.36	$ 36.00	$ 0.6125
4th	$ 37.11	$ 30.80	$ 0.5500	$ 43.05	$ 38.75	$ 0.6250

(1) Distributions were declared and paid within 45 days following the close of each quarter.

The Partnership distributes all cash on hand within 45 days after the end of each quarter, less reserves established by the general partner in its discretion. This is defined as "available cash" in the partnership agreement. The general partner has broad discretion to establish cash reserves that it determines are necessary or appropriate to properly conduct the Partnership's business. The Partnership will make minimum quarterly distributions of $0.45 per common unit, to the extent there is sufficient cash from operations after establishment of cash reserves and payment of fees and expenses, including payments to the general partner.

The Partnership also had 11,383,639 subordinated units issued as of December 31, 2004, all of which are held by the general partner and for which there is no established public trading market. During the subordination period the Partnership will, in general, pay cash distributions each quarter in the following manner:

- First, 98 percent to the holders of common units and 2 percent to the general partner, until each common unit has received a minimum quarterly distribution of $0.45, plus any arrearages from prior quarters;
- Second, 98 percent to the holders of subordinated units and 2 percent to the general partner, until each subordinated unit has received a minimum quarterly distribution of $0.45; and
- Thereafter, in the manner described in the table below.

The subordination period is generally defined as the period that ends on the first day of any quarter beginning after December 31, 2006 if (1) the Partnership has distributed at least the minimum quarterly distribution on all outstanding units with respect to each of the immediately preceding three consecutive, non-overlapping four quarter periods; and (2) the adjusted operating surplus, as defined in the partnership agreement, during such periods equals or exceeds the amount that would have been sufficient to enable the Partnership to distribute the minimum quarterly distribution on all outstanding units on a fully diluted basis and the related distribution on the 2 percent general partner interest during those periods. If the subordination period ends, the rights of the holders of subordinated units will no longer be subordinated to the rights of the holders of common units and the subordinated units may be converted into common units. The Partnership has met the minimum quarterly distribution requirements on all outstanding units for each of the four quarter periods in 2002, 2003 and 2004. In addition, one-quarter of the subordinated units may convert to common units on a one-for-one basis

after December 31, 2004, and one-quarter of the subordinated units may convert to common units on a one-for-one basis after December 31, 2005, if the Partnership meets the tests set forth in the partnership agreement. On February 15, 2005, 2,845,910 subordinated units, equal to one-quarter of the originally issued subordinated units held by the general partner, were converted to common units as the Partnership met the tests set forth in the partnership agreement.

After the subordination period, the Partnership will, in general, pay cash distributions each quarter in the following manner:

- First, 98 percent to all unitholders, pro rata, and 2 percent to the general partner, until the Partnership distributes for each outstanding unit an amount equal to the minimum quarterly distribution for that quarter; and
- Thereafter, as described in the paragraph and table below.

As presented in the table below, if cash distributions exceed $0.50 per unit in a quarter, the general partner will receive increasing percentages, up to 50 percent, of the cash distributed in excess of that amount. These distributions are referred to as “incentive distributions”. The amounts shown in the table below under “Percentage of Distributions” are the percentage interests of the general partner and the unitholders in any available cash from operating surplus that is distributed up to and including the corresponding amount in the column “Quarterly Cash Distribution Amount per Unit,” until the available cash that is distributed reaches the next target distribution level, if any. The percentage interests shown for the unitholders and the general partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution.

	Percentage of Distributions	
Quarterly Cash Distribution Amount per Unit	**Unitholders**	**General Partner**
Up to minimum quarterly distribution ($0.45 per Unit)	98%	2%
Above $0.45 per Unit up to $0.50 per Unit	98%	2%
Above $0.50 per Unit up to $0.575 per Unit	85%	15%
Above $0.575 per Unit up to $0.70 per Unit	75%	25%
Above $0.70 per Unit	50%	50%

There is no guarantee that the Partnership will pay the minimum quarterly distribution on the common units in any quarter, and the Partnership will be prohibited from making any distributions to unitholders if it would cause an event of default, or an event of default is existing, under the credit facility or the senior notes (Please see Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources”).

For equity compensation plan information, see Item 12. “Security Ownership of Certain Beneficial Owners and Management and Related Securityholder Information”.

ITEM 6. SELECTED FINANCIAL DATA

On February 8, 2002, the Partnership completed an IPO and related transactions whereby it became the successor to Sunoco Logistics (Predecessor) (“Predecessor”), which consisted of a substantial portion of the wholly-owned logistics operations of Sunoco, Inc. and its subsidiaries. The selected financial and operating data presented is derived from the audited financial statements of Sunoco Logistics Partners L.P., which reflect the Predecessor for 2000 and 2001, the Partnership and Predecessor for 2002, and the Partnership for 2003 and 2004.

For the periods presented, Sunoco R&M was the primary or exclusive user of the refined product terminals, the Fort Mifflin Terminal Complex, and the Marcus Hook Tank Farm. Prior to January 1, 2002, most of the terminalling and throughput services provided by Sunoco Logistics (Predecessor) for Sunoco R&M’s refining

and marketing operations were at fees that enabled the recovery of costs, but not to generate any operating income. Accordingly, historical earnings before interest expense, income tax expense, and depreciation and amortization ("EBITDA") for those assets was equal to their depreciation and amortization. Sunoco Logistics Partners L.P. began charging Sunoco R&M fees for these services that are comparable to those charged in arm's length, third-party transactions, generally effective January 1, 2002, using the terms included in a pipelines and terminals storage and throughput agreement entered into at the closing of the February 2002 IPO.

Maintenance capital expenditures are capital expenditures made to replace partially or fully depreciated assets in order to maintain the existing operating capacity of the assets and to extend their useful lives. Expansion capital expenditures are capital expenditures made to expand the existing operating capacity of the assets, whether through construction or acquisition. The Partnership treats repair and maintenance expenditures that do not extend the useful life of existing assets as operating expenses as incurred.

Throughput is the total number of barrels per day ("bpd") transported on a pipeline system or through a terminal. Total shipments represent the total average daily pipeline throughput multiplied by the number of miles of pipeline through which each barrel has been shipped. Management of the Partnership believes that total shipments is a better performance indicator for the Eastern Pipeline System than throughput as certain refined product pipelines, including interrefinery and transfer pipelines, transport large volumes over short distances and generate minimal revenues.

The following table should be read together with, and is qualified in its entirety by reference to, the financial statements and the accompanying notes of Sunoco Logistics Partners L.P. included in Item 8. "Financial Statements and Supplementary Data". The table also should be read together with Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations".

SUNOCO LOGISTICS PARTNERS L.P.

	Predecessor		Partnership and Predecessor	Partnership	
	Year Ended December 31,				
	2000	2001	2002[1]	2003[2]	2004[3]
	(in thousands, except per unit and operating data)				
Income Statement Data:					
Revenues:					
Sales and other operating revenue:					
Affiliates	$1,301,079	$1,067,182	$1,147,721	$1,383,090	$1,751,612
Unaffiliated customers	507,532	545,822	676,307	1,274,383	1,699,673
Other income[4]	5,574	4,774	6,904	16,730	13,932
Total revenues	1,814,185	1,617,778	1,830,932	2,674,203	3,465,217
Costs and expenses:					
Cost of products sold and operating expenses	1,699,541	1,503,156	1,690,896	2,519,160	3,307,480
Depreciation and amortization	20,654	25,325	31,334	27,157	31,933
Selling, general and administrative expenses	34,683	35,956	43,073	48,412	48,449
Total costs and expenses	1,754,878	1,564,437	1,765,303	2,594,729	3,387,862
Operating income	59,307	53,341	65,629	79,474	77,355
Net interest cost and debt expense	10,304	10,980	17,299	20,040	20,324
Income before income tax expense	49,003	42,361	48,330	59,434	57,031
Income tax expense	18,483	15,594	1,555	—	—
Net Income	$ 30,520	$ 26,767	$ 46,775	$ 59,434	$ 57,031
Net Income per limited partner unit:					
Basic			$ 1.87[5]	$ 2.55	$ 2.29
Diluted			$ 1.86[5]	$ 2.53	$ 2.27
Cash distributions per unit to limited partners:[6]					
Paid			$ 1.16	$ 1.9875	$ 2.32
Declared			$ 1.6475	$ 2.05	$ 2.395
Cash Flow Data:					
Net cash provided by operating activities	$ 79,116	$ 27,238	$ 2,211	$ 97,212	$ 106,622
Net cash used in investing activities	$ (77,292)	$ (73,079)	$ (85,273)	$ (39,008)	$ (95,583)
Net cash provided by/(used in) financing activities	$ (1,824)	$ 45,841	$ 116,902	$ (41,963)	$ (8,460)
Capital expenditures:					
Maintenance	$ 39,067	$ 53,628	$ 27,934	$ 30,850	$ 30,829
Expansion	18,854	19,055	77,439[1]	10,226[2]	64,754[3]
Total capital expenditures	$ 57,921	$ 72,683	$ 105,373[1]	$ 41,076[2]	$ 95,583[3]
EBITDA[7]	$ 79,961	$ 78,666	$ 96,963	$ 106,631	$ 109,288
Distributable Cash Flow[7]	$ 30,590	$ 14,058	$ 55,415	$ 61,055	$ 65,182
Balance Sheet Data (at period end):					
Net properties, plants and equipment	$ 518,605	$ 566,359	$ 573,514	$ 583,164	$ 647,200
Total assets	$ 845,956	$ 789,201	$1,093,880	$1,181,006	$1,368,786
Total debt	$ 190,043	$ 144,781	$ 317,445	$ 313,136	$ 313,305
Total Partners' Capital/ Net parent investment	$ 157,023	$ 274,893	$ 383,033	$ 403,758	$ 460,594
Operating Data (bpd):					
Eastern Pipeline System total shipments (in thousands of barrel miles per day)[8]	54,911	55,198	56,768	55,324	59,173
Terminal Facilities throughput (bpd)	1,281,231	1,156,927	1,182,784	1,204,394	1,464,254
Western Pipeline System throughput[8] (bpd)	295,991	287,237	286,912	304,471	298,797
Crude oil purchases at wellhead (bpd)	172,839	174,182	189,277	193,176	186,827

(1) On November 15, 2002, the Partnership acquired a company whose assets included equity interests in three products pipeline companies, consisting of a 31.5 percent interest in Wolverine Pipe Line Company, a 9.2 percent interest in West Shore Pipe Line Company, and a 14.0 percent interest in Yellowstone Pipe Line Company for $54.0 million. On November 15, 2002, the Partnership also acquired a 43.8 percent equity interest in West Texas Gulf Pipe Line Company for $10.6 million. The aggregate purchase price for these acquisitions has been included within the 2002 expansion capital expenditures. The equity income from these acquisitions has been included in the Partnership's statements of income from the dates of their acquisition.

(2) On September 30, 2003, the Partnership acquired an additional 3.1 percent ownership interest in West Shore for $3.7 million, increasing its overall ownership percentage to 12.3 percent. The purchase price for this acquisition has been included within the 2003 expansion capital expenditures, and the equity income has been included in the Partnership's statements of income from the date of acquisition.

(3) During the year ended December 31, 2004, the Partnership completed the following acquisitions: the Eagle Point logistics assets, which were purchased for $20.0 million on March 30, 2004; two refined product terminals located in Baltimore, Maryland and Manassas, Virginia, which were purchased for $12.0 million on April 28, 2004; an additional 33.3 percent undivided interest in the Harbor pipeline, which was acquired on June 28, 2004 for $7.3 million; and a refined product terminal located in Columbus, Ohio, which was purchased for $8.0 million on November 30, 2004. The aggregate purchase price for these acquisitions has been included within the 2004 expansion capital expenditures, and their results of operations have been included from their dates of acquisition.

(4) Includes equity income from the investments in the following joint ventures: 9.4 percent in Explorer Pipeline Company and, from November 15, 2002, 31.5 percent in Wolverine Pipe Line Company, 9.2 percent in West Shore Pipe Line Company, 14.0 percent in Yellowstone Pipe Line Company, and 43.8 percent in West Texas Gulf Pipe Line Company. On September 30, 2003, the Partnership acquired an additional 3.1 percent ownership interest in West Shore, increasing the Partnership's ownership percentage to 12.3 percent. Equity income from this investment has been included at this increased ownership percentage from this date forward.

(5) Based on the portion of net income for 2002 applicable to the period from February 8, 2002 (the date of the IPO) through December 31, 2002, after deduction of the general partner's interest in net income. Net income for the period from January 1, 2002 to February 7, 2002 totaled $3.4 million.

(6) Cash distributions paid per unit to limited partners include payments made per unit during the period stated. Cash distributions declared per unit to limited partners include distributions declared per unit related to the quarters within the period stated. Declared distributions were paid within 45 days following the close of each quarter. The distributions for 2002 include a $0.26 per limited partner unit distribution for the first quarter, which represents the pro-rata portion of the $0.45 minimum quarterly distribution for the 52-day period from the date of the IPO, February 8, 2002, through March 31, 2002.

(7) EBITDA and distributable cash flow provides additional information for evaluating the Partnership's ability to make distributions to its unitholders and the general partner. The following table reconciles the difference between operating income, as determined under United States generally accepted accounting principles, and EBITDA and distributable cash flow (in thousands):

	Year Ended December 31,				
	2000	2001	2002	2003	2004
Operating income	$ 59,307	$ 53,341	$ 65,629	$ 79,474	$ 77,355
Depreciation and amortization	20,654	25,325	31,334	27,157	31,933
EBITDA	79,961	78,666	96,963	106,631	109,288
Interest expense, net	(10,304)	(10,980)	(17,299)	(20,040)	(20,324)
Maintenance capital expenditures	(39,067)	(53,628)	(27,934)	(30,850)	(30,829)
Sunoco reimbursements	—	—	3,685	5,314	7,047
Distributable cash flow	$ 30,590	$ 14,058	$ 55,415	$ 61,055	$ 65,182

Management of the Partnership believes EBITDA and distributable cash flow information enhances an investor's understanding of a business's ability to generate cash for payment of distributions and other purposes. In addition, EBITDA is also used as a measure in the Partnership's $250 million revolving credit facility in determining its compliance with certain covenants. However, there may be contractual, legal, economic or other reasons which may prevent the Partnership from satisfying principal and interest obligations with respect to indebtedness and may require the Partnership to allocate funds for other purposes. EBITDA and distributable cash flow do not represent and should not be considered alternatives to net income, operating income or cash flows from operating activities as determined under United States generally accepted accounting principles and may not be comparable to other similarly titled measures of other businesses.

(8) Excludes amounts attributable to the equity ownership interests in corporate joint ventures.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the financial statements of Sunoco Logistics Partners L.P. Among other things, those financial statements include more detailed information regarding the basis of presentation for the following information.

Introduction

The Partnership is a Delaware limited partnership formed on October 15, 2001 to acquire, own, and operate, through its wholly-owned entities, refined product pipelines, terminalling and storage assets, crude oil pipelines, and crude oil acquisition and marketing assets. The Partnership's assets are located in the Northeast, Midwest and South Central United States. Most of these assets support Sunoco R&M, a wholly-owned refining and marketing subsidiary of Sunoco, Inc.

General

The Partnership conducts its business through three segments: the Eastern Pipeline System, the Terminal Facilities, and the Western Pipeline System. The Eastern Pipeline System primarily transports refined products in the Northeast and Midwest United States largely for four of Sunoco R&M's refineries and transports crude oil in Ohio and Michigan. This system also includes the interrefinery pipeline between Sunoco R&M's Marcus Hook and Philadelphia refineries and ownership interests in four refined product pipeline joint ventures located in the West and Midwest United States: 9.4 percent in Explorer Pipeline Company ("Explorer"), 31.5 percent in Wolverine Pipe Line Company ("Wolverine"), 12.3 percent in West Shore Pipe Line Company ("West Shore"), and 14.0 percent in Yellowstone Pipe Line Company ("Yellowstone"). The Terminal Facilities business includes a network of 35 refined product terminals in the Northeast and Midwest United States that distribute products primarily to Sunoco R&M's retail outlets, the Nederland marine crude oil terminal on the Texas Gulf Coast, and a liquefied petroleum gas ("LPG") storage facility in the Midwest. The Terminal Facilities business also owns and operates refinery-related assets, including one inland and two marine crude oil terminals and related pipelines that supply all of the crude oil processed by Sunoco R&M's Philadelphia refinery, a refined product storage terminal used by Sunoco R&M's Marcus Hook refinery, and a ship and barge dock through which Sunoco R&M's Eagle Point refinery receives all of its crude oil and ships certain quantities of refined product. The Western Pipeline System owns and operates crude oil trunk and gathering pipelines and purchases and markets crude oil primarily in Oklahoma and Texas for Sunoco R&M's Tulsa, Oklahoma and Toledo, Ohio refineries and for other customers. The Western Pipeline System also has a 43.8 percent equity ownership interest in West Texas Gulf Pipe Line Company ("West Texas Gulf"), a joint venture that owns a crude oil pipeline in Texas.

Eastern Pipeline System

Revenues for the Eastern Pipeline System are generated by charging shippers tariffs for transporting refined products and crude oil through the Partnership's pipelines. The amount of revenue generated depends on the level of these tariffs and the throughput in the pipelines. When transporting barrels, a tariff is charged based on the point of origin and the ultimate destination, even if the barrel moves through more than one pipeline segment to reach its destination. For example, on the Philadelphia, Pennsylvania to Buffalo, New York pipeline segment, there are separate tariffs depending on whether the ultimate destination from Philadelphia is Rochester, New York or Buffalo, New York.

The tariffs for the Partnership's interstate common carrier pipelines are regulated by the Federal Energy Regulatory Commission ("FERC"). The rate making methodology for these pipelines is price indexing. This methodology provides for increases in tariff rates based upon changes in the producer price index. Competition, however, may constrain the tariffs charged. The Partnership also leases to Sunoco R&M, for a fixed amount

escalating annually at 1.67 percent, three pipelines between Sunoco R&M's Marcus Hook and Philadelphia refineries, as well as a pipeline from the Partnership's Paulsboro terminal to the Philadelphia International Airport for the delivery of jet fuel.

The crude oil and refined product throughput in the Eastern Pipeline System's pipelines is directly affected by the level of supply and demand for crude oil and refined products in the markets served directly or indirectly by the pipelines. Demand for gasoline in most markets peaks during the summer driving season, which extends from April to September, and declines during the fall and winter months. Demand for heating oil and other distillate fuels tends to peak during the winter heating season, and declines during the spring and summer months. The supply of crude oil to the Eastern Pipeline System depends upon the level of crude oil production in Canada, which has increased in recent years. Demand for crude oil transported to refineries for processing is driven by refining margins (the price of refined products compared to the price of crude oil and refining costs), unscheduled downtime at refineries and the amount of turnaround activity, which is when refiners shut down selected portions of the refinery for scheduled maintenance.

The operating income generated by the Eastern Pipeline System depends not only on the volume transported on its pipelines and the level of the tariff charged, but also on the fixed costs and, to a much lesser extent, the variable costs of operating the pipelines. Fixed costs are typically related to maintenance, insurance, control rooms, telecommunications, pipeline field and support personnel and depreciation. Variable costs, such as fuel and power costs to run pump stations along the pipelines, fluctuate with throughput.

Terminal Facilities

Revenues for the Terminal Facilities are primarily generated by charging customers fees for terminalling and throughput services. The Partnership is charging Sunoco R&M fees for these services that are comparable to those charged in arm's-length, third-party transactions using the terms included in a pipelines and terminals storage and throughput agreement with Sunoco R&M entered into at the closing of the February 2002 initial public offering ("IPO"). Under this agreement, Sunoco R&M pays the Partnership a minimum level of revenues for terminalling refined products and crude oil and agrees to certain minimum throughputs at the Inkster Terminal, Fort Mifflin Terminal Complex, and Marcus Hook Tank Farm. (See "Agreements with Sunoco R&M and Sunoco, Inc." and Item 13. "Certain Relationships and Related Transactions".)

The Partnership generates revenue at the Nederland Terminal by charging storage and throughput fees for crude oil and other petroleum products. The absolute price level of crude oil and refined products does not directly affect terminalling and storage fees, although they are affected by the absolute levels of supply and demand for these products.

Western Pipeline System

The Western Pipeline System consists of crude oil pipelines and gathering systems as well as the crude oil acquisition and marketing operations.

The factors affecting the operating results of the crude oil pipelines and gathering systems are substantially similar to the factors affecting the operating results of the pipelines in the Eastern Pipeline System described above. The operating results of the crude oil acquisition and marketing operations are dependent on its ability to sell crude oil at a price in excess of the aggregate cost. Management of the Partnership believes gross margin, which is equal to sales and other operating revenue less cost of products sold and operating expenses and depreciation and amortization, is a key measure of financial performance for the Western Pipeline System.

The crude oil acquisition and marketing operations generate substantial revenue and cost of products sold because they reflect the sales price and cost of the significant volume of crude oil bought and sold. However, the absolute price levels for crude oil normally do not bear a relationship to gross margin, although these price levels

significantly impact revenue and cost of products sold. As a result, period-to-period variations in revenue and cost of products sold are not generally meaningful in analyzing the variation in gross margin for the crude oil acquisition and marketing operations.

In general, crude oil is purchased at the wellhead from local producers and in bulk at major pipeline connection and marketing points. The Partnership also enters into transactions with third parties in which one grade of crude oil is exchanged for another grade that more nearly matches the delivery requirement or the preferences of customers. Bulk purchases and sales and exchange transactions are characterized by large volume and much smaller margins than are sales of crude oil purchased at the wellhead. As crude oil is purchased, the Partnership establishes a margin by selling or exchanging the crude oil for physical delivery of other crude oil to Sunoco R&M and third-party customers, such as independent refiners or major oil companies, thereby reducing exposure to price fluctuations. This margin is determined by the difference between the price of crude oil at the point of purchase and the price of crude oil at the point of sale, minus the associated costs related to acquisition and transportation. Changes in the absolute price level for crude oil do not materially impact the margin, as attempts are made to maintain positions that are substantially balanced between crude oil purchases and sales.

Because attempts are made to maintain balanced positions, the Partnership is able to minimize basis risk, which occurs when crude oil is purchased based on a crude oil specification that is different from the countervailing sales arrangement. Specification differences include grades or types of crude oil, variability in lease crude oil barrels produced, individual refinery demand for specific grades of crude oil, relative market prices for the different grades of crude oil, customer location, availability of transportation facilities, timing, and costs (including storage) involved in delivering crude oil to the customer. The Partnership's policy is only to purchase crude oil for which there is a market and to structure the sales contracts so that crude oil price fluctuations do not materially affect the margin received. The Partnership does not acquire and hold any futures contracts or other derivative products for any purpose.

The Partnership operates the crude oil acquisition and marketing activities differently as market conditions change. During periods when there is a higher demand than supply of crude oil in the near term, the market is in backwardation, meaning that the price of crude oil in a given month exceeds the price of crude oil for delivery in subsequent months. A backwardated market has a positive impact on marketing margins because crude oil marketers can continue to purchase crude oil from producers at a fixed premium to posted prices while selling crude oil at a higher premium to such prices. In backwardated markets, crude oil is purchased and contracted for its sale as soon as possible. When the demand for crude oil is weak, the market for crude oil is often in contango, meaning that the price of crude oil in a given month is less than the price of crude oil for delivery in subsequent months. In a contango market, marketing margins are adversely impacted, as crude oil marketers are unable to capture the premium to posted prices described above. However, this unfavorable market condition can be mitigated by storing crude oil because storage owners at major trading locations can simultaneously purchase production at current prices for storage and sell at higher prices for future delivery. As a result, in a contango market, crude oil will be purchased and contracted for its delivery in future months to capture the price difference.

Agreements with Sunoco R&M and Sunoco, Inc.

The Partnership has entered into several agreements with Sunoco, Inc., Sunoco R&M, and their affiliates as described below.

Pipelines and Terminals Storage and Throughput Agreement

Under this agreement, entered into upon the closing of the February 2002 IPO, Sunoco R&M is paying the Partnership fees generally comparable to those charged by third parties to:

- transport on the refined product pipelines or throughput in the inland refined product terminals existing at the time of the agreement an amount of refined products that will produce at least $77.5 million of

revenue for the contract year from March 1, 2004 to February 28, 2005, escalating at 1.67 percent each March 1 for the next two contract years. In addition, Sunoco R&M will pay the Partnership to transport on those refined product pipelines or throughput in those refined product terminals an amount of refined products that will produce at least $54.3 million of revenue in the contract year commencing March 1, 2007, and at least $55.2 million of revenue in the contract year commencing March 1, 2008. Sunoco R&M will pay the published tariffs on the pipelines and contractually agreed upon fees at the terminals. Based upon the prorated minimum amount noted, Sunoco R&M has exceeded the minimum revenue amount through December 31, 2004 and management of the Partnership expects Sunoco R&M to exceed the minimum amount under the agreement for the contract year from March 1, 2004 through February 28, 2005;

- receive and deliver at least 130,000 bpd of refined products per year at the Marcus Hook Tank Farm for five years ending February 28, 2007. This throughput is an annual amount for the contract period from March 1 to February 28 for the term of the agreement. For the calendar year ended December 31, 2004, the Partnership received a fee of $0.1682 per barrel for the first 130,000 bpd and $0.0841 per barrel for volume in excess of 130,000 bpd. These fees escalate at the rate of 1.67 percent each January 1 for the term of the agreement. Based upon the prorated minimum throughput amount noted, Sunoco R&M has exceeded the minimum throughput amount through December 31, 2004 and management of the Partnership expects Sunoco R&M to exceed the minimum throughput amount under the agreement for the contract year from March 1, 2004 through February 28, 2005;
- store 975,734 barrels of LPG per contract year at the Inkster Terminal, which represents all of the LPG storage capacity at this facility. This storage is an annual amount for the contract period from April 1 to March 31 for the seven-year term of the agreement ending March 31, 2009. For the calendar year ended December 31, 2004, the Partnership received a fee of $2.117 per barrel of committed storage, a fee of $0.212 per barrel for receipts greater than 975,734 barrels per contract year and a fee of $0.212 per barrel for deliveries greater than 975,734 barrels per contract year. These fees will escalate at the rate of 1.875 percent each January 1 for the term of the agreement. Based upon the prorated minimum storage amount noted, Sunoco R&M has exceeded the minimum storage amount through December 31, 2004 and management of the Partnership expects Sunoco R&M to exceed the minimum storage amount under the agreement for the contract year from April 1, 2004 through March 31, 2005;
- receive and deliver at least 290,000 bpd of crude oil or refined products per contract year at the Fort Mifflin Terminal Complex for seven years ending February 28, 2009. This throughput is an annual amount for the contract period from March 1 to February 28 for the term of the agreement. For the year ended December 31, 2004, the Partnership received a fee of $0.1682 per barrel for the first 180,000 bpd and $0.0841 per barrel for volume in excess of 180,000 bpd. These fees will escalate at the rate of 1.67 percent each January 1 for the term of the agreement. Based upon the prorated minimum throughput amount noted, Sunoco R&M has exceeded the minimum throughput amount through December 31, 2004 and management of the Partnership expects Sunoco R&M to exceed the minimum throughput amount under the agreement for the contract year from March 1, 2004 through February 29, 2005; and
- transport or cause to be transported an aggregate of at least 140,000 bpd of crude oil per contract year on the Marysville to Toledo, Nederland to Longview, Cushing to Tulsa, Barnsdall to Tulsa, and Bad Creek to Tulsa crude oil pipelines at the published tariffs for a term of seven years ending February 28, 2009. This throughput is an annual amount for the contract period from March 1 to February 28 for the term of the agreement. Based upon the prorated minimum throughput amount noted, Sunoco R&M has exceeded the minimum throughput amount through December 31, 2004 and management of the Partnership expects Sunoco R&M to exceed the minimum throughput amount under the agreement for the contract year from March 1, 2004 through February 28, 2005.

If Sunoco R&M fails to meet its minimum obligations pursuant to the contract terms set forth above, it will be required to pay in cash the amount of any shortfall, which may be applied as a credit in the following year after Sunoco R&M's minimum obligations for that year are met.

Sunoco R&M's obligations under this agreement may be permanently reduced or suspended if Sunoco R&M (1) shuts down or reconfigures one of its refineries (other than planned maintenance turnarounds), or is prohibited from using MTBE in the gasoline it produces, and (2) reasonably believes in good faith that such event will jeopardize its ability to satisfy these obligations. Although New York and Connecticut began enforcing state-imposed MTBE bans on January 1, 2004, this has not currently affected Sunoco R&M's obligations under the agreement.

From time to time, Sunoco, Inc. may be presented with opportunities by third parties with respect to its refinery assets. These opportunities may include offers to purchase and joint venture propositions. Sunoco, Inc. is also continually considering changes to its refineries. Those changes may involve new facilities, reduction in certain operations or modifications of facilities or operations. Changes may be considered to meet market demands, to satisfy regulatory requirements or environmental and safety objectives, to improve operational efficiency or for other reasons. Sunoco, Inc. has advised the Partnership that although it continually considers the types of matters referred to above, it is not currently proceeding with any transaction or plan that it believes will likely result in any reconfigurations or other operational changes in any of its refineries served by the Partnership's assets that would have a material effect on Sunoco R&M's business relationship with the Partnership. Further, Sunoco, Inc. has also advised the management of the Partnership that it is not considering a shutdown of any of its refineries served by the Partnership's assets. Sunoco, Inc. is, however, actively managing its assets and operations and, therefore, changes of some nature, possibly material to its business relationship with the Partnership, are likely to occur at some point in the future.

There can be no assurance that Sunoco R&M will renew the pipelines and terminals storage and throughput agreement, or that, if renewed, the rates will be at or above the current rates. If Sunoco R&M does not extend or renew the pipelines and terminals storage and throughput agreement, the Partnership's financial condition and results of operations may be adversely affected. The Partnership's assets were constructed or purchased to service Sunoco R&M's refining and marketing supply chain and are well-situated to suit Sunoco R&M's needs. As a result, management of the Partnership would expect that even if this agreement is not renewed, Sunoco R&M would continue to use the pipelines and terminals. However, management cannot assure investors and other interested parties that Sunoco R&M will continue to use the Partnership's facilities or that additional revenues can be generated from third parties.

Sunoco R&M's obligations under this agreement do not terminate if Sunoco, Inc. and its affiliates no longer own the general partner. This agreement may be assigned by Sunoco R&M only with the consent of the Audit/Conflicts Committee of the general partner's board of directors.

Omnibus Agreement

Coincident with the closing of the IPO on February 8, 2002, the Partnership entered into an Omnibus Agreement with Sunoco, Inc., Sunoco R&M, and the general partner that addresses the following matters:

- Sunoco R&M's obligation to reimburse the Partnership for specified operating expenses and capital expenditures or otherwise to complete certain tank maintenance and inspection projects;
- the Partnership's obligation to pay the general partner or Sunoco, Inc. an annual administrative fee, $8.4 million for the year ended December 31, 2004, for the provision by Sunoco, Inc. of certain general and administrative services;
- Sunoco, Inc.'s and its affiliates' agreement not to compete with the Partnership under certain circumstances;
- the Partnership's agreement to undertake to develop and construct or acquire an asset if requested by Sunoco, Inc.;
- an indemnity by Sunoco, Inc. for certain environmental, toxic tort and other liabilities;

- the Partnership's obligation to indemnify Sunoco, Inc. and its affiliates for events and conditions associated with the operation of the assets that occur on or after the closing of the initial public offering and for environmental and toxic tort liabilities related to the assets to the extent Sunoco, Inc. is not required to indemnify the Partnership; and
- the Partnership's option to purchase certain pipeline, terminalling, and storage assets retained by Sunoco, Inc. or its affiliates.

Reimbursement of Expenses and Completion of Certain Projects by Sunoco R&M. The Omnibus Agreement requires Sunoco R&M to:

- reimburse the Partnership for any operating expenses and capital expenditures in excess of $8.0 million per year in each calendar year from 2002 to 2006 that are made to comply with the DOT's pipeline integrity management rule, subject to a maximum aggregate reimbursement of $15.0 million over the five-year period ending December 31, 2006;
- complete, at its expense, certain tank maintenance and inspection projects at the Darby Creek Tank Farm; and
- reimburse the Partnership for up to $10.0 million of required expenditures at the Marcus Hook Tank Farm and the Darby Creek Tank Farm to maintain compliance with existing industry standards and regulatory requirements, including: cathodic protection upgrades at these facilities; raising tank farm pipelines above ground level at these facilities; and repairing or demolishing two riveted tanks at the Marcus Hook Tank Farm.

The Partnership is reflecting outlays for these programs as operating expenses or capital expenditures, as appropriate. Capital expenditures are depreciated over their useful lives. Reimbursements by Sunoco R&M are reflected as capital contributions to Partners' Capital within the Partnership's balance sheets.

For the years ended December 31, 2002, 2003 and 2004, the Partnership was reimbursed $0.7 million, $1.9 million and $2.1 million, respectively, by Sunoco R&M for maintenance capital expenditures and operating expenses incurred in excess of $8.0 million to comply with the DOT's pipeline integrity management rule. At December 31, 2004, the Partnership has received a cumulative reimbursement of $4.7 million in regard to the $15.0 million maximum reimbursement over the five-year period for compliance expenditures related to the DOT's pipeline integrity management rule. For the year ended December 31, 2002, the Partnership was also reimbursed $2.1 million by Sunoco R&M for certain tank maintenance and inspection capital expenditures at the Darby Creek Tank Farm. There were no amounts expended for these tank maintenance and inspection projects at the Darby Creek Tank Farm during 2003 or 2004. For the years ended December 31, 2002, 2003 and 2004, the Partnership was reimbursed by Sunoco R&M for expenditures at the Marcus Hook Tank Farm and the Darby Creek Tank Farm to maintain compliance with existing industry standards and regulatory requirements. These expenditures, which were recorded as maintenance capital and operating expenses, were as follows:

	Partnership and Predecessor	Partnership	
	Year Ended December 31,		
	2002	2003	2004
	(in thousands of dollars)		
Maintenance capital	$ 534	$2,982	$4,140
Operating expenses	351	467	540
	$ 885	$3,449	$4,680

At December 31, 2004, the Partnership has received a cumulative reimbursement of $9.0 million relative to the $10.0 million maximum reimbursement for compliance expenditures at the Marcus Hook Tank Farm and the

Darby Creek Tank Farm. The aggregate amounts reimbursed related to all of the previously mentioned provisions of the Omnibus Agreement were $3.7 million, $5.3 million and $6.8 million for the years ended December 31, 2002, 2003 and 2004, respectively.

General and Administrative Services Fee. Prior to the February 2002 IPO, Sunoco allocated a portion of its general and administrative expenses to its pipeline, terminalling, and storage operations to cover costs of certain corporate services. Prior to the IPO, such expenses were based on amounts negotiated between the parties, which approximated Sunoco's cost of providing such services. Under the Omnibus Agreement, the Partnership pays Sunoco, Inc. or the general partner an annual administrative fee that includes expenses incurred by Sunoco, Inc. and its affiliates to perform centralized corporate functions, such as legal, accounting, treasury, engineering, information technology, insurance, and other corporate services, including the administration of employee benefit plans. This fee does not include the costs of shared insurance programs (which are allocated to the Partnership based upon its share of the cash premiums incurred), the salaries of pipeline and terminal personnel or other employees of the general partner (including senior executives), or the cost of their employee benefits. The Partnership has no employees, and reimburses Sunoco, Inc. and its affiliates for these costs and other direct expenses incurred on the Partnership's behalf. In addition, the Partnership has incurred additional general and administrative costs, including costs related to operating as a separate publicly held entity, such as costs for tax return preparation, annual and quarterly reports to unitholders, and investor relations and registrar and transfer agent fees, as well as incremental insurance costs.

Selling, general and administrative expenses in the statements of income include costs related to the provision of these centralized corporate functions and allocation of shared insurance costs of $10.2 million, $10.9 million, and $10.9 million for the years ended December 31, 2002, 2003 and 2004, respectively. The Partnership's and Predecessor's share of allocated Sunoco employee benefit plan expenses, including non-contributory defined benefit retirement plans, defined contribution 401(k) plans, employee and retiree medical, dental and life insurance plans, incentive compensation plans and other such benefits, was $19.6 million, $20.6 million, and $21.0 million for the years ended December 31, 2002, 2003 and 2004, respectively. The Partnership also began incurring additional general and administrative costs from the date of the IPO, including costs for tax registrar and transfer agent fees, and other costs related to operating as a separate publicly held entity.

Under the terms of the agreement, the amount of the general and administrative services fee was increased in the second and third years following the initial public offering by the lesser of 2.5 percent or the consumer price index for the applicable year. The fee for the annual period ended December 31, 2004 was $8.4 million. These costs could have been increased if the Partnership consummated an acquisition or constructed additional assets that required an increase in the level of general and administrative services received by the Partnership from the general partner or Sunoco, Inc. The general partner, with the approval and consent of its Audit/Conflicts Committee, also has the right to agree to further increases in connection with expansion of the operations through the acquisition or construction of new assets or businesses that require an increase in the level of general and administrative services received by the Partnership. After this three-year period, the general partner will determine the general and administrative expenses to be allocated to the Partnership. In January 2005, the parties extended the term of Section 4.1 of the Omnibus Agreement (which concerns the Partnership's obligation to pay the annual fee for provision of certain general and administrative services) by one year. The annual Administrative Fee applicable to this one-year extension is $8.4 million. There can be no assurance that Section 4.1 of the Omnibus Agreement will be extended beyond 2005, or that, if extended, the administrative fee charged by Sunoco will be at or below the current administrative fee. In the event that the Partnership is unable to obtain such services from Sunoco or other third parties at or below the current cost, the Partnership's financial condition and results of operations may be adversely impacted.

Development or Acquisition of an Asset by the Partnership. The Omnibus Agreement contains a provision pursuant to which Sunoco, Inc. may at any time propose to the Partnership that it undertake a project to develop and construct or acquire an asset. If the general partner determines in its good faith judgment, with the concurrence of its Audit/Conflicts Committee, that the project, including the terms on which Sunoco, Inc. would

agree to use such asset, will be beneficial on the whole and that proceeding with the project will not effectively preclude the Partnership from undertaking another project that will be more beneficial to the Partnership, the Partnership will be required to use commercially reasonable efforts to finance, develop, and construct or acquire the asset.

Noncompetition. Sunoco, Inc. agreed, and will cause its affiliates to agree, for so long as Sunoco, Inc. controls the general partner, not to engage in, whether by acquisition or otherwise, the business of purchasing crude oil at the wellhead or operating crude oil pipelines or terminals, refined products pipelines or terminals, or LPG terminals in the continental United States. This restriction does not apply to:

- any business operated by Sunoco, Inc. or any of its subsidiaries at the closing of the initial public offering;
- any logistics asset constructed by Sunoco, Inc. or any of its subsidiaries within a manufacturing or refining facility in connection with the operation of that facility;
- any business that Sunoco, Inc. or any of its subsidiaries acquires or constructs that has a fair market value of less than $5.0 million; and
- any business that Sunoco, Inc. or any of its subsidiaries acquires or constructs that has a fair market value of $5.0 million or more if the Partnership has been offered the opportunity to purchase the business for fair market value not later than six months after completion of such acquisition or construction, and the Partnership declines to do so with the concurrence of the Audit/Conflicts Committee.

In addition, the limitations on the ability of Sunoco, Inc. and its affiliates to compete with the Partnership will terminate upon a change of control of Sunoco, Inc.

Options to Purchase Assets Retained by Sunoco, Inc. The Omnibus Agreement also contains the terms under which the Partnership has the option to purchase Sunoco, Inc.'s direct or indirect interests in Mid-Valley Pipeline Company, Mesa Pipeline and Inland Corporation, as well as the Icedale pipeline, as described under "Business – Pipeline, Terminalling, and Storage Assets Retained by Sunoco, Inc."

Indemnification. Under the Omnibus Agreement, Sunoco, Inc. has agreed to indemnify the Partnership for 30 years after the closing of the February 2002 IPO against certain environmental and toxic tort liabilities associated with the operation of the assets and occurring before the closing date of the February 2002 IPO. This indemnity obligation will be reduced by 10 percent per year beginning with the 22nd year after the closing of the February 2002 IPO. The Partnership has agreed to indemnify Sunoco, Inc. and its affiliates for events and conditions associated with the operation of the assets that occur on or after the closing of the February 2002 IPO and for environmental and toxic tort liabilities related to the assets to the extent Sunoco, Inc. is not required to indemnify the Partnership. Please read "Environmental Matters" and "Business—Environmental Regulation—Environmental Remediation" for a further description of these provisions.

Sunoco, Inc. has also agreed to indemnify the Partnership for liabilities relating to:

- the assets contributed, other than environmental and toxic tort liabilities, that arise out of the operation of the assets prior to the closing of the February 2002 IPO and that are asserted within ten years after the closing of the IPO;
- certain defects in title to the assets contributed and failure to obtain certain consents and permits necessary to conduct the business that arise within ten years after the closing of the February 2002 IPO;
- legal actions related to the period prior to the February 2002 IPO currently pending against Sunoco, Inc. or its affiliates; and
- events and conditions associated with any assets retained by Sunoco, Inc. or its affiliates.

Interrefinery Lease Agreement

Under a 20-year lease agreement entered into by the Partnership and Sunoco R&M upon the closing of the February 2002 IPO, Sunoco R&M leases the Partnership's 58 miles of interrefinery pipelines between Sunoco R&M's Philadelphia and Marcus Hook refineries for an annual fee which escalates at 1.67 percent each January 1st for the term of the agreement. The annual fee for the year ended December 31, 2004 was $5.3 million. These fees are recorded as revenue within the Partnership's statements of income.

The lease agreement also requires Sunoco R&M to reimburse the Partnership for any non-routine maintenance expenditures, as defined, incurred during the term of the agreement. For the year ended December 31, 2004, the Partnership incurred maintenance capital expenditures of $0.1 million under this provision within the agreement and was reimbursed by Sunoco R&M. The reimbursement was recorded as a capital contribution to Partners' Capital within the Partnership's balance sheet.

Crude Oil Purchase Agreement

The Partnership has agreements with Sunoco R&M whereby Sunoco R&M purchases from the Partnership, at market-based rates, particular grades of crude oil that are purchased by the crude oil acquisition and marketing business. These agreements automatically renew on a monthly basis unless terminated by either party on 30 days' written notice. For the years ended December 31, 2002, 2003 and 2004, Sunoco R&M has purchased all the barrels offered pursuant to these agreements and has not indicated that it intends to terminate these agreements.

License Agreement

The Partnership has granted to Sunoco, Inc. and certain of its affiliates, including the general partner, a license to its intellectual property so that the general partner can manage its operations and create new intellectual property using the Partnership's intellectual property. The general partner will assign to the Partnership the new intellectual property it creates in operating the Partnership's business. The general partner has also licensed to the Partnership certain of its own intellectual property for use in the conduct of the Partnership's business and the Partnership has licensed to the general partner certain intellectual property for use in the conduct of its business. The license agreement has also granted to the Partnership a license to use the trademarks, trade names, and service marks of Sunoco in the conduct of its business.

Treasury Services Agreement

The Partnership has a treasury services agreement with Sunoco, Inc. pursuant to which, among other things, it is participating in Sunoco, Inc.'s centralized cash management program. Under this program, all of the cash receipts and cash disbursements are processed, together with those of Sunoco, Inc. and its other subsidiaries, through Sunoco, Inc.'s cash accounts with a corresponding credit or charge to an intercompany account. The intercompany balance will be settled periodically, but no less frequently than monthly. Amounts due from Sunoco, Inc. and its subsidiaries earn interest at a rate equal to the average rate of the Partnership's third-party money market investments, while amounts due to Sunoco, Inc. and its subsidiaries bear interest at a rate equal to the interest rate provided in the revolving credit facility (the "Credit Facility").

Subsequent to the closing of the February 2002 IPO, the Partnership entered into the following significant agreements with Sunoco R&M and Sunoco, Inc.:

Eagle Point Logistics Assets Purchase and Throughput Agreements

On March 30, 2004, the Partnership entered into a purchase agreement with Sunoco R&M to acquire the Eagle Point refinery logistics assets for $20 million. The purchase agreement requires Sunoco R&M to reimburse the Partnership for certain maintenance capital and expense expenditures incurred regarding the assets acquired,

as defined, up to $5.0 million within the first 10 years of the closing of the transaction. For the year ended December 31, 2004, the Partnership incurred maintenance capital expenditures of $0.1 million under this provision within the agreement and was reimbursed by Sunoco R&M. The reimbursement was recorded as a capital contribution to Partners' Capital within the Partnership's balance sheet.

In connection with the acquisition, the Partnership also entered into a throughput agreement with Sunoco R&M under which the Partnership is charging Sunoco R&M fees for services provided under this agreement that are comparable to those charged in arm's length, third-party transactions. The throughput agreement requires Sunoco R&M to maintain minimum volumes on the truck rack acquired in this transaction upon completion of certain capital improvements that were completed during the fourth quarter of 2004.

Unit Redemption and Equity Offering Cost-Sharing Agreements

In April 2004, the Partnership sold 3.4 million common units in a public offering as described under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Equity Offerings". In connection with this common unit offering, the Partnership entered into an agreement with Sunoco whereby the Partnership would utilize a partial amount of the offering proceeds to redeem common units held by Sunoco at a price per unit equal to the public offering price per unit after the underwriters' commissions. As a result, the Partnership redeemed approximately 2.2 million common units from Sunoco for $82.7 million. The Partnership and Sunoco also entered into an agreement whereby Sunoco agreed to reimburse the Partnership for transaction costs it incurred based upon the percentage that Sunoco's net redemption proceeds received represented of the total gross proceeds of the Partnership's offering (64.2 percent). Reimbursement of these costs of $0.4 million occurred during the fourth quarter of 2004 when the transaction costs were finalized and was accounted for as an increase to Partners' Capital within the Partnership's balance sheet.

Other Agreements

The Partnership has also entered into various other agreements with Sunoco, Inc., Sunoco R&M and their affiliates, including throughput agreements regarding certain acquired assets or improvements or expansions at existing assets which are not covered within the pipelines and terminals storage and throughput agreement. Although these agreements did not result from arm's-length negotiations, management of the Partnership believes the terms of these agreements to be comparable to those that could be negotiated with an unrelated third party.

Results of Operations

	Partnership and Predecessor	Partnership	
	Year Ended December 31,		
	2002	2003	2004
	(in thousands)		
Statements of Income			
Sales and other operating revenue:			
Affiliates	$ 1,147,721	$ 1,383,090	$ 1,751,612
Unaffiliated customers	676,307	1,274,383	1,699,673
Other income	6,904	16,730	13,932
Total revenues	1,830,932	2,674,203	3,465,217
Cost of products sold and operating expenses	1,690,896	2,519,160	3,307,480
Depreciation and amortization	31,334	27,157	31,933
Selling, general and administrative expenses	43,073	48,412	48,449
Total costs and expenses	1,765,303	2,594,729	3,387,862
Operating income	65,629	79,474	77,355
Net interest expense	17,299	20,040	20,324
Income before income tax expense	48,330	59,434	57,031
Income tax expense	1,555	—	—
Net income	$ 46,775	$ 59,434	$ 57,031
Segment Operating Income:			
Eastern Pipeline System			
Sales and other operating revenue:			
Affiliate	$ 72,173	$ 72,533	$ 72,500
Unaffiliated customers	22,865	21,628	24,939
Other income	6,925	12,147	11,701
Total revenues	101,963	106,308	109,140
Operating expenses	42,982	40,000	45,769
Depreciation and amortization	15,051	10,630	11,005
Selling, general and administrative expenses	16,772	18,560	18,077
Total costs and expenses	74,805	69,190	74,851
Operating income	$ 27,158	$ 37,118	$ 34,289
Terminal Facilities			
Sales and other operating revenue:			
Affiliates	$ 55,971	$ 60,060	$ 71,203
Unaffiliated customers	31,914	31,608	34,749
Other income	2	1,146	16
Total revenues	87,887	92,814	105,968
Operating expenses	35,568	38,521	45,011
Depreciation and amortization	11,113	10,925	15,115
Selling, general and administrative expenses	12,367	12,913	13,036
Total costs and expenses	59,048	62,359	73,162
Operating income	$ 28,839	$ 30,455	$ 32,806
Western Pipeline System			
Sales and other operating revenue:			
Affiliates	$ 1,019,577	$ 1,250,497	$ 1,607,909
Unaffiliated customers	621,528	1,221,147	1,639,985
Other income/(loss)	(23)	3,437	2,215
Total revenues	1,641,082	2,475,081	3,250,109
Cost of products sold and operating expenses	1,612,346	2,440,639	3,216,700
Depreciation and amortization	5,170	5,602	5,813
Selling, general and administrative expenses	13,934	16,939	17,336
Total costs and expenses	1,631,450	2,463,180	3,239,849
Operating income	$ 9,632	$ 11,901	$ 10,260

Operating Highlights

	Partnership and Predecessor	Partnership	
	Year Ended December 31,		
	2002	2003	2004
Eastern Pipeline System[1]:			
Total shipments (barrel miles per day)[2]	56,768,267	55,323,880	59,173,047
Revenue per barrel mile (cents)	0.459	0.466	0.450
Terminal Facilities:			
Terminal throughput (bpd):			
Refined product terminals	272,784	283,071	340,675
Nederland Terminal	437,381	441,701	487,828
Fort Mifflin Terminal Complex	322,611	322,389	336,555
Marcus Hook Tank Farm	150,008	157,233	144,724
Eagle Point Dock[3]	—	—	204,105
Western Pipeline System[1]:			
Crude oil pipeline throughput (bpd)	286,912	304,471	298,797
Crude oil purchases at wellhead (bpd)	189,277	193,176	186,827
Gross margin per barrel of pipeline throughput (cents)[4]	22.5	22.9	23.2

(1) Excludes amounts attributable to equity ownership interests in the corporate joint ventures.

(2) Represents total average daily pipeline throughput multiplied by the number of miles of pipeline through which each barrel has been shipped.

(3) Acquired on March 30, 2004. Amount for 2004 represents throughput for the period from the date of acquisition through December 31, 2004, divided by the number of days in that period.

(4) Represents total segment sales and other operating revenue minus cost of products sold and operating expenses and depreciation and amortization divided by crude oil pipeline throughput.

Year Ended December 31, 2004 versus Year Ended December 31, 2003

Analysis of Statements of Income

Net income was $57.0 million for the year ended December 31, 2004 as compared with $59.4 million for the prior year, a decrease of $2.4 million. This decrease was primarily the result of higher Eastern Pipeline System and Terminal Facilities operating and maintenance expenses, lower volumes at the Eastern Pipeline System as a result of turnarounds at Sunoco, Inc.'s Toledo refinery in March 2004 and Marcus Hook refinery in September 2004, higher depreciation and amortization due to accelerating depreciation expense related to certain refined product terminal system assets, the absence in the current period of a gain on settlement of a claim at the Nederland Terminal, lower equity income from the corporate joint venture interests, and costs related to complying with Sarbanes-Oxley. Partially offsetting these items were higher revenues from the Terminal Facilities and Eastern Pipeline System and the operating results from the acquisitions completed during 2004 (see Item 1. "Business—Acquisitions").

Sales and other operating revenue totaled $3,451.3 million for the year ended December 31, 2004 as compared with $2,657.5 million for the prior year, an increase of $793.8 million. This increase was largely attributable to an increase in crude oil prices, partially offset by a decline in lease acquisition and bulk volumes. The average price of West Texas Intermediate crude oil at Cushing, Oklahoma, the benchmark crude oil in the United States, increased to an average price of $41.34 per barrel for 2004 from $31.02 per barrel for the prior year. Other income decreased $2.8 million from the prior year to $13.9 million for 2004 due principally to lower equity income from the corporate joint venture interests and the absence in the current period of a gain on settlement of a claim at the Nederland Terminal.

Total costs of products sold and operating expenses increased $788.3 million to $3,307.5 million for the year ended December 31, 2004 from $2,519.2 million for the prior year due primarily to the increase in crude oil prices, partially offset by a decline in lease acquisition and bulk volumes described previously. Depreciation and amortization increased $4.8 million to $31.9 million for 2004 due primarily to $1.8 million of accelerating depreciation related to certain refined product terminal system assets related to an equipment upgrade program and depreciation expense on the assets acquired during 2004. The refined product terminal equipment upgrade program will enhance the services provided by the Partnership to existing customers and will facilitate obtaining additional third-party business.

Net interest expense was $20.3 million for the year ended December 31, 2004, a $0.3 million increase from the prior year due principally to a decrease in capitalized interest.

Analysis of Segment Operating Income

Eastern Pipeline System

Operating income for the Eastern Pipeline System was $34.3 million for the year ended December 31, 2004 compared with $37.1 million for the prior year. The $2.8 million decrease was the result of a $5.7 million increase in total costs and expenses and a $0.4 million decrease in other income, partially offset by a $3.3 million increase in sales and other operating revenue. Sales and other operating revenue increased to $97.4 million for 2004 as a result of an increase in total shipments, partially offset by lower revenue per barrel mile. The increase in shipments was primarily the result of higher refined product throughput on the Harbor pipeline due to the acquisition of the additional one-third ownership interest and higher crude oil throughput on the Marysville to Toledo pipeline, partially offset by a decline in volumes as a result of planned turnarounds at Sunoco, Inc.'s Toledo refinery in March 2004 and Marcus Hook refinery in September 2004. The decrease in other income to $11.7 million for 2004 was due to lower equity income from the interests in corporate joint ventures. The increase in total costs and expenses to $74.9 million for 2004 from $69.2 million for the prior year was principally due to an increase in scheduled maintenance costs, the inclusion of an additional one-third ownership interest in the Harbor pipeline, and higher fuel and power costs associated with the increase in volumes.

Terminal Facilities

The Terminal Facilities business segment experienced a $2.3 million increase in operating income to $32.8 million for the year ended December 31, 2004 compared with $30.5 million for the prior year. This increase was due mainly to a $14.3 million increase in sales and other operating revenue, partially offset by a $10.8 million increase in total costs and expenses and a $1.1 million decrease in other income. The increase in sales and other operating revenue to $106.0 million for 2004 compared with $91.7 million for the prior year was principally due to the acquisitions completed during 2004, an increase in the Nederland Terminal's volumes, and higher volumes at the refined product terminals and the Fort Mifflin Terminal Complex. The Nederland Terminal's volumes increased from the prior year due to a full year's utilization in 2004 of two new tanks constructed in 2003 and higher utilization of tankage caused by improved market conditions for crude oil imports. Other income decreased $1.1 million from the prior year due mainly to the prior year gain recognized on the settlement of a claim at the Nederland Terminal.

The increase in total costs and expenses was due mainly to a $6.5 million increase in operating expenses and a $4.2 million increase in depreciation and amortization. Operating expenses increased to $45.0 million for 2004 from $38.5 million for the prior year due principally to expenses associated with the acquired assets, non-routine dredging activity on the Delaware River at the Fort Mifflin Terminal docks, and an increase in scheduled tank maintenance costs at the Nederland Terminal and the refined product terminals. Depreciation and amortization increased to $15.1 million for 2004 due primarily to accelerating depreciation of certain refined product terminal assets mentioned previously and depreciation on the assets acquired.

Western Pipeline System

Operating income for the Western Pipeline System was $10.3 million for the year ended December 31, 2004 compared with $11.9 million for the prior year. The $1.6 million decrease was primarily the result of a $1.2 million decrease in other income. Sales and other operating revenue and cost of products sold and operating expenses increased for the year ended December 31, 2004 compared with the prior year due principally to an increase in crude oil prices, partially offset by a decline in lease acquisition and bulk volumes mentioned previously. Other income decreased to $2.2 million for 2004 due mainly to lower equity income from the interest in West Texas Gulf Pipe Line due to a decline in demand for domestic crude oil transported on this pipeline from the prior year and the temporary shutdown of a significant connecting pipeline due to planned refinery turnarounds during the first half of 2004.

Year Ended December 31, 2003 versus Year Ended December 31, 2002

Analysis of Statements of Income

Net income was $59.4 million for the year ended December 31, 2003 as compared with $46.8 million for the prior year, an increase of $12.6 million. This increase was primarily the result of a $13.8 million increase in operating income and a $1.6 million decrease in income tax expense, partially offset by a $2.7 million increase in net interest expense. The increase in operating income was principally due to the effect of special items such as the absence in the current year of a $6.3 million write-down of an idled refined product pipeline at the Eastern Pipeline System and a related terminal and a $1.2 million gain in the current year relating to the settlement of a claim at the Nederland Terminal resulting from assets damaged by the May 2003 third-party natural gas pipeline release. The cash received relating to this claim was primarily used to replace or repair damaged assets. The increase in operating income also includes equity income for a full year from the corporate joint ventures acquired in November 2002, higher trunk and gathering pipeline volumes and an increase in gross margins at the Western Pipeline System, and a decline in operating expenses at the Eastern Pipeline System. Partially offsetting these items were increases in selling, general and administrative expenses and operating expenses at the Western Pipeline System and Terminal Facilities.

Sales and other operating revenue totaled $2,657.5 million for the year ended December 31, 2003 as compared with $1,824.0 million for the prior year, an increase of $833.5 million. This increase was largely attributable to an increase in crude oil prices and higher lease acquisition and bulk volumes. The average price of West Texas Intermediate crude oil at Cushing, Oklahoma, the benchmark crude oil in the United States, increased to an average price of $31.02 per barrel for 2003 from $26.11 per barrel for the prior year. Other income increased $9.8 million from the prior year to $16.7 million for 2003 due principally to equity income from the interests in corporate joint ventures acquired in November 2002.

Total costs of products sold and operating expenses increased $828.3 million to $2,519.2 million for the year ended December 31, 2003 from $1,690.9 million for the prior year due primarily to the increase in crude oil prices and higher lease acquisition and bulk volumes described previously. Selling, general and administrative expenses increased $5.3 million to $48.4 million for 2003 compared with $43.1 million for the prior year due mainly to higher administrative costs, including employee-related expenses. Depreciation and amortization decreased $4.2 million to $27.2 million for 2003 due to the write-down in 2002 described previously.

Net interest expense increased $2.7 million to $20.0 million for the year ended December 31, 2003 compared with $17.3 million for the prior year due principally to a decrease in capitalized interest and the interest on the Credit Facility borrowings as a result of the November 2002 acquisitions.

Income tax expense for the year ended December 31, 2003 decreased $1.6 million from the prior year to nil in the current year as the Partnership was not subject to income taxes from its inception on February 8, 2002.

Analysis of Segment Operating Income

Eastern Pipeline System

Operating income for the Eastern Pipeline System was $37.1 million for the year ended December 31, 2003 compared with $27.1 million for the prior year. The $10.0 million increase was the result of a $5.2 million increase in other income and a $5.6 million decrease in total costs and expenses, partially offset by a $0.9 million decrease in sales and other operating revenue. Sales and other operating revenue decreased to $94.2 million for 2003 from $95.0 million in the prior year as a result of a decrease in total shipments, partially offset by higher revenue per barrel mile. The increase in other income to $12.1 million for 2003 was due to equity income from the interests in corporate joint ventures acquired in November 2002, partially offset by a decline in equity income from Explorer Pipeline Company (“Explorer) due to lower volumes.

The decrease in total costs and expenses from the prior year was due to a $4.4 million decrease in depreciation and amortization and a $3.0 million decrease in operating expenses, partially offset by a $1.8 million increase in selling, general and administrative expenses. The decrease in depreciation and amortization from $15.1 million for 2002 to $10.6 million for 2003 was principally due to the absence of the write-down previously mentioned. The decrease in operating expenses from $43.0 million for 2002 to $40.0 million for 2003 was primarily due to the absence of costs in the current year associated with a pipeline release in January 2002 and lower pipeline maintenance expenses. As this pipeline release occurred prior to the February 2002 IPO and the Partnership is indemnified by Sunoco, Inc. and its subsidiaries (collectively, “Sunoco”) for liabilities associated with this incident, there was no impact on the Partnership’s post-IPO results. The increase in selling, general and administrative expenses to $18.6 million for 2003 from $16.8 million for 2002 was due to higher allocated administrative expenses.

Terminal Facilities

The Terminal Facilities business segment experienced a $1.6 million increase in operating income to $30.5 million for the year ended December 31, 2003 compared with $28.9 million for the prior year. This increase was due mainly to a $3.8 million increase in sales and other operating revenue and a $1.1 million increase in other income, partially offset by a $3.3 million increase in total costs and expenses. The increase in sales and other operating revenue to $91.7 million for 2003 compared with $87.9 million for the prior year was principally due to higher throughput volumes at the refined product terminals and the Marcus Hook Tank Farm, partially offset by lower tank rental revenues at the Nederland Terminal. Other income increased to $1.1 million for 2003 due primarily to the gain recognized related to the settlement of a claim at the Nederland Terminal noted previously.

The increase in total costs and expenses was due mainly to a $3.0 million increase in operating expenses and a $0.5 million increase in selling, general and administrative expenses. Operating expenses increased to $38.5 million for 2003 from $35.5 million for the prior year due principally to higher maintenance expenses at the refined product terminals, the Fort Mifflin Terminal Complex, and the Marcus Hook Tank Farm. Selling, general and administrative expenses increased to $12.9 million due to higher allocated administrative expenses.

Western Pipeline System

Operating income for the Western Pipeline System was $11.9 million for the year ended December 31, 2003 compared with $9.6 million for the prior year. This $2.3 million increase was primarily the result of a $3.5 million increase in other income and a $1.8 million increase in gross margin, partially offset by a $3.0 million increase in selling, general and administrative expenses.

Sales and other operating revenue and cost of products sold and operating expenses increased for the year ended December 31, 2003 compared with the prior year due principally to an increase in crude oil prices and an increase in lease acquisition and bulk volumes previously mentioned. The increase in gross margin was due mainly to an increase in lease acquisition volumes and margins and higher trunk and gathering pipeline volumes

compared with the prior year. These amounts were partially offset by higher pipeline integrity management and maintenance expenses. Other income increased to $3.4 million for 2003 due mainly to the equity income from the interest in West Texas Gulf Pipe Line acquired in November 2002. Selling, general and administrative expenses increased to $16.9 million for 2003 compared with $13.9 million in the prior year due to higher allocated administrative expenses.

Liquidity and Capital Resources

General

Cash generated from operations and borrowings under the Credit Facility are the Partnership's primary sources of liquidity. At December 31, 2004, the Partnership had working capital of $34.9 million and available borrowing capacity under the Credit Facility of $185.5 million (see "Credit Facility"). The Partnership's working capital position also reflects crude oil inventories based on historical costs under the LIFO method of accounting. If the inventories had been valued at their current replacement cost, the Partnership would have had working capital of $94.5 million at December 31, 2004.

On April 7, 2004, the Partnership sold 3.4 million common units in a public offering for total gross proceeds of $135.1 million. The units were issued under the Partnership's previously filed $500 million universal shelf registration statement, of which approximately $364.9 million remains available. The sale of the units resulted in net proceeds of $128.7 million, after underwriters' commissions and legal, accounting, and other transaction expenses. Net proceeds from the sale were used to (a) redeem approximately 2.2 million common units from Sunoco for $82.7 million, (b) replenish cash utilized to acquire the Eagle Point logistics assets for $20.0 million, (c) finance the acquisition of two refined product terminals for $12.0 million, (d) finance the acquisition of an additional 33.3 percent undivided interest in the Harbor pipeline for $7.3 million, and (e) for general partnership purposes, including to replenish cash used for past acquisitions and capital improvements, and for other expansion, capital improvements or acquisition projects. As a result of this net issuance of 1.2 million common units, the Partnership also received $1.0 million from its general partner as a capital contribution to maintain its 2.0 percent general partner interest. After the redemption of its units, Sunoco's ownership interest in the Partnership decreased from 75.3 percent to 62.6 percent, including its 2.0 percent general partner interest.

On November 22, 2004, the Partnership entered into a new five-year, $250 million Revolving Credit Facility. This Credit Facility replaces the previous credit agreement, which was scheduled to mature on January 31, 2005. At December 31, 2004, there was $64.5 million drawn under the Credit Facility.

Management believes that the Partnership has sufficient liquid assets, cash from operations and borrowing capacity to meet its financial commitments, debt service obligations, unitholder distributions, contingencies and anticipated capital expenditures. However, the Partnership is subject to business and operational risks that could adversely effect its cashflow. The Partnership may supplement its cash generation with proceeds from financing activities, including borrowings under the Credit Facility and other borrowings and the issuance of additional common units.

Cash Flows and Capital Expenditures

Net cash provided by operating activities for the years ended December 31, 2002, 2003 and 2004 was $2.2 million, $97.2 million, and $106.6 million, respectively. Net cash provided by operating activities for 2004 was primarily generated by net income of $57.0 million, depreciation and amortization of $31.9 million, and a decrease in working capital of $13.5 million. Net cash provided by operating activities for 2003 was primarily generated by net income of $59.4 million, depreciation and amortization of $27.2 million, and a decrease in working capital of $5.3 million. Net cash provided by operating activities for 2002 principally includes net income of $46.8 million and depreciation and amortization of $31.3 million, partially offset by an increase in working capital of $74.1 million. The increase in net cash provided by operating activities of $9.4 million from

2004 to 2003 was primarily attributable to an increase in cash provided by working capital mainly due to an increase in the price of crude oil. The increase in net cash provided by operating activities of $95.0 million from 2002 to 2003 was primarily attributable to an increase in cash provided by working capital and an increase in net income. The change in working capital between 2002 and 2003 was due mainly to an increase in working capital in 2002 related to the replacement of working capital that was not contributed by Sunoco to the Partnership upon formation. The net proceeds of the IPO were used to replenish this working capital. The working capital not contributed consisted principally of $81.0 million of affiliated-company accounts receivable and $13.5 million of crude oil inventory.

Net cash used in investing activities for the years ended December 31, 2002, 2003, and 2004 was $85.3 million, $39.0 million and $95.6 million, respectively. Capital expenditures were $40.8 million in 2002, $37.4 million in 2003, and $46.4 million in 2004. During 2004, the Partnership completed the following acquisitions: the Eagle Point logistics assets, which were purchased for $20.0 million; two refined product terminals located in Baltimore, Maryland and Manassas, Virginia, which were purchased for $12.0 million; an additional 33.3 percent undivided interest in the Harbor pipeline, which was acquired for $7.3 million; and a refined product terminal located in Columbus, Ohio, which was purchased for approximately $8.0 million. During 2003, the Partnership acquired an additional 3.1 percent corporate joint venture interest in West Shore for $3.7 million. During 2002, the Partnership acquired equity ownership interests in four corporate joint venture pipeline companies for an aggregate purchase price of $64.5 million in cash and $0.1 million in Partnership common units, consisting of $54.0 million for a 31.5 percent interest in Wolverine, a 9.2 percent interest in West Shore, and a 14.0 percent interest in Yellowstone and $10.6 million for a 43.8 percent interest in West Texas Gulf. The only other significant investing transaction in the three-year period was the repayment of a loan to The Claymont Investment Company, a wholly-owned subsidiary of Sunoco, for $20.0 million in 2002.

Net cash provided by/(used in) financing activities for the years ended December 31, 2002, 2003, and 2004 was $116.9 million, ($42.0) million and ($8.5) million, respectively. For the year ended December 31, 2004, the $8.5 million of net cash used in financing activities was due to the $82.7 million redemption of approximately 2.2 million common units from Sunoco, $57.5 million of cash distributions paid to the limited partners and general partner, and net advances to affiliate of $5.1 million, partially offset by $128.7 million of net proceeds from the sale of 3.4 million common units in April 2004, $7.0 million of capital contributions from an affiliate, and a $1.0 million net contribution from the general partner to maintain its 2.0 percent ownership interest after the sale of common units. For the year ended December 31, 2003, the $42.0 million of net cash used in financing activities was primarily due to $46.2 million of distributions paid to limited partners and the general partner and $4.5 million of repayments of long-term debt related to a note payable to a third party, partially offset by net collections of $3.4 million of advances to affiliate and $5.3 million of capital contributions from Sunoco. For the year ended December 31, 2002, the $116.9 million of net cash provided by financing activities was due to net proceeds of $96.5 million from the IPO, $64.5 million of borrowings under the Credit Facility to fund the acquisitions noted earlier, and $43.9 million of capital contributions from Sunoco, partially offset by a $50.0 million repayment of long-term debt due an affiliate, $26.9 million of distributions paid to limited partners and the general partner and net advances to affiliates of $10.7 million. In addition, net proceeds of $244.8 million from the issuance of the Senior Notes in conjunction with the IPO were distributed to Sunoco. For a more detailed discussion of the IPO and related transactions, see “Initial Public Offering” and “Senior Notes” in this section.

Under a treasury services agreement with Sunoco, the Partnership participates in Sunoco’s centralized cash management program. Advances to affiliates in the Partnership’s balance sheets at December 31, 2003 and 2004 represent amounts due from Sunoco under this agreement.

Capital Requirements

The pipeline, terminalling, and crude oil storage operations are capital intensive, requiring significant investment to upgrade or enhance existing operations and to meet environmental and operational regulations. The capital requirements have consisted, and are expected to continue to consist, primarily of:

- Maintenance capital expenditures, such as those required to maintain equipment reliability, tankage, and pipeline integrity and safety, and to address environmental regulations; and
- Expansion capital expenditures to acquire complementary assets to grow the business and to expand existing and construct new facilities, such as projects that increase storage or throughput volume.

The following table summarizes maintenance and expansion capital expenditures, including amounts paid for acquisitions, for the years presented:

	Partnership and Predecessor	Partnership	
	Year Ended December 31,		
	2002	2003	2004
	(in thousands of dollars)		
Maintenance	$ 27,934	$30,850	$30,829
Expansion	77,439(1)	10,226(2)	64,754(3)
Total	$ 105,373	$41,076	$95,583

(1) Includes the acquisition of the interests in four corporate joint venture pipeline companies for an aggregate purchase price of $64.6 million, including the issuance of $0.1 million in Partnership common units.

(2) Includes the acquisition of an additional interest in one of its corporate joint venture pipeline interests for $3.7 million.

(3) Includes the following acquisitions: $20.0 million for the Eagle Point logistics assets; $12.0 million for two refined product terminals located in Baltimore, Maryland and Manassas, Virginia; $7.3 million for an additional 33.3 percent undivided joint venture interest in the Harbor pipeline; and $8.0 million for a refined product terminal located in Columbus, Ohio.

Maintenance capital expenditures for the years ended December 31, 2002, 2003 and 2004 were $27.9 million, $30.9 million, and $30.8 million, respectively. Maintenance capital expenditures primarily consist of recurring expenditures at each of the business segments such as pipeline integrity costs, pipeline relocations, repair and upgrade of field instrumentation, including measurement devices, repair and replacement of tank floors and roofs, upgrades of cathodic protection systems, crude trucks and related equipment, and the upgrade of pump stations. In addition to these recurring projects, maintenance capital includes certain expenditures for which the Partnership received reimbursement from Sunoco R&M under the terms of agreements between the parties discussed below. The year ended December 31, 2003 also includes $1.8 million of expenditures for the replacement of assets at the Nederland Terminal related to the May 2003 third-party natural gas pipeline release. The Partnership received reimbursement in 2003 for these costs and other expenses as settlement of the claim related to this incident. Management expects maintenance capital expenditures to be approximately $27.5 million in 2005, excluding amounts management expects to receive as reimbursement from Sunoco R&M in accordance with the terms of certain agreements.

Expansion capital expenditures for the years ended December 31, 2002, 2003 and 2004 were $77.4 million, $10.2 million and $64.8 million, respectively. Expansion capital expenditures for the year ended December 31, 2004 principally includes the following acquisitions: the Eagle Point logistics assets, which were purchased for $20.0 million on March 30, 2004; two refined product terminals located in Baltimore, Maryland and Manassas, Virginia, which were purchased for $12 million on April 28, 2004; an additional 33.3 percent undivided interest in the Harbor pipeline, which was acquired on June 28, 2004 for $7.3 million; and a refined product terminal

located in Columbus, Ohio, which was purchased for $8.0 million on November 30, 2004. Expansion capital expenditures for 2004 also includes multiple pipeline connections and new truck stations. Expansion capital expenditures for the year ended December 31, 2003 includes the purchase of an additional 3.1 percent interest in West Shore Pipe Line Company for $3.7 million, increasing the Partnership's overall ownership interest to 12.3 percent, and the completion of the construction of two new tanks and a new pump station at the Nederland Terminal. The new tanks added approximately 1.3 million barrels of storage capacity to the terminal. Expansion capital expenditures for the year ended December 31, 2002 includes the acquisition of the four corporate joint venture pipeline interests for an aggregate purchase price of $64.6 million, the construction of the two Nederland tanks previously mentioned, the construction of multiple vapor combustion units at the Nederland Terminal, and pipeline meter modifications at the Eastern Pipeline System to improve throughput efficiency. Management of the Partnership anticipates pursuing both further acquisitions and growth projects similar to those mentioned in the future.

Omnibus Agreement Expenditures

Under the terms of the Omnibus Agreement, Sunoco R&M is required, among other things, to: reimburse the Partnership for any operating expenses and capital expenditures in excess of $8.0 million per year in each calendar year from 2002 to 2006 that are made to comply with the DOT's pipeline integrity management rule, subject to a maximum aggregate reimbursement of $15.0 million over the five-year period ending December 31, 2006; complete, at its expense, certain tank maintenance and inspection projects at the Darby Creek Tank Farm; and reimburse the Partnership for up to $10.0 million of expenditures required at the Marcus Hook Tank Farm and the Darby Creek Tank Farm to maintain compliance with existing industry standards and regulatory requirements.

For the years ended December 31, 2002, 2003 and 2004, the Partnership was reimbursed $0.7 million, $1.9 million and $2.1 million, respectively, by Sunoco R&M for maintenance capital expenditures and operating expenses incurred in excess of $8.0 million to comply with DOT's pipeline integrity management rule. At December 31, 2004, the Partnership has received a cumulative reimbursement of $4.7 million in regard to the $15.0 million maximum reimbursement over the five-year period for compliance expenditures related to the DOT's pipeline integrity management rule. For the year ended December 31, 2002, the Partnership also was reimbursed $2.1 million by Sunoco R&M for certain tank maintenance and inspection capital expenditures at the Darby Creek Tank Farm. There were no amounts expended for these tank maintenance and inspection projects at the Darby Creek Tank Farm during 2003 and 2004. For the years ended December 31, 2002, 2003 and 2004, the Partnership was reimbursed by Sunoco R&M for expenditures at the Marcus Hook Tank Farm and the Darby Creek Farm to maintain compliance with existing industry standards and regulatory requirements. These expenditures, which were recorded as maintenance capital and operating expenses, were as follows:

	Partnership and Predecessor	Partnership	
	Year Ended December 31,		
	2002	2003	2004
	(in thousands of dollars)		
Maintenance capital	$ 534	$2,982	$4,140
Operating expenses	351	467	540
	$ 885	$3,449	$4,680

At December 31, 2004, the Partnership has received a cumulative reimbursement of $9.0 million relative to the $10 million maximum reimbursement for compliance expenditures at the Marcus Hook Tank Farm and the Darby Creek Tank Farm. The aggregate amounts reimbursed related to all of the previously mentioned provisions of the Omnibus Agreement of $3.7 million, $5.3 million and $6.8 million for the years ended December 31, 2002, 2003 and 2004, respectively, by Sunoco R&M related to these projects were recorded as capital contributions to Partners' Capital within the Partnership's balance sheets.

Interrefinery Lease Agreement and Eagle Point Purchase Agreement Expenditures

Under the terms of the Interrefinery Lease Agreement, Sunoco R&M is required to reimburse the Partnership for any non-routine maintenance expenditures, as defined, incurred during the term of the agreement. The Eagle Point purchase agreement requires Sunoco R&M to reimburse the Partnership for certain maintenance capital and expense expenditures incurred regarding the assets acquired, as defined, up to $5.0 million within the first 10 years of closing of the transaction. For the year ended December 31, 2004, the Partnership incurred maintenance capital expenditures of $0.2 million under provisions within these agreements and was reimbursed by Sunoco R&M. The reimbursements were recorded as capital contributions to Partners' Capital within the Partnership's balance sheet.

The Partnership expects to fund capital expenditures, including any acquisitions, from cash provided by operations and, to the extent necessary, from the proceeds of:

- borrowing under the Credit Facility discussed below and other borrowings; and
- issuance of additional common units.

Contractual Obligations

The following table sets forth the aggregate amount of long-term debt maturities (including interest commitments based upon the interest rate in effect at December 31, 2004), annual rentals applicable to noncancellable operating leases, and purchase commitments related to future periods at December 31, 2004 (in thousands of dollars):

	Year Ended December 31,						
	2005	2006	2007	2008	2009	Thereafter	Total
Long-term debt:							
Principal	$ —	$ —	$ —	$ —	$ 64,500	$ 250,000	$ 314,500
Interest	20,018	20,018	20,018	20,018	19,816	45,313	145,201
Operating leases	2,692	2,351	2,077	1,722	1,417	4,218	14,477
Purchase obligations	737,474	—	—	—	—	—	737,474
	$ 760,184	$ 22,369	$ 22,095	$ 21,740	$ 85,733	$ 299,531	$ 1,211,652

The Partnership's operating leases include leases of third-party pipeline capacity, office space, and other property and equipment. Operating leases included above have initial or remaining noncancelable terms in excess of one year.

A purchase obligation is an enforceable and legally binding agreement to purchase goods and services that specifies significant terms, including: fixed or expected quantities to be purchased; market-related pricing provisions; and a specified term. The Partnership's purchase obligations consist of noncancellable contracts to purchase crude oil for terms of one year or less by its Crude Oil Acquisition and Marketing group. The majority of the above purchase obligations include actual crude oil purchases for the month of January 2005. The remaining crude oil purchase obligation amounts are based on the quantities expected to be purchased for the remainder of the year, at December 31, 2004 crude oil prices. Actual amounts to be paid in regards to these obligations will be based upon market prices or formula-based market prices during the period of purchase. For further discussion of the Partnership's Crude Oil and Marketing activities, see Item 1. "Business—Western Pipeline System—Crude Oil Acquisition and Marketing".

Equity Offerings

On February 8, 2002, the Partnership issued 5.75 million common units (including 750,000 units issued pursuant to the underwriters' over-allotment option), representing a 24.8 percent limited partnership interest, in

an IPO at a price of $20.25 per unit. Proceeds from this offering, which totaled approximately $96.5 million net of underwriting discounts and offering expenses, were used to replace working capital that was not contributed by Sunoco.

On April 7, 2004, the Partnership sold 3.4 million common units in a public offering for total gross proceeds of $135.1 million. The units were issued under the Partnership's previously filed Form S-3 shelf registration statement. The sale of the units resulted in net proceeds of $128.7 million, after underwriters' commissions and legal, accounting, and other transaction expenses. Net proceeds from the sale were used to (a) redeem approximately 2.2 million common units from Sunoco for $82.7 million, (b) replenish cash utilized to acquire the Eagle Point logistics assets for $20.0 million, (c) finance the acquisition of two refined product terminals for $12.0 million, (d) finance the acquisition of an additional 33.3 percent undivided interest in the Harbor pipeline for $7.3 million, and (e) for general partnership purposes, including to replenish cash used for past acquisitions and capital improvements, and for other expansion, capital improvements or acquisition projects. As a result of this net issuance of 1.2 million common units, the Partnership also received $1.0 million from its general partner as a capital contribution to maintain its 2.0 percent general partner interest. After the redemption of its units, Sunoco's ownership interest in the Partnership decreased from 75.3 percent to 62.6 percent, including its 2.0 percent general partner interest.

Shelf Registration Statement

On March 14, 2003, the Partnership and Operating Partnership, as co-registrants, filed a shelf registration statement with the Securities and Exchange Commission and became effective. This shelf registration permits the periodic offering and sale of equity securities by the Partnership and debt securities of the Operating Partnership (guaranteed by the Partnership). Subsequent to the Partnership's sale of 3.4 million common units on April 7, 2004 (see Equity Offerings) and at December 31, 2004, $364.9 million remains available for issuance. However, the amount, type and timing of any offerings will depend upon, among other things, the funding requirements of the Partnership, prevailing market conditions, and compliance with covenants in applicable debt obligations of the Operating Partnership (including the Credit Facility).

Credit Facility

On November 22, 2004, Sunoco Logistics Partners Operations L.P., a wholly-owned entity of the Partnership (the "Operating Partnership"), entered into a new, five-year $250 million Credit Facility. This Credit Facility replaced the Operating Partnership's previous credit agreement, which was scheduled to mature on January 31, 2005. At December 31, 2004, there was $64.5 million drawn under the Credit Facility. The Credit Facility is available to fund working capital requirements, to finance future acquisitions, and for general partnership purposes. It also includes a $20.0 million distribution sublimit that is available for distributions, and may be used to fund the quarterly distributions, provided the total outstanding borrowings for distributions do not at any time exceed $20.0 million. The Partnership will be required to reduce to zero all borrowings under the distribution sublimit under the Credit Facility each year for 15 days.

Obligations under the Credit Facility are unsecured. Indebtedness under the Credit Facility will rank equally with all the outstanding unsecured and unsubordinated debt of the Operating Partnership. All loans may be prepaid at any time without penalty subject to reimbursement of breakage and redeployment costs in the case of prepayment of LIBOR borrowings.

Indebtedness under the Credit Facility will bear interest, at the Partnership's option, at either (i) LIBOR plus an applicable margin or (ii) the higher of the federal funds rate plus 0.50 percent or the Citibank prime rate (each plus the applicable margin). The interest rate on the borrowings outstanding under the Credit Facility as of December 31, 2004 was 2.94 percent. Fees are incurred in connection with the Credit Facility. The Credit Facility will mature on November 22, 2009.

The credit agreement prohibits the Partnership from declaring distributions to unitholders if any event of default, as defined in the credit agreement, occurs or would result from the declaration of distributions. In addition, the Credit Facility contains various covenants limiting the Operating Partnership's ability to:

- incur indebtedness;
- grant certain liens;
- make certain loans, acquisitions, and investments;
- make any material change to the nature of the business;
- acquire another company; or
- enter into a merger or sale of assets, including the sale or transfer of interests in the subsidiaries.

The Credit Facility also contains covenants requiring the maintenance, on a rolling-four-quarter basis, of:

- a maximum ratio of 4.5 to 1 of consolidated total debt to consolidated EBITDA (each as defined in the credit agreement), which can be increased to 5.0 to 1 during an acquisition period (as defined in the credit agreement); and
- an interest coverage ratio (as defined in the credit agreement) of at least 3.0 to 1.

For the year ended December 31, 2004, the Partnership's ratio of total debt to EBITDA was 2.8 to 1 and the interest coverage ratio was 5.4 to 1.

Each of the following will be an event of default under the Credit Facility:

- failure to pay any principal, interest, fees, or other amounts when due;
- failure of any representation or warranty to be true and correct;
- termination of any material agreement, including the pipelines and terminals storage and throughput agreement and the Omnibus Agreement;
- default under any material agreement if such default could have a material adverse effect on the Partnership;
- bankruptcy or insolvency events involving the Partnership, the general partner, or the subsidiaries;
- the entry of monetary judgments, not covered or funded by insurance, against the Partnership, the general partner, or any of its subsidiaries in excess of $20.0 million in the aggregate, or any non-monetary judgment having a material adverse effect;
- the sale by Sunoco of a material portion of its refinery assets or other assets related to its agreements with the Partnership unless the purchaser of those assets has a minimum credit rating and fully assumes the rights and obligations of Sunoco under those agreements; and
- failure by Sunoco to own, directly or indirectly, 51 percent of the general partnership interest in the Partnership or to control its management and that of the Operating Partnership.

Senior Notes

In connection with the February 2002 IPO, the Operating Partnership issued $250 million of Senior Notes, the net proceeds of which were distributed to Sunoco as additional consideration for its contribution of assets to the Partnership. The Senior Notes were issued pursuant to an indenture, and the obligations under the Senior Notes are unsecured. Indebtedness under the Senior Notes rank equally with the Credit Facility and all the outstanding unsecured and unsubordinated debt of the Operating Partnership. The Senior Notes and Credit Facility have been guaranteed by the Partnership and the Operating Partnership's subsidiaries. The Senior Notes

will mature on February 15, 2012 and bears interest at a rate of 7.25 percent per annum, payable semi-annually on February 15 and August 15. The Senior Notes are redeemable, at the Partnership's option, at a make-whole premium calculated on the basis of a discount rate equal to the yield on United States treasury notes having a constant maturity comparable to the remaining term of the Senior Notes, plus 25 basis points. The Senior Notes are not subject to any sinking fund provisions.

In addition, the Senior Notes contain various covenants limiting the Operating Partnership's ability to:

- incur certain liens;
- engage in sale/leaseback transactions; or
- merge, consolidate, or sell substantially all of its assets.

Each of the following is an event of default under the indenture governing the Senior Notes:

- failure to pay interest on any note for 30 days;
- failure to pay the principal or any premium on any note when due;
- failure to perform any other covenant in the indenture that continues for 60 days after being given written notice;
- the acceleration of the maturity of any other debt of the Partnership or any of the subsidiaries or a default in the payment of any principal or interest in respect of any other indebtedness of the Partnership or any of the subsidiaries having an outstanding principal amount of $10.0 million or more individually or in the aggregate and such default shall be continuing for a period of 30 days; or
- the bankruptcy, insolvency, or reorganization of the Operating Partnership.

Upon the occurrence of a change of control to a non-investment grade entity, the Operating Partnership must offer to purchase the Senior Notes at a price equal to 100 percent of their principal amount plus accrued and unpaid interest, if any, to the date of purchase. The initial offering of the Senior Notes was not registered under the Securities Act. A registration statement was subsequently filed and declared effective on June 28, 2002, and an exchange offer was completed on August 2, 2002, with all $250 million aggregate principal amount of the Senior Notes being exchanged for a like principal amount of new publicly tradable notes having substantially identical terms issued pursuant to the exchange offer registration statement filed under the Securities Act of 1933, as amended.

Environmental Matters

Operation of the pipelines, terminals, and associated facilities are subject to stringent and complex federal, state, and local laws and regulations governing the discharge of materials into the environment or otherwise relating to protection of the environment. As a result of compliance with these laws and regulations, liabilities have been accrued for estimated site restoration costs to be incurred in the future at the facilities and properties, including liabilities for environmental remediation obligations. Under the Partnership's accounting policies, liabilities are recorded when site restoration and environmental remediation and cleanup obligations are either known or considered probable and can be reasonably estimated. For a discussion of the accrued liabilities and charges against income related to these activities, see Note 11 to the financial statements included in Item 8. "Financial Statements and Supplementary Data."

Under the terms of the Omnibus Agreement and in connection with the contribution of assets by affiliates of Sunoco, Sunoco has agreed to indemnify the Partnership for 30 years from environmental and toxic tort liabilities related to the assets contributed that arise from the operation of such assets prior to closing of the February 2002 IPO. Sunoco is obligated to indemnify the Partnership for 100 percent of all losses asserted within the first 21 years of closing of the February 2002 IPO. Sunoco's share of liability for claims asserted thereafter will decrease

by 10 percent a year. For example, for a claim asserted during the twenty-third year after closing of the February 2002 IPO, Sunoco would be required to indemnify the Partnership for 80 percent of the loss. There is no monetary cap on the amount of indemnity coverage provided by Sunoco. Any environmental and toxic tort liabilities not covered by this indemnity will be the Partnership's responsibility. Total future costs for environmental remediation activities will depend upon, among other things, the identification of any additional sites, the determination of the extent of the contamination at each site, the timing and nature of required remedial actions, the technology available and needed to meet the various existing legal requirements, the nature and extent of future environmental laws, inflation rates, and the determination of the liability at multiparty sites, if any, in light of the number, participation levels, and financial viability of other parties. The Partnership has agreed to indemnify Sunoco and its affiliates for events and conditions associated with the operation of the assets that occur on or after the closing of the February 2002 IPO and for environmental and toxic tort liabilities to the extent Sunoco is not required to indemnify the Partnership.

The use of MTBE continues to be the focus of federal and state government attention due to public health and environmental issues that have been raised by the use of MTBE in gasoline, and specifically the discovery of MTBE in water supplies. MTBE is the primary oxygenate used by Sunoco R&M and other petroleum refiners to meet reformulated gasoline requirements under the Clean Air Act. Several states, including New York and Connecticut, began enforcing state-imposed MTBE bans on January 1, 2004 in response to concerns about MTBE's adverse impact on ground or surface water. Other states are considering bans or restrictions on MTBE or opting out of the EPA's reformulated gasoline program, either of which events would reduce the use of MTBE. Any ban or restriction on the use of MTBE may lead to the greater use of ethanol. Unlike MTBE, which can be blended in gasoline at the refinery, ethanol is blended at the terminal and is not transported by the pipelines. While many of the inland-refined product terminals currently blend ethanol, any revenues the Partnership would receive for blending ethanol might not offset the loss of revenues that would be suffered from the reduced volume transported on the Eastern refined product pipelines.

Sunoco has disclosed that new rules under the Clean Air Act affecting fuel specifications may have a significant impact on its operations (primarily with respect to the capital and operating expenditures at Sunoco R&M's refineries), but that such impact ultimately may be affected by technology selection, timing uncertainties related to construction or permitting schedules, any effect on prices due to changes in the levels of gasoline or diesel production, and other factors. The Partnership cannot assure investors that the impact of these new rules, and Sunoco's responses to them, will not reduce Sunoco R&M's obligations under the pipelines and terminals storage and throughput agreement, thereby reducing the throughput in the pipelines and the cash flow.

For more information concerning environmental matters, please see Item 1. "Business—Environmental Regulation."

Impact of Inflation

Although the impact of inflation has slowed in recent years, it is still a factor in the United States economy and may increase the cost to acquire or replace property, plant, and equipment and may increase the costs of labor and supplies. To the extent permitted by competition, regulation, and existing agreements, the Partnership has and will continue to pass along increased costs to customers in the form of higher fees.

Critical Accounting Policies

A summary of the Partnership's significant accounting policies is included in Note 1 to the financial statements included in Item 8 "Financial Statements and Supplementary Data." Management believes that the application of these policies on a consistent basis enables it to provide the users of the financial statements with useful and reliable information about the Partnership's operating results and financial condition. The preparation of the Partnership's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of contingent assets and

liabilities. Significant items that are subject to such estimates and assumptions include long-lived assets and environmental remediation activities. Although management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, actual results may differ from the estimates on which the Partnership's financial statements are prepared at any given point in time. Despite these inherent limitations, management believes the Partnership's Management's Discussion and Analysis and financial statements provide a meaningful and fair perspective of the Partnership. Management has reviewed the estimates affecting its critical accounting policies with the Audit/Conflicts Committee of Sunoco Partners LLC's Board of Directors.

Long-Lived Assets. The cost of properties, plants and equipment, less estimated salvage value, is generally depreciated on a straight-line basis over the estimated useful lives of the assets. Useful lives are based on historical experience and are adjusted when changes in planned use, technological advances or other factors indicate that a different life would be more appropriate. Changes in useful lives that do not result in the impairment of an asset are recognized prospectively. During 2004, the Partnership accelerated the depreciation of certain refined product terminal system assets related to an equipment upgrade program based upon the estimated remaining useful lives of these assets until their replacement. This acceleration resulted in $1.8 million of additional depreciation expense recognized in 2004, and will result in an additional $0.3 million being recognized in 2005 and $0.2 million being recognized in 2006. There have been no other significant changes in the useful lives of the Partnership's plants and equipment to be recognized prospectively during the 2002-2004 period.

Long-lived assets, other than those held for sale, are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. Such events and circumstances include, among other factors: operating losses; unused capacity; market value declines; technological developments resulting in obsolescence; changes in demand for products manufactured by others utilizing the Partnership's services or for the Partnership's products; changes in competition and competitive practices; uncertainties associated with the United States and world economies; changes in the expected level of environmental capital, operating or remediation expenditures; and changes in governmental regulations or actions. Additional factors impacting the economic viability of long-lived assets are described under "Forward Looking Statements", which can be found after the Table of Contents at the front of this document.

A long-lived asset is considered to be impaired when the undiscounted net cash flows expected to be generated by the asset are less than its carrying amount. Such estimated future cash flows are highly subjective and are based on numerous assumptions about future operations and market conditions. The impairment recognized is the amount by which the carrying amount exceeds the fair market value of the impaired asset. It is also difficult to precisely estimate fair market value because quoted market prices for the Partnership's long-lived assets may not be readily available. Therefore, fair market value is generally based on the present values of estimated future cash flows using discount rates commensurate with the risks associated with the assets being reviewed for impairment.

The Partnership had an asset impairment of $6.3 million for the year ended December 31, 2002. There were no asset impairments for the years ended December 31, 2003 and 2004. During 2002, the Partnership recorded a $6.3 million provision to write-down an idled refined product pipeline in the Eastern Pipeline System and a related terminal. These assets were idled as a result of a long-term agreement entered into by the Partnership in December 2002 to lease throughput capacity on a third-party refined product pipeline which allows it to provide substantially the same service as existed on the idled pipeline while reducing operating expenses. These provisions were recorded within depreciation and amortization in the statements of income in the financial statements. For further discussion of these asset impairments, see Note 4 to the financial statements included in Item 8 "Financial Statements and Supplementary Data."

Environmental Remediation. The operation of the Partnership's pipelines, terminals and associated facilities are subject to numerous federal, state and local laws and regulations which regulate the discharge of materials

into the environment or that otherwise relate to the protection of the environment. As a result of compliance with these laws and regulations, site restoration costs have been and will be incurred in the future at the Partnership's facilities and properties, including liabilities for environmental remediation obligations.

At December 31, 2003 and 2004, the Partnership's accrual for environmental remediation activities was $0.5 million and $0.8 million, respectively. These accruals are for work at identified sites where an assessment has indicated that cleanup costs are probable and reasonably estimable. The accrual is undiscounted and is based on currently available information, estimated timing of remedial actions and related inflation assumptions, existing technology and presently enacted laws and regulations. It is often extremely difficult to develop reasonable estimates of future site remediation costs due to changing regulations, changing technologies and their associated costs, and changes in the economic environment. In the above instances, if a range of probable environmental cleanup costs exists for an identified site, FASB Interpretation No. 14, "Reasonable Estimation of the Amount of a Loss" requires that the minimum of the range be accrued unless some other point or points in the range are more likely, in which case the most likely amount in the range is accrued. Engineering studies, historical experience and other factors are used to identify and evaluate remediation alternatives and their related costs in determining the estimated accruals for environmental remediation activities. Losses attributable to unasserted claims are also reflected in the accruals to the extent their occurrence is probable and reasonably estimable.

Management believes that none of the current remediation locations are material, individually or in the aggregate, to the Partnership's financial position at December 31, 2004. As a result, the Partnership's exposure to adverse developments with respect to any individual site is not expected to be material. However, if changes in environmental regulations occur, such changes could impact several of the Partnership's facilities. As a result, from time to time, significant charges against income for environmental remediation may occur.

Under the terms of the Omnibus Agreement and in connection with the contribution of the Predecessor to the Partnership by affiliates of Sunoco, Sunoco has retained these liabilities in connection with its agreement to indemnify the Partnership for 30 years from environmental and toxic tort liabilities related to the assets contributed that arise from the operation of such assets prior to closing of the February 2002 IPO. Sunoco is obligated to indemnify the Partnership for 100 percent of all losses asserted within the first 21 years of closing of the February 2002 IPO. Sunoco's share of liability for claims asserted thereafter will decrease by 10 percent a year. For example, for a claim asserted during the twenty-third year after closing of the February 2002 IPO, Sunoco would be required to indemnify the Partnership for 80 percent of the loss. There is no monetary cap on the amount of indemnity coverage provided by Sunoco. Any environmental and toxic tort liabilities not covered by this indemnity will be the Partnership's responsibility. The Partnership has agreed to indemnify Sunoco and its affiliates for events and conditions associated with the operation of the assets that occur on or after the closing of the February 2002 IPO and for environmental and toxic tort liabilities to the extent Sunoco is not required to indemnify the Partnership.

In summary, total future costs for environmental remediation activities will depend upon, among other things, the identification of any additional sites, the determination of the extent of the contamination at each site, the timing and nature of required remedial actions, the technology available and needed to meet the various existing legal requirements, the nature and terms of cost sharing arrangements with other potentially responsible parties and the nature and extent of future environmental laws, inflation rates and the determination of the Partnership's liability at the sites, if any, in the light of the number, participation level and financial viability of other parties.

New Accounting Pronouncements

In December 2004, Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R") was issued, which revised Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). Among other things, SFAS No. 123R requires

a fair-value-based method of accounting for share-based payment transactions, effective for interim periods beginning after June 15, 2005. As the Partnership currently follows the fair value method of accounting prescribed by SFAS No. 123, adoption of SFAS No. 123R is not expected to have a significant impact on the Partnership's financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Partnership is exposed to various market risks, including volatility in crude oil commodity prices and interest rates. To manage such exposure, inventory levels and expectations of future commodity prices and interest rates are monitored when making decisions with respect to risk management. The Partnership has not entered into derivative transactions that would expose it to price risk.

The $250 million Credit Facility, with outstanding borrowings at December 31, 2004 of $64.5 million, exposes the Partnership to interest rate risk, since it bears interest at a variable rate (2.94 percent at December 31, 2004). A one percent change in interest rates changes annual interest expense by approximately $645,000.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Sunoco Logistics Partners L.P. (the "Partnership") is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. The Partnership's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles.

The Partnership's management assessed the effectiveness of the Partnership's internal control over financial reporting as of December 31, 2004. In making this assessment, the Partnership's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework*.

Based on this assessment, management believes that, as of December 31, 2004, the Partnership's internal control over financial reporting is effective based on those criteria. Ernst & Young LLP, an independent registered public accounting firm, has issued an attestation report on management's assessment of the Partnership's internal control over financial reporting, which appears in this section.

Deborah M. Fretz
President and Chief Executive Officer

Colin A. Oerton
Vice President and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors of
Sunoco Partners LLC:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Sunoco Logistics Partners L.P. (the "Partnership") maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Partnership's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Partnership's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Partnership maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2004 financial statements of the Partnership and our report dated March 2, 2005 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Philadelphia, Pennsylvania
March 2, 2005

REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENTS

To the Board of Directors of
Sunoco Partners LLC:

We have audited the accompanying balance sheets of Sunoco Logistics Partners L.P. (the "Partnership") as of December 31, 2003 and 2004 and the related statements of income and partners' capital/net parent investment and cash flows for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunoco Logistics Partners L.P. at December 31, 2003 and 2004 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Partnership's internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 2, 2005 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Philadelphia, Pennsylvania
March 2, 2005

SUNOCO LOGISTICS PARTNERS L.P.

STATEMENTS OF INCOME
(in thousands, except units and per unit amounts)

	Partnership and Predecessor	Partnership	
	Year Ended December 31,		
	2002	2003	2004
Revenues			
Sales and other operating revenue:			
Affiliates (Note 3)	$ 1,147,721	$ 1,383,090	$ 1,751,612
Unaffiliated customers	676,307	1,274,383	1,699,673
Other income	6,904	16,730	13,932
Total Revenues	1,830,932	2,674,203	3,465,217
Costs and Expenses			
Cost of products sold and operating expenses	1,690,896	2,519,160	3,307,480
Depreciation and amortization (Note 4)	31,334	27,157	31,933
Selling, general and administrative expenses	43,073	48,412	48,449
Total Costs and Expenses	1,765,303	2,594,729	3,387,862
Operating Income	65,629	79,474	77,355
Net interest cost paid to affiliates (Note 3)	1,205	15	439
Other interest cost and debt expense, net	17,390	20,518	19,885
Capitalized interest	(1,296)	(493)	—
Income before income tax expense	48,330	59,434	57,031
Income tax expense (Note 5)	1,555	—	—
Net Income	$ 46,775	$ 59,434	$ 57,031
Allocation of 2002 Net Income:			
Portion applicable to January 1 through February 7, 2002 (period prior to initial public offering)	$ 3,421		
Portion applicable to February 8 through December 31, 2002	43,354		
Net Income	$ 46,775		
Calculation of Limited Partners' interest in Net Income:			
Net Income	$ 43,354	$ 59,434	$ 57,031
Less: General Partner's interest in Net Income	(867)	(1,423)	(2,828)
Limited Partners' interest in Net Income	$ 42,487	$ 58,011	$ 54,203
Net Income per Limited Partner unit (2002 is for the period from February 8, 2002 through December 31, 2002):			
Basic	$ 1.87	$ 2.55	$ 2.29
Diluted	$ 1.86	$ 2.53	$ 2.27
Weighted average Limited Partners' units outstanding (Note 6):			
Basic	22,767,899	22,771,793	23,666,211
Diluted	22,785,407	22,894,520	23,907,151

(See Accompanying Notes)

SUNOCO LOGISTICS PARTNERS L.P.

BALANCE SHEETS
(in thousands)

	Partnership	
	December 31,	
	2003	2004
Assets		
Current Assets		
Cash and cash equivalents	$ 50,081	$ 52,660
Advances to affiliates (Note 3)	7,288	12,349
Accounts receivable, affiliated companies (Note 3)	116,936	140,328
Accounts receivable, net	302,235	396,479
Inventories (Note 7)	27,268	27,128
Total Current Assets	503,808	628,944
Properties, plants and equipment, net (Note 8)	583,164	647,200
Investment in affiliates (Note 9)	70,490	69,745
Deferred charges and other assets	23,544	22,897
Total Assets	$ 1,181,006	$ 1,368,786
Liabilities and Partners' Capital		
Current Liabilities		
Accounts payable	$ 426,863	$ 553,629
Accrued liabilities	24,937	25,284
Accrued taxes other than income	11,312	15,162
Total Current Liabilities	463,112	594,075
Long-term debt (Note 10)	313,136	313,305
Other deferred credits and liabilities	1,000	812
Commitments and contingent liabilities (Note 11)		
Total Liabilities	777,248	908,192
Partners' Capital:		
Limited partners' interest	397,479	452,856
General partner's interest	6,279	7,738
Total Partners' Capital	403,758	460,594
Total Liabilities and Partners' Capital	$ 1,181,006	$ 1,368,786

(See Accompanying Notes)

SUNOCO LOGISTICS PARTNERS L.P.

STATEMENTS OF CASH FLOWS
(in thousands)

	Partnership and Predecessor	Partnership	
	Year Ended December 31,		
	2002	2003	2004
Cash Flows from Operating Activities:			
Net Income	$ 46,775	$ 59,434	$ 57,031
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	31,334	27,157	31,933
Deferred income tax expense	675	—	—
Gain on claim settlement	—	(1,175)	—
Restricted unit incentive plan expense	683	2,204	3,204
Changes in working capital pertaining to operating activities:			
Accounts receivable, affiliated companies	(99,221)	(11,470)	(23,392)
Accounts receivable, net	(102,253)	(51,164)	(94,244)
Inventories	(12,127)	(1,524)	140
Accounts payable and accrued liabilities	134,561	69,408	127,113
Accrued taxes other than income	4,972	39	3,850
Other	(3,188)	4,303	987
Net cash provided by operating activities	2,211	97,212	106,622
Cash Flows from Investing Activities:			
Capital expenditures	(40,782)	(37,377)	(46,418)
Acquisitions	(64,491)	(3,699)	(49,165)
Collection of loan from affiliate	20,000	—	—
Net proceeds from claim settlement	—	2,068	—
Net cash used in investing activities	(85,273)	(39,008)	(95,583)
Cash Flows from Financing Activities:			
Distributions paid to Limited Partners and General Partner	(26,949)	(46,227)	(57,483)
Net proceeds from issuance of Limited Partner units	96,468	—	128,738
Redemption of Limited Partner units from Sunoco	—	—	(82,690)
Net contribution from General Partner for Limited Partner unit transactions	—	—	989
Advances to affiliates, net	(10,716)	3,428	(5,061)
Borrowings under credit facility	64,500	—	64,500
Repayments under credit facility	—	—	(64,500)
Repayments of long-term debt	(303)	(4,478)	—
Repayments of long-term debt to affiliate	(50,000)	—	—
Net proceeds from issuance of long-term debt	244,788	—	—
Special distribution to affiliate	(244,788)	—	—
Contributions from affiliate	43,902	5,314	7,047
Net cash provided by/(used in) financing activities	116,902	(41,963)	(8,460)
Net change in cash and cash equivalents	33,840	16,241	2,579
Cash and cash equivalents at beginning of year	—	33,840	50,081
Cash and cash equivalents at end of year	$ 33,840	$ 50,081	$ 52,660

(See Accompanying Notes)

SUNOCO LOGISTICS PARTNERS L.P.

STATEMENTS OF PARTNERS' CAPITAL/NET PARENT INVESTMENT
(in thousands)

	Net Parent Investment	Partners' Capital					Total Partners' Capital/ Net Parent Investment
		Limited Partners				General Partner	
		Common		Subordinated			
	$	Units	$	Units	$	$	$
Balance at January 1, 2002	$ 274,893	—	$ —	—	$ —	$ —	$ 274,893
Net income applicable to the period from January 1 through February 7, 2002	3,421	—	—	—	—	—	3,421
Contribution from affiliate	40,217	—	—	—	—	—	40,217
Adjustment to reflect net liabilities not contributed by affiliate to the Partnership (Note 12)	190,887	—	—	—	—	—	190,887
Special distribution to affiliate	(244,788)	—	—	—	—	—	(244,788)
Net assets contributed by affiliate	264,630	—	—	—	—	—	264,630
Allocation of net assets contributed by affiliate	(264,630)	5,634	85,855	11,384	173,482	5,293	—
Issuance of Limited Partner units to the public (Note 2)	—	5,750	96,468	—	—	—	96,468
Issuance of Limited Partner units to affiliate in partial consideration for West Texas Gulf Acquisition (Note 14)	—	4	100	—	—	2	102
Contribution from affiliate (Note 3)	—	—	1,539	—	3,111	95	4,745
Unissued units under incentive plans (Note 13)	—	—	683	—	—	—	683
Net income applicable to the period from February 8 through December 31, 2002	—	—	21,248	—	21,239	867	43,354
Cash distributions	—	—	(13,205)	—	(13,205)	(539)	(26,949)
Balance at December 31, 2002	$ —	11,388	$192,688	11,384	$184,627	$ 5,718	$ 383,033
Contribution from affiliate	—	—	1,726	—	3,482	106	5,314
Unissued units under incentive plans (Note 13)	—	—	2,204	—	—	—	2,204
Net income	—	—	29,011	—	29,000	1,423	59,434
Cash distributions	—	—	(22,634)	—	(22,625)	(968)	(46,227)
Balance at December 31, 2003	$ —	11,388	$202,995	11,384	$194,484	$ 6,279	$ 403,758
Issuance of Limited Partner units to the public (Note 2)	—	3,400	128,738	—	—	2,759	131,497
Redemption of Limited Partner units from affiliate (Note 2)	—	(2,183)	(82,690)	—	—	(1,770)	(84,460)
Contribution from affiliate	—	—	1,608	—	5,298	141	7,047
Unissued units under incentive plans (Note 13)	—	—	3,204	—	—	—	3,204
Net income	—	—	28,149	—	26,054	2,828	57,031
Cash distributions	—	—	(28,574)	—	(26,410)	(2,499)	(57,483)
Balance at December 31, 2004	$ —	12,605	$253,430	11,384	$199,426	$ 7,738	$ 460,594

(See Accompanying Notes)

SUNOCO LOGISTICS PARTNERS L.P.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Combination/Consolidation

Sunoco Logistics Partners L.P. (the "Partnership") is a Delaware limited partnership formed by Sunoco, Inc. in October 2001 to acquire, own and operate a substantial portion of Sunoco, Inc.'s logistics business, consisting of refined product pipelines, terminalling and storage assets, crude oil pipelines, and crude oil acquisition and marketing assets located in the Northeast, Midwest and South Central United States (collectively, "Sunoco Logistics (Predecessor)" or the "Predecessor").

The accompanying financial statements reflect the historical cost-basis accounts of the Predecessor for periods prior to February 8, 2002, the closing date of the Partnership's initial public offering (the "IPO"—see Note 2), and include charges from Sunoco, Inc. and its subsidiaries (collectively, "Sunoco") for direct costs and allocations of indirect corporate overhead. Management of the Partnership believes that the allocation methods are reasonable, and that the allocations are representative of the costs that would have been incurred on a stand-alone basis. Beginning on February 8, 2002, the financial statements reflect the consolidated financial statements of the Partnership and its subsidiaries. Equity ownership interests in corporate joint ventures, which are not consolidated, are accounted for under the equity method.

Description of Business

Most of the assets of the Partnership support Sunoco refining and marketing operations which are conducted primarily by Sunoco, Inc. (R&M) ("Sunoco R&M"). The Partnership operates in three principal business segments: Eastern Pipeline System, Terminal Facilities and Western Pipeline System.

The Eastern Pipeline System transports refined products in the Northeast and Midwest largely for Sunoco R&M's Philadelphia, PA, Marcus Hook, PA, Toledo, OH and Eagle Point, NJ refineries and crude oil on a pipeline in Ohio and Michigan that supplies both Sunoco R&M's Toledo refinery and third-party refineries. This segment also includes an interrefinery pipeline between Sunoco R&M's Marcus Hook and Philadelphia refineries and equity ownership interests in the following refined product pipeline companies: 9.4 percent of Explorer Pipeline Company ("Explorer"), 31.5 percent of Wolverine Pipe Line Company ("Wolverine"), 12.3 percent of West Shore Pipe Line Company ("West Shore"), and 14.0 percent of Yellowstone Pipe Line Company ("Yellowstone") (see Note 14).

The Terminal Facilities segment includes a network of 35 refined product terminals in the Northeast and Midwest that distribute products primarily to Sunoco R&M's retail outlets, a 12.5 million-barrel marine crude oil terminal on the Texas Gulf Coast and a one million barrel liquefied petroleum gas ("LPG") storage facility near Detroit, MI. This segment also owns and operates one inland and two marine crude oil terminals and the related storage facilities and pipelines that supply all of the crude oil processed by Sunoco R&M's Philadelphia refinery and a two million barrel refined product storage terminal in Marcus Hook, PA that is used by Sunoco R&M's Marcus Hook refinery to source barrels to the Partnership's pipelines. Finally, this segment includes a ship and barge dock which serves Sunoco R&M's Eagle Point refinery which was acquired in March 2004 (see Note 14).

The Western Pipeline System acquires, transports and markets crude oil principally in Oklahoma and Texas for Sunoco R&M's Tulsa, OK and Toledo, OH refineries and also for other customers. This segment also includes a 43.8 percent equity ownership interest in West Texas Gulf Pipe Line Company ("West Texas Gulf"), a crude oil pipeline company located in Texas (see Note 14).

SUNOCO LOGISTICS PARTNERS L.P.

NOTES TO FINANCIAL STATEMENTS—(Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimates.

Revenue Recognition

Crude oil gathering and marketing revenues are recognized when title to the crude oil is transferred to the customer. Revenues are not recognized for crude oil exchange transactions, which are entered into primarily to acquire crude oil of a desired quality or to reduce transportation costs by taking delivery closer to the Partnership's end markets. Any net differential for exchange transactions is recorded as an adjustment of inventory costs in the purchases component of cost of products sold and operating expenses in the statements of income based upon the concepts set forth in APB Opinion No. 29, "Accounting for Nonmonetary Transactions." The Emerging Issues Task Force (the "EITF") is currently considering the appropriate reporting for exchange transactions in Issue 04-13, "Accounting for Purchases and Sales of Inventory with the Same Counterparty." In the event the EITF requires reporting on a gross basis, the Partnership's sales and other operating revenue and cost of products sold and operating expenses would reflect corresponding increases. Terminalling and storage revenues are recognized at the time the services are provided. Pipeline revenues are recognized upon delivery of the barrels to the location designated by the shipper.

Affiliated revenues consist of sales of crude oil as well as the provision of crude oil and refined product pipeline transportation, terminalling and storage services to Sunoco R&M. Sales of crude oil to affiliates are computed using the formula-based pricing mechanism of a supply agreement with Sunoco R&M. Management of the Partnership believes these terms to be comparable to those that could be negotiated with an unrelated third party. Pipeline revenues from affiliates are generally determined using posted tariffs. Prior to January 1, 2002, affiliated revenues from terminalling and storage were generally equal to all of the costs incurred for these activities, including operating, maintenance and environmental remediation expenditures. Concurrent with the closing of the February 2002 IPO, the Partnership entered into a pipelines and terminals storage and throughput agreement with Sunoco R&M under which the Partnership is charging Sunoco R&M fees for services provided under these agreements comparable to those charged in arm's-length, third-party transactions. Under the pipelines and terminals storage and throughput agreement, Sunoco R&M has agreed to pay the Partnership a minimum level of revenue for transporting and terminalling refined products. Sunoco R&M also has agreed to minimum throughputs of refined products and crude oil in the Partnership's Inkster Terminal, Fort Mifflin Terminal Complex, Marcus Hook Tank Farm and certain crude oil pipelines. Fee arrangements consistent with this contract, generally effective January 1, 2002, were used as the basis for the transfer prices used in the preparation of Sunoco's segment information. Accordingly, such fees are generally reflected in the financial statements beginning on January 1, 2002.

Cash Equivalents

The Partnership considers all highly liquid investments with a remaining maturity of three months or less at the time of purchase to be cash equivalents. These cash equivalents consist principally of money market accounts.

Accounts Receivable, net

Accounts receivable represent valid claims against non-affiliated customers (see Note 3 for affiliated receivables) for products sold or services rendered. The Partnership extends credit terms to certain customers

SUNOCO LOGISTICS PARTNERS L.P.

NOTES TO FINANCIAL STATEMENTS—(Continued)

after review of various credit indicators, including the customer's credit rating. Outstanding customer receivable balances are regularly reviewed for possible non-payment indicators and reserves are recorded for doubtful accounts based upon management's estimate of collectibility at the time of review. The following table provides the activity in the allowance for doubtful accounts for the three-year period ended December 31, 2004:

	Partnership and Predecessor	Partnership	
	2002	2003	2004
Balance at January 1	$ —	$500	$ 500
Amounts charged to expense	500	—	—
Deductions	—	—	(500)
Balance at December 31	$ 500	$500	$ —

Inventories

Inventories are valued at the lower of cost or market. Crude oil inventory cost has been determined using the last-in, first-out method ("LIFO"). Under this methodology, the cost of products sold consists of the actual crude oil acquisition costs of the Partnership. Such costs are adjusted to reflect increases or decreases in crude oil inventory quantities, which are valued based on the changes in the LIFO inventory layers. Prior to February 8, 2002, the IPO date, crude oil inventory amounts reflected an allocation to the Predecessor by Sunoco R&M of the Predecessor's share of Sunoco R&M's crude oil inventory, the cost of which has been determined under the LIFO method. The cost of materials, supplies and other inventories is determined using principally the average cost method.

Properties, Plants and Equipment

Properties, plants and equipment are stated at cost. Additions to properties, plants and equipment, including replacements and improvements, are recorded at cost. Repair and maintenance expenditures are charged to expense as incurred. Depreciation is provided principally using the straight-line method based on the estimated useful lives of the related assets. For certain interstate pipelines, the depreciation rate is applied to the net asset value based on FERC requirements. When FERC-regulated properties, plants and equipment are retired or otherwise disposed of, the cost less net proceeds is charged to accumulated depreciation and amortization, except that gains and losses for those groups are reflected in other income in the statements of income for unusual disposals. Gains and losses on the disposal of non-FERC properties, plants and equipment are reflected in other income in the statements of income.

During 2004, the Partnership accelerated the depreciation of certain refined product terminal system assets related to an equipment upgrade program based upon the estimated remaining useful lives of these assets until their replacement. This acceleration resulted in $1.8 million of additional depreciation expense recognized in 2004, and will result in an additional $0.3 million being recognized in 2005 and $0.2 million being recognized in 2006.

Capitalized Interest

The Partnership capitalizes interest on borrowed funds related to capital projects only for periods that activities are in progress to bring these projects to their intended use. The weighted average rate used to capitalize interest on borrowed funds was 7.3 percent for 2002 and 2003. During the years ended December 31,

SUNOCO LOGISTICS PARTNERS L.P.

NOTES TO FINANCIAL STATEMENTS—(Continued)

2002 and 2003, the amount of interest capitalized was $1.3 million and $0.5 million, respectively. There were no amounts capitalized for 2004.

Impairment of Long-Lived Assets

Long-lived assets other than those held for sale are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows expected to be generated by the asset are less than its carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair market value of the impaired asset. Long-lived assets held for sale are recorded at the lower of their carrying amount or fair market value less cost to sell the assets.

Goodwill and Other Intangible Assets

Goodwill, which represents the excess of the purchase price over fair value of net assets acquired, is presented net of accumulated amortization within deferred charges and other assets on the balance sheets. At December 31, 2003 and 2004, the Partnership had $16.2 million of unamortized goodwill. Goodwill and indefinite-lived intangible assets are tested for impairment at least annually. The Partnership determined during 2002, 2003 and 2004 that such assets were not impaired.

Deferred financing fees of $2.7 million, net of accumulated amortization of $1.0 million, as of December 31, 2003 and $2.6 million, net of accumulated amortization of $0.8 million, as of December 31, 2004 have been included within deferred charges and other assets on the balance sheets. Amortization expense of $0.4 million, $0.6 million and $0.7 million for the years ended December 31, 2002, 2003 and 2004, respectively, has been included within other interest cost and debt expense on the statements of income. The Partnership amortizes deferred financing fees over the life of the respective debt agreement.

Investment in Affiliates

Investments in affiliates, which consist of corporate joint ventures, are accounted for under the equity method of accounting as required by Accounting Principles Board Opinion 18, “The Equity Method of Accounting for Investments in Common Stock” (“APB 18”). Under this method, an investment is carried at acquisition cost, increased for the equity in income or decreased for the equity in loss from the date of acquisition, and reduced for dividends received. The Partnership had $0.7 million of undistributed earnings from its investments in corporate joint ventures within Partners’ Capital on its December 31, 2004 balance sheet.

The Partnership allocates its excess investment cost over its equity in the net assets of affiliates to the underlying tangible and intangible assets of the corporate joint ventures. Other than land and indefinite-lived intangible assets, all amounts allocated, principally to pipeline and related assets, were amortized using the straight-line method over their estimated useful life of 40 years. The amortization of these amounts are included within depreciation and amortization in the statements of income.

Environmental Remediation

The Partnership accrues environmental remediation costs for work at identified sites where an assessment has indicated that cleanup costs are probable and reasonably estimable. Such accruals are undiscounted and are based on currently available information, estimated timing of remedial actions and related inflation assumptions, existing technology and presently enacted laws and regulations. If a range of probable environmental cleanup

costs exists for an identified site, the minimum of the range is accrued unless some other point or points in the range are more likely, in which case the most likely amount in this range is accrued.

Income Taxes

For the period prior to the IPO, the Predecessor was included in the consolidated federal income tax return filed by Sunoco. However, the provision for federal income taxes included in the statement of income for the year ended December 31, 2002 was determined on a separate-return basis. Any current federal income tax amounts due on a separate-return basis were settled with Sunoco through the net parent investment account. Effective upon the closing date of the IPO, substantially all income taxes are the responsibility of the unitholders and not the Partnership.

Long-Term Incentive Plan

In December 2004, Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment” (“SFAS No. 123R”) was issued, which revised Statement of Financial Accounting Standards No. 123, “Accounting for Stock-Based Compensation” (“SFAS No. 123”). Among other things, SFAS No. 123R requires a fair-value-based method of accounting for share-based payment transactions, effective for interim periods beginning after June 15, 2005. As the Partnership currently follows the fair value method of accounting prescribed by SFAS No. 123, adoption of SFAS No. 123R is not expected to have a significant impact on the Partnership’s financial statements.

Asset Retirement Obligations

Effective January 1, 2003, the Partnership adopted the provisions of Statement of Financial Accounting Standards No. 143, “Accounting for Asset Retirement Obligations” (“SFAS No. 143”). This statement significantly changed the method of accruing for costs that an entity is legally obligated to incur associated with the retirement of fixed assets. Under SFAS No. 143, the fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the fixed asset and depreciated over its estimated useful life. Prior to January 1, 2003, a liability for an asset retirement obligation was recognized using a cost-accumulation measurement approach. The cumulative effect of this accounting change for years prior to 2003 of $0.4 million was included in cost of products sold and operating expenses in the statement of income for the year ended December 31, 2003. The Partnership did not reflect the amount as a cumulative effect of an accounting change as it was not material to the financial statements. This change did not otherwise have a significant impact on the Partnership’s statement of income for the year ended December 31, 2003. At December 31, 2004, the Partnership’s liability for asset retirement obligations was $0.7 million. The Partnership has legal asset retirement obligations for several other assets, including certain pipelines and terminals, for which it is not possible to estimate the time period when the obligations will be settled. Consequently, the fair value of the retirement obligations for these assets cannot be measured and recognized at this time.

Lease Accounting

Effective July 1, 2003, the Partnership adopted the provisions of Emerging Issues Task Force Issue 01-8, “Determining Whether an Arrangement Contains a Lease” (“EITF 01-8”). EITF 01-8 provides guidance in determining whether an arrangement meets the definition of a lease under the provisions of Statement of Financial Accounting Standards No. 13, “Accounting for Leases” (“SFAS No. 13”). SFAS No. 13 defines a lease

as an agreement conveying the right to use property, plant or equipment for a stated period of time. EITF 01-8 provides criteria to determine whether an arrangement conveys the right to use property, plant and equipment under SFAS No. 13. The accounting requirements under EITF 01-8 could affect an arrangement's timing of revenue and expense recognition, and revenues reported as transportation and storage services might have to be reported as rental or leasing income. The provisions of EITF 01-8 are to be applied prospectively to arrangements agreed to, modified, or acquired in business combinations after July 1, 2003. Previous arrangements that would be leases or would contain a lease according to this pronouncement will continue to be recorded in accordance with their prior accounting treatment. The Partnership is continually analyzing its agreements that were in existence prior to July 1, 2003 to determine if the accounting for these agreements would be impacted upon renewal or amendment. The provisions of EITF 01-8 had no material impact on the Partnership's financial statements for the years ended December 31, 2003 and 2004.

Reclassifications

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year presentation.

2. Equity Offerings

On February 8, 2002, Sunoco, through its subsidiary, Sunoco Partners LLC, the general partner of the Partnership, contributed the Predecessor to the Partnership in exchange for: (i) a 2 percent general partner interest in the Partnership; (ii) incentive distribution rights (as defined in the Partnership Agreement); (iii) 5,633,639 common units; (iv) 11,383,639 subordinated units; and (v) a special interest representing the right to receive from the Partnership, on the closing of the IPO, the net proceeds from the issuance of $250 million of ten-year senior notes (the "Senior Notes") by Sunoco Logistics Partners Operations L.P., a wholly-owned entity of the Partnership (the "Operating Partnership"), which totaled $244.8 million. The Partnership concurrently issued 5,750,000 common units (including 750,000 units issued pursuant to the underwriters' over-allotment option), representing a 24.8 percent limited partnership interest in the Partnership, in an IPO at a price of $20.25 per unit. Proceeds from the IPO, which totaled $96.5 million net of underwriting discounts and offering expenses, were used by the Partnership to replace working capital that was not contributed to the Partnership by Sunoco.

On April 7, 2004, the Partnership sold 3.4 million common units in a public offering for total gross proceeds of $135.1 million. The units were issued under the Partnership's previously filed Form S-3 shelf registration statement. The sale of the units resulted in net proceeds of $128.7 million, after underwriters' commissions and legal, accounting, and other transaction expenses. Net proceeds from the sale were used to (a) redeem approximately 2.2 million common units from Sunoco for $82.7 million, (b) replenish cash utilized to acquire the Eagle Point logistics assets for $20.0 million, (c) finance the acquisition of two refined product terminals for $12.0 million, (d) finance the acquisition of an additional 33.3 percent undivided interest in the Harbor pipeline for $7.3 million, and (e) for general partnership purposes, including to replenish cash used for past acquisitions and capital improvements, and for other expansion, capital improvements or acquisition projects. As a result of this net issuance of 1.2 million common units, the Partnership also received $1.0 million from its general partner as a capital contribution to maintain its 2.0 percent general partner interest. After the redemption of its units, Sunoco's ownership interest in the Partnership decreased from 75.3 percent to 62.6 percent, including its 2.0 percent general partner interest.

SUNOCO LOGISTICS PARTNERS L.P.

NOTES TO FINANCIAL STATEMENTS—(Continued)

3. Related Party Transactions

Prior to the IPO, substantially all of the related party transactions discussed below were settled immediately through the net parent investment account. Subsequent to the IPO, normal trade terms apply to transactions with Sunoco as described in various agreements discussed below which were entered into concurrent with the IPO.

Advances to Affiliate

The Partnership has a treasury services agreement with Sunoco pursuant to which it, among other things, participates in Sunoco's centralized cash management program. Under this program, all of the Partnership's cash receipts and cash disbursements are processed, together with those of Sunoco and its other subsidiaries, through Sunoco's cash accounts with a corresponding credit or charge to an intercompany account. The intercompany balances are settled periodically, but no less frequently than monthly. Amounts due from Sunoco earn interest at a rate equal to the average rate of the Partnership's third-party money market investments, while amounts due to Sunoco bear interest at a rate equal to the interest rate provided in the Partnership's revolving credit facility (see Note 10).

Selling, general and administrative expenses in the statements of income include costs incurred by Sunoco for the provision of centralized corporate functions such as legal, accounting, treasury, engineering, information technology, insurance and other corporate services. Prior to the closing of the February 2002 IPO, such expenses were based on amounts negotiated between the parties, which approximated Sunoco's cost of providing such services. Under an omnibus agreement ("Omnibus Agreement") with Sunoco that the Partnership entered into at the closing of the IPO, Sunoco provided these centralized corporate functions for three years for an annual administrative fee, which was increased annually by the lesser of 2.5 percent or the consumer price index for the applicable year. The fee for the annual period ended December 31, 2004 was $8.4 million. In January 2005, both parties agreed to extend this provision of the Omnibus Agreement for a one-year term for an annual fee of $8.4 million. These costs were also subject to increase if the Partnership consummated an acquisition or constructed additional assets that required an increase in the level of general and administrative services received by the Partnership from the general partner or Sunoco. The annual fee includes expenses incurred by Sunoco to perform the centralized corporate functions described above. This fee did not include the costs of shared insurance programs, which were allocated to the Partnership based upon its share of the cash premiums incurred. This fee also did not include salaries of pipeline and terminal personnel or other employees of the general partner, including senior executives, or the cost of their employee benefits. The Partnership reimbursed Sunoco for these costs and other direct expenses incurred on the Partnership's behalf. Selling, general and administrative expenses in the statements of income include costs related to the provision of these centralized corporate functions and allocation of shared insurance costs of $10.2 million, $10.9 million and $10.9 million for the years ended December 31, 2002, 2003 and 2004, respectively.

The Partnership entered into a license agreement at the closing of the IPO with Sunoco and certain of its affiliates, including its general partner, Sunoco Partners LLC, pursuant to which the Partnership granted to Sunoco Partners LLC a license to the Partnership's intellectual property so that Sunoco Partners LLC can manage the Partnership's operations and create intellectual property using the Partnership's intellectual property. Sunoco Partners LLC will assign to the Partnership the new intellectual property it creates in operating the Partnership's business. Sunoco Partners LLC has also licensed to the Partnership certain of its own intellectual property for use in the conduct of the Partnership's business and the Partnership licensed to Sunoco Partners LLC certain of the Partnership's intellectual property for use in the conduct of its business. The license agreement also grants to the Partnership a license to use the trademarks, trade names, and service marks of Sunoco in the conduct of the Partnership's business.

SUNOCO LOGISTICS PARTNERS L.P.

NOTES TO FINANCIAL STATEMENTS—(Continued)

Allocated Sunoco employee benefit plan expenses for employees who work in the pipeline, terminalling, storage and crude oil gathering operations, including senior executives, include non-contributory defined benefit retirement plans, defined contribution 401(k) plans, employee and retiree medical, dental and life insurance plans, incentive compensation plans and other such benefits. The Partnership's and Predecessor's share of allocated Sunoco employee benefit plan expenses was $19.6 million, $20.6 million and $21.0 million for the years ended December 31, 2002, 2003 and 2004, respectively. These expenses are reflected in cost of products sold and operating expenses and selling, general and administrative expenses in the statements of income. In connection with the transfer of the Predecessor's operations to the Partnership, these employees, including senior executives, became employees of the Partnership's general partner or its affiliates, wholly-owned subsidiaries of Sunoco. The Partnership has no employees.

Accounts Receivable, Affiliated Companies

Affiliated revenues in the statements of income consist of sales of crude oil as well as the provision of crude oil and refined product pipeline transportation, terminalling and storage services to Sunoco R&M. Sales of crude oil are computed using the formula-based pricing mechanism of a supply agreement with Sunoco R&M. Management of the Partnership believes these terms to be comparable to those that could be negotiated with an unrelated third party. Pipeline revenues are generally determined using posted tariffs. Concurrent with the closing of the February 2002 IPO, the Partnership entered into a pipelines and terminals storage and throughput agreement and various other agreements with Sunoco R&M under which the Partnership is charging Sunoco R&M fees for services provided under these agreements that, in management's opinion, are comparable to those charged in arm's-length, third-party transactions. Under the pipelines and terminals storage and throughput agreement, Sunoco R&M has agreed to pay the Partnership a minimum level of revenues for transporting and terminalling refined products. Sunoco R&M also has agreed to minimum throughputs of refined products and crude oil in the Partnership's Inkster Terminal, Fort Mifflin Terminal Complex, Marcus Hook Tank Farm and certain crude oil pipelines. Under various other agreements entered into at the closing of the IPO, Sunoco R&M is, among other things, purchasing from the Partnership, at market-based rates, particular grades of crude oil that the Partnership's crude oil acquisition and marketing business purchases for delivery to certain pipelines. These agreements automatically renew on a monthly basis unless terminated by either party on 30 days' written notice. Sunoco R&M also leases the Partnership's 58 miles of interrefinery pipelines between Sunoco R&M's Philadelphia and Marcus Hook refineries for a term of 20 years.

Subsequent to the February 2002 IPO, the Partnership has entered into various other agreements with Sunoco, Inc., Sunoco R&M, and their affiliates, including throughput agreements regarding certain acquired assets or improvements or expansions at existing assets which are not covered within the agreements mentioned previously. Under these agreements, the Partnership is charging Sunoco R&M fees for services provided that are comparable to those charged in arm's-length, third-party transactions and, in some instances, provide for minimum throughputs within these assets.

Note Receivable from Affiliate

Effective October 1, 2000, the Predecessor loaned $20.0 million to Sunoco. The loan, which was evidenced by a note that was collected on January 1, 2002, earned interest at a rate based on the short-term applicable federal rate established by the Internal Revenue Service.

Long-term Debt due Affiliate

At January 1, 2002, the Predecessor had long-term debt due to affiliate that was not assumed by the Partnership at the date of the IPO. The debt consisted of individual notes payable to Sunoco. One of the notes

bore interest at a rate based on the short-term applicable federal rate established by the Internal Revenue Service, while the other notes bore interest based on the prime rate. Cash payments for interest in regards to the debt due affiliate, net of capitalized interest (see Note 1), were $0.7 million in 2002. There was no cash payment for interest on debt due to affiliate in 2003 or 2004.

Capital Contributions

The Omnibus Agreement requires Sunoco R&M to: reimburse the Partnership for any operating expenses and capital expenditures in excess of $8.0 million per year in each calendar year from 2002 to 2006 that are made to comply with the U.S. Department of Transportation's ("DOT") pipeline integrity management rule, subject to a maximum aggregate reimbursement of $15.0 million over the five-year period ending December 31, 2006; complete, at its expense, certain tank maintenance and inspection projects at the Darby Creek Tank Farm; and reimburse the Partnership for up to $10.0 million of expenditures required at the Marcus Hook Tank Farm and the Darby Creek Tank Farm to maintain compliance with existing industry standards and regulatory requirements.

For the years ended December 31, 2002, 2003 and 2004, the Partnership was reimbursed $0.7 million, $1.9 million and $2.1 million, respectively, by Sunoco R&M for maintenance capital expenditures and operating expenses incurred in excess of $8.0 million to comply with DOT's pipeline integrity management rule. At December 31, 2004, the Partnership has received a cumulative reimbursement of $4.7 million in regard to the $15.0 million maximum reimbursement over the five-year period for compliance expenditures relative to the DOT's pipeline integrity management rule. For the year ended December 31, 2002, the Partnership was also reimbursed $2.1 million by Sunoco R&M for certain tank maintenance and inspection expenditures at the Darby Creek Tank Farm. There were no amounts expended for these tank maintenance and inspection projects at the Darby Creek Tank Farm during 2003 and 2004. For the years ended December 31, 2002, 2003 and 2004, the Partnership was reimbursed by Sunoco R&M for expenditures at the Marcus Hook Tank Farm and the Darby Creek Tank Farm to maintain compliance with existing industry standards and regulatory requirements. These expenditures, which were recorded as maintenance capital and operating expenses, were as follows:

	Partnership and Predecessor	Partnership	
	Year Ended December 31,		
	2002	2003	2004
	(amounts in thousands)		
Maintenance capital	$ 534	$2,982	$4,140
Operating expenses	351	467	540
	$ 885	$3,449	$4,680

At December 31, 2004, the Partnership has received a cumulative reimbursement of $9.0 million relative to the $10.0 million maximum reimbursement for compliance expenditures at the Marcus Hook Tank Farm and the Darby Creek Tank Farm. The aggregate amounts reimbursed related to all of the previously mentioned provisions of the Omnibus Agreement of $3.7 million, $5.3 million and $6.8 million for the years ended December 31, 2002, 2003 and 2004, respectively, by Sunoco R&M related to these projects were recorded as capital contributions to Partners' Capital within the Partnership's balance sheets.

Under the terms of the Interrefinery Lease Agreement, Sunoco R&M is required to reimburse the Partnership for any non-routine maintenance expenditures, as defined, incurred during the term of the agreement. The Eagle Point purchase agreement requires Sunoco R&M to reimburse the Partnership for certain maintenance

capital and expense expenditures incurred regarding the assets acquired, as defined, up to $5.0 million within the first 10 years of closing of the transaction. For the year ended December 31, 2004, the Partnership incurred maintenance capital expenditures of $0.2 million under the provisions within these agreements and was reimbursed by Sunoco R&M. The reimbursements were recorded as capital contributions to Partners' Capital within the Partnership's balance sheet.

Asset Acquisitions

On March 30, 2004, the Partnership acquired the Eagle Point refinery logistics assets from Sunoco R&M for $20 million (see Note 14). In connection with the acquisition, the Partnership entered into a throughput agreement with Sunoco R&M under which the Partnership is charging Sunoco R&M fees for services provided under this agreement comparable to those charged in arm's length, third-party transactions. The throughput agreement also requires Sunoco R&M to maintain minimum volumes on the truck rack acquired in this transaction upon completion of certain capital improvements which were completed during the fourth quarter of 2004.

On November 15, 2002, the Partnership acquired an equity ownership interest in West Texas Gulf Pipe Line for $10.6 million from Sunoco (see Note 14). Since the acquisition was from a related party, the interest in the entity was recorded by the Partnership at Sunoco's historical cost of $11.7 million rather than the acquisition price of $10.6 million. The additional $1.1 million was recorded by the Partnership as a capital contribution.

Redemption of Common Units

In April 2004, the Partnership sold 3.4 million common units in a public offering (see Note 2). The proceeds of this offering were partially utilized to redeem approximately 2.2 million common units from Sunoco for $82.7 million. The redemption price per unit was equal to the public offering price per unit after the underwriters' commissions. As a result of this net issuance of 1.2 million common units, the general partner contributed $1.0 million to the Partnership to maintain its 2.0 percent ownership interest. The Partnership recorded this amount as a capital contribution to Partners' Capital within its balance sheet. In connection with the equity offering, the Partnership and Sunoco entered into an agreement whereby Sunoco agreed to reimburse the Partnership for transaction costs incurred by the Partnership based upon the percentage that Sunoco's net redemption proceeds received represented of the total gross proceeds of the Partnership's offering (approximately 64.2 percent). Reimbursement of these costs of $0.4 million occurred during the fourth quarter of 2004 when the transaction costs were finalized and was accounted for as an increase to Partners' Capital within the Partnership's balance sheet.

4. Write-Down of Assets

In December 2002, the Partnership recorded a $6.3 million provision to write-down an idled refined product pipeline in the Eastern Pipeline System and a related terminal. These assets were idled as a result of a long-term agreement entered into by the Partnership in December 2002 to lease throughput capacity on a third-party refined product pipeline which allows it to provide substantially the same service as existed on the idled pipeline while reducing operating expenses. This provision was recorded within depreciation and amortization in the Partnership's statements of income.

SUNOCO LOGISTICS PARTNERS L.P.

NOTES TO FINANCIAL STATEMENTS—(Continued)

5. Income Taxes

As discussed in Note 1, substantially all income taxes are the responsibility of the unitholders and not the Partnership as of February 8, 2002 (the date of the IPO). However, prior to February 8, 2002, the Predecessor was included in the consolidated federal income tax return filed by Sunoco, prepared on a separate-return basis.

The components of income tax expense are as follows (in thousands of dollars):

	Predecessor
	Year Ended December 31, 2002
Income taxes currently payable:	
U.S. federal	$ 841
State	39
	880
Deferred taxes:	
U.S. federal	616
State	59
	675
	$ 1,555

The reconciliation of income tax expense at the U.S. statutory rate to income tax expense is as follows (in thousands of dollars):

	Predecessor
	Year Ended December 31, 2002
Income tax expense at the U.S. statutory rate of 35 percent	$ 1,742(1)
Increase (reduction) in income taxes resulting from:	
State income taxes net of Federal income tax effects	64
Dividend exclusion for joint venture pipeline operations	(262)
Other	11
	$ 1,555

(1) Based upon income for the period from January 1, 2002 through February 7, 2002, the date prior to the IPO.

Cash payments for income taxes (including amounts paid to Sunoco) amounted to $0.1 million in 2002.

6. Net Income Per Unit Data

The computation of basic net income per limited partner unit is calculated by dividing net income, after the deduction of the general partner's interest in net income, by the weighted-average number of common and subordinated units outstanding during the year. The general partner's interest in net income is calculated on a quarterly basis based upon its percentage interest in quarterly cash distributions declared. The general partner's interest in quarterly cash distributions consists of its 2.0 percent general interest and "incentive distributions", which are increasing percentages, up to 50 percent of quarterly distributions in excess of $0.50 per limited partner unit (see Note 15). The general partner was allocated net income of $0.9 million (representing 2.0 percent

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NOTES TO FINANCIAL STATEMENTS—(Continued)

of total net income for the period) for the period from February 8, 2002 to December 31, 2002, $1.4 million (representing 2.4 percent of total net income for the period) for the year ended December 31, 2003, and $2.8 million (representing 5.0 percent of total net income for the period) for the year ended December 31, 2004. Diluted net income per limited partner unit is calculated by dividing net income applicable to limited partners' by the sum of the weighted-average number of common and subordinated units outstanding and the dilutive effect of incentive unit awards (see Note 13), as calculated by the treasury stock method.

Prior to the closing of the Partnership's IPO on February 8, 2002, there were no limited partner units outstanding. As such, net income per limited partner unit is not presented for the 38-day period from January 1, 2002 to February 7, 2002. The following table sets forth the reconciliation of the weighted average number of limited partner units used to compute basic net income per limited partner unit to those used to compute diluted net income per limited partner unit for the period from February 8, 2002 to December 31, 2002 and the years ended December 31, 2003 and 2004:

	Partnership		
	2002	2003	2004
Weighted average number of limited partner units outstanding—basic	22,767,899	22,771,793	23,666,211
Add effect of dilutive unit incentive awards	17,508	122,727	240,940
Weighted average number of limited partner units—diluted	22,785,407	22,894,520	23,907,151

7. Inventories

The components of inventories are as follows (in thousands of dollars):

	Partnership	
	December 31,	
	2003	2004
Crude oil	$ 26,543	$ 26,428
Materials, supplies and other	725	700
	$ 27,268	$ 27,128

The current replacement cost of crude oil inventory exceeded its carrying value by $38.1 million and $59.7 million at December 31, 2003 and 2004, respectively. During 2002 and 2004, the Partnership reduced crude oil inventory quantities, which were valued at lower LIFO costs prevailing in prior years. The effect of this reduction in inventory was to increase 2002 net income by $1.5 million and 2004 net income by $0.5 million.

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NOTES TO FINANCIAL STATEMENTS—(Continued)

8. Properties, Plants and Equipment

The components of net properties, plants and equipment are as follows (in thousands of dollars):

	Estimated Useful Lives	Partnership December 31, 2003	Partnership December 31, 2004
Land and land improvements (including rights of way)	—	$ 49,425	$ 56,678
Pipeline and related assets	38 - 60	510,670	536,502
Terminals and storage facilities	5 - 44	345,950	383,809
Other	5 - 48	75,674	77,656
Construction-in-progress	—	24,026	41,283
		1,005,745	1,095,928
Less: Accumulated depreciation and amortization		(422,581)	(448,728)
		$ 583,164	$ 647,200

9. Investment in Affiliates

The Partnership's ownership percentages in corporate joint ventures as of December 31, 2003 and 2004 are as follows:

	Partnership Ownership Percentage
Explorer Pipeline Company	9.4%
Wolverine Pipe Line Company	31.5%
West Shore Pipe Line Company	12.3%
Yellowstone Pipe Line Company	14.0%
West Texas Gulf Pipe Line Company	43.8%

The following table provides summarized financial information on a 100 percent basis for the Partnership's equity ownership interests. The results of Wolverine, West Shore, Yellowstone and West Texas Gulf have been included from their dates of acquisition (see Note 14) (in thousands of dollars):

	Partnership and Predecessor	Partnership	
	2002	2003	2004
Income Statement Data:			
Total revenues	$ 213,609	$ 345,741	$ 375,740
Income before income taxes	$ 106,234	$ 155,577	$ 158,529
Net income	$ 70,447	$ 94,437	$ 100,876
Balance Sheet Data (as of year-end):			
Current assets	$ 100,132	$ 93,479	$ 100,971
Non-current assets	$ 441,720	$ 472,444	$ 473,183
Current liabilities	$ 70,404	$ 67,834	$ 69,836
Non-current liabilities	$ 419,563	$ 444,845	$ 446,482
Net equity	$ 51,885	$ 53,244	$ 57,836

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The Partnership's investments in Wolverine, West Shore, Yellowstone, and West Texas Gulf at December 31, 2004 include an excess investment amount of approximately $56.2 million, net of accumulated amortization of $1.3 million. The excess investment is the difference between the investment balance and the Partnership's proportionate share of the net assets of the entities. The excess investment was allocated to the underlying tangible and intangible assets. Other than land and indefinite-lived intangible assets, all amounts allocated, principally to pipeline and related assets, were amortized using the straight-line method over their estimated useful life of 40 years and included within depreciation and amortization in the statements of income.

10. Long-Term Debt

The components of long-term debt are as follows (in thousands of dollars):

	Partnership	
	December 31,	
	2003	2004
Credit Facility	$ 64,500	$ 64,500
Senior Notes	250,000	250,000
Less unamortized bond discount	(1,364)	(1,195)
	$313,136	$313,305

On November 22, 2004, the Operating Partnership entered into a new, five-year $250 million Credit Facility. This Credit Facility replaces the Operating Partnership's previous credit agreement, which was scheduled to mature on January 31, 2005. The Credit Facility is available to fund the Operating Partnership's working capital requirements, to finance future acquisitions and for general partnership purposes. It may also be used to fund the quarterly distribution to a maximum of $20.0 million. Borrowing under this distribution sublimit must be reduced to zero each year for a 15-day period. The Credit Facility bears interest at the Operating Partnership's option, at either (i) LIBOR plus an applicable margin or (ii) the higher of the federal funds rate plus 0.50 percent or the Citibank prime rate (each plus the applicable margin). The interest rate on the outstanding borrowings at December 31, 2004 was 2.94 percent. The Credit Facility may be prepaid at any time. The Credit Facility contains various covenants limiting the Operating Partnership's ability to incur indebtedness; grant certain liens; make certain loans, acquisitions and investments; make any material change to the nature of its business; acquire another company; or enter into a merger or sale of assets, including the sale or transfer of interests in the Operating Partnership's subsidiaries. The Credit Facility also contains covenants requiring the Operating Partnership to maintain, on a rolling four-quarter basis, a maximum total debt to EBITDA ratio (each as defined in the credit agreement) of 4.5 to 1, which can be increased to 5.0 to 1 during an acquisition period (as defined in the credit agreement); and an interest coverage ratio (as defined in the credit agreement) of at least 3.0 to 1. The Operating Partnership is in compliance with these covenants as of December 31, 2004. The Partnership's ratio of total debt to EBITDA was 2.8 to 1 and the interest coverage ratio was 5.4 to 1 for the year ended December 31, 2004.

The Senior Notes were issued in connection with the February 2002 IPO and are at 7.25 percent, due February 15, 2012, and were issued by the Operating Partnership at a discount of 99.325 percent of the principal amount. The discount is amortized on a straight-line basis over the term of the Senior Notes and is included within interest expense in the statements of income. The Senior Notes are redeemable, at a make-whole premium, and are not subject to sinking fund provisions. The Senior Notes contain various covenants limiting the Operating Partnership's ability to incur certain liens, engage in sale/leaseback transactions, or merge, consolidate or sell substantially all of its assets. The Operating Partnership is in compliance with these covenants as of

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December 31, 2004. In addition, the Senior Notes are also subject to repurchase by the Operating Partnership at a price equal to 100 percent of their principal amount, plus accrued and unpaid interest upon a change of control to a non-investment grade entity. The Operating Partnership distributed the net proceeds of $244.8 million after offering commissions and issuance expenses from the sale of the outstanding Senior Notes to the Partnership for distribution to Sunoco.

The Partnership and the operating subsidiaries of the Operating Partnership serve as joint and several guarantors of the Senior Notes and of any obligations under the Credit Facility. The guarantees are full and unconditional.

The Partnership has no operations and its only assets are its investments in its wholly-owned partnerships and subsidiaries. The Operating Partnership also has no operations and its assets are limited primarily to its investments in its wholly-owned operating partnerships, deferred charges, and cash and cash equivalents of $52.7 million. Except for amounts associated with the Senior Notes, the Credit Facility, cash and cash equivalents and advances to affiliate, the assets and liabilities in the balance sheets and the revenues and costs and expenses in the statements of income are primarily attributable to the operating partnerships.

The aggregate amount of long-term debt maturities is as follows (in thousands of dollars):

Year Ended December 31:	
2009	$ 64,500
2012	250,000
	$ 314,500

Cash payments for interest related to long-term debt, net of capitalized interest (see Note 1), were $8.6 million, $19.3 million and $19.4 million in 2002, 2003 and 2004, respectively.

11. Commitments and Contingent Liabilities

Total rental expense for 2002, 2003 and 2004 amounted to $3.1 million, $4.5 million and $4.5 million, respectively. The Partnership, as lessee, has noncancelable operating leases for land, office space and equipment for which the aggregate amount of future minimum annual rentals as of December 31, 2004 is as follows (in thousands of dollars):

Year Ended December 31:	
2005	$ 2,692
2006	2,351
2007	2,077
2008	1,722
2009	1,417
Thereafter	4,218
Total	$14,477

As part of the agreement to purchase the equity ownership interest in Wolverine in November 2002 (see Note 14), the Partnership agreed to assume participation in an agreement along with the other owners of Wolverine to guarantee certain outstanding debt instruments of Wolverine based upon ownership percentage.

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Based upon outstanding indebtedness of these instruments of approximately $0.8 million at December 31, 2004, the approximate value of the guarantee is $0.3 million.

The Partnership is subject to numerous federal, state and local laws which regulate the discharge of materials into the environment or that otherwise relate to the protection of the environment. These laws and regulations result in liabilities and loss contingencies for remediation at the Partnership's facilities and at third-party or formerly owned sites. At December 31, 2003 and 2004, there were accrued liabilities for environmental remediation in the balance sheets of $0.5 million and $0.8 million, respectively. The accrued liabilities for environmental remediation do not include any amounts attributable to unasserted claims, nor have any recoveries from insurance been assumed. Pretax charges against income for environmental remediation totaled $1.2 million, $1.2 million and $1.4 million for the years ended December 31, 2002, 2003 and 2004, respectively.

Total future costs for environmental remediation activities will depend upon, among other things, the identification of any additional sites, the determination of the extent of the contamination at each site, the timing and nature of required remedial actions, the technology available and needed to meet the various existing legal requirements, the nature and extent of future environmental laws, inflation rates and the determination of the Partnership's liability at multi-party sites, if any, in light of uncertainties with respect to joint and several liability, and the number, participation levels and financial viability of other parties. As discussed below, the Partnership's current and future costs have been and will be impacted by an indemnification from Sunoco.

The Predecessor is a party to certain pending and threatened claims. Although the ultimate outcome of these claims cannot be ascertained at this time, it is reasonably possible that some portion of them could be resolved unfavorably to the Predecessor. Management does not believe that any liabilities which may arise from such claims and the environmental matters discussed above would be material in relation to the financial position of the Partnership at December 31, 2004. Furthermore, management does not believe that the overall costs for such matters will have a material impact, over an extended period of time, on the Partnership's operations, cash flows or liquidity.

Sunoco has indemnified the Partnership for 30 years from environmental and toxic tort liabilities related to the assets contributed to the Partnership that arise from the operation of such assets prior to the closing of the February 2002 IPO. Sunoco has indemnified the Partnership for 100 percent of all losses asserted within the first 21 years of closing of the February 2002 IPO. Sunoco's share of liability for claims asserted thereafter will decrease by 10 percent a year. For example, for a claim asserted during the twenty-third year after closing of the February 2002 IPO, Sunoco would be required to indemnify the Partnership for 80 percent of its loss. There is no monetary cap on the amount of indemnity coverage provided by Sunoco. The Partnership has agreed to indemnify Sunoco for events and conditions associated with the operation of the Partnership's assets that occur on or after the closing of the February 2002 IPO and for environmental and toxic tort liabilities to the extent Sunoco is not required to indemnify the Partnership.

Sunoco also has indemnified the Partnership for liabilities, other than environmental and toxic tort liabilities related to the assets contributed to the Partnership, that arise out of Sunoco's ownership and operation of the assets prior to the closing of the February 2002 IPO and that are asserted within 10 years after closing of the February 2002 IPO. In addition, Sunoco has indemnified the Partnership from liabilities relating to certain defects in title to the assets contributed to the Partnership and associated with failure to obtain certain consents and permits necessary to conduct its business that arise within 10 years after closing of the February 2002 IPO as well as from liabilities relating to legal actions currently pending against Sunoco or its affiliates and events and conditions associated with any assets retained by Sunoco or its affiliates.

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Management of the Partnership does not believe that any liabilities which may arise from claims indemnified by Sunoco would be material in relation to the financial position of the Partnership at December 31, 2004. There are certain other pending legal proceedings related to matters arising after the February 2002 IPO that are not indemnified by Sunoco. Management believes that any liabilities that may arise from these legal proceedings will not be material in relation to the financial position of the Partnership at December 31, 2004.

12. Net Parent Investment

The Predecessor's net parent investment account represented a net balance resulting from the settlement of intercompany transactions (including federal income taxes) between the Predecessor and Sunoco as well as Sunoco's ownership interest in the net assets of the Predecessor. It also reflects the Predecessor's participation in Sunoco's central cash management program, wherein all of the Predecessor's cash receipts were remitted to Sunoco and all cash disbursements were funded by Sunoco. There were no terms of settlement or interest charges attributable to this balance. The Predecessor's net parent investment account excludes amounts loaned to/borrowed from Sunoco evidenced by interest-bearing notes.

In connection with the contribution of the Predecessor to the Partnership on February 8, 2002, Sunoco retained certain assets and liabilities. The following table summarizes the carrying amount of the assets and liabilities which were not contributed by Sunoco (in thousands of dollars):

Account receivable	$ 2,446
Inventories	6,989
Deferred income taxes	2,821
Properties, plants and equipment, net	1,482
Other deferred charges	1,464
	15,202
Accounts payable	4,152
Accrued liabilities	10,714
Taxes payable	14,072
Long-term debt due affiliate	90,000
Deferred income taxes	78,815
Other deferred credits and liabilities	8,336
	206,089
Net liabilities retained by Sunoco	$ 190,887

13. Management Incentive Plan

Sunoco Partners LLC, the general partner of the Partnership, has adopted the Sunoco Partners LLC Long-Term Incentive Plan ("LTIP") for employees and directors of the general partner who perform services for the Partnership. The LTIP is administered by the independent directors of the Compensation Committee of the general partner's board of directors. LTIP awards may consist of either restricted units or unit options. The LTIP currently permits the grant of restricted units and unit options covering an aggregate of 1,250,000 common units.

Restricted Units

A restricted unit entitles the grantee to receive a common unit or, at the discretion of the Compensation Committee, an amount of cash equivalent to the value of a common unit upon the vesting of the unit, which may

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include the attainment of predetermined performance targets. The Compensation Committee may make additional grants under the LTIP to employees and directors containing such terms as the Compensation Committee shall determine. Common units to be delivered to the grantee upon vesting may be common units acquired by the general partner in the open market, common units already owned by the general partner, common units acquired by the general partner directly from the Partnership or any other person, or any combination of the foregoing. The general partner will be entitled to reimbursement by the Partnership for the cost incurred in acquiring common units. If the Partnership issues new common units upon vesting of the restricted units, the total number of common units outstanding will increase. The Compensation Committee, in its discretion, may grant tandem distribution equivalent rights ("DER") with respect to the restricted units. DERs entitle the grantee to receive an amount of cash equal to the per unit cash distributions made by the Partnership during the period the restricted unit is outstanding.

The following table provides the LTIP restricted unit activity for the three-year period ended December 31, 2004:

	Partnership		
	2002	2003	2004
Outstanding at January 1	—	185,625	264,247
Granted[1]	185,625	66,714	52,045
Performance factor adjusted[2]	—	19,508	25,529
Matured	—	—	—
Cancelled	—	(7,600)	—
Outstanding at December 31	185,625	264,247	341,821

(1) The weighted average price for restricted unit awards on the date of grant was $19.87, $24.94 and $37.15 for awards granted in 2002, 2003 and 2004, respectively.

(2) Consists of adjustments to performance-based awards to reflect actual performance. The adjustments are required since the original grants of these awards were at 100 percent of the targeted amounts.

The Partnership recognized non-cash compensation expense of $0.7 million, $2.2 million and $3.2 million for the years ended December 31, 2002, 2003 and 2004, respectively, related to the unit grants and performance factor adjustments noted in the table above. Each of the restricted unit grants also have tandem DERs for which the Partnership recognized compensation expense of $0.2 million, $0.6 million and $0.8 million for the years ended December 31, 2002, 2003 and 2004, respectively.

Unit Options

A unit option entitles the grantee to purchase a common unit at a price determined at the date of grant by the Compensation Committee. There have been no grants of unit options for the years ended December 31, 2002, 2003 and 2004, and there are no unit options outstanding as of December 31, 2004. However, the Compensation Committee may, in the future, make grants under the LTIP to employees and directors containing such terms as the Compensation Committee shall determine, provided that unit options have an exercise price no less than the fair market value of the units on the date of grant. Upon exercise of a unit option, the general partner will deliver common units acquired by it in the open market, purchased directly from the Partnership or any other person, use common units already owned by the general partner, or any combination of the foregoing. The general partner will be entitled to reimbursement by the Partnership for the difference between the cost incurred by the general partner in acquiring such common units and the proceeds received by the general partner from an optionee at the time of exercise. Thus, the cost of the unit options will be born by the Partnership. If the Partnership issues new

common units upon exercise of the unit options, the total number of common units outstanding will increase, and the general partner will remit to the Partnership the proceeds received by it from the optionee upon exercise of the unit option.

The Partnership follows SFAS 123 (as discussed in Note 1) and has recognized compensation expense related to the restricted units granted based on the fair value method.

14. Acquisitions

On November 30, 2004, the Partnership acquired a refined products terminal located in Columbus, Ohio for approximately $8.0 million. The terminal is connected to a third-party, refined product, common carrier pipeline and includes 6 refined product tanks with approximately 160,000 barrels of working storage capacity. The purchase price was funded through cash on hand, and was allocated on a preliminary basis to property, plant and equipment within the Terminal Facilities business segment. The results of the acquisition are included in the financial statements from the date of acquisition.

On June 28, 2004, the Partnership purchased an additional 33.3 percent undivided interest in the Harbor pipeline for $7.3 million. The Harbor pipeline is an 80-mile, 180,000 bpd refined product, common carrier pipeline originating near Woodbury, New Jersey and terminating in Linden, New Jersey. As a result of this transaction, the Partnership increased its ownership to 66.7 percent and will continue to be the operator of the pipeline. The purchase price was funded through the proceeds of the April 7, 2004 sale of common units (see Note 2). The purchase price was allocated on a preliminary basis to property, plant and equipment within the Eastern Pipeline System business segment. The results of the acquisition are included in the financial statements from the date of acquisition.

On April 28, 2004, the Partnership purchased two refined product terminals located in Baltimore, Maryland and Manassas, Virginia for $12.0 million. The Baltimore terminal is connected to a third-party, refined product, common carrier pipeline and includes 13 refined product tanks with approximately 646,000 barrels of working storage capacity. The Manassas terminal is connected to a third-party, refined product, common carrier pipeline and includes 7 refined product tanks with approximately 277,000 barrels of working storage capacity. The purchase price was funded through the proceeds of the April 7, 2004 sale of common units (see Note 2). The purchase price was allocated on a preliminary basis to property, plant and equipment within the Terminal Facilities business segment. The results of the acquisition are included in the financial statements from the date of acquisition.

On March 30, 2004, the Partnership acquired the Eagle Point refinery logistics assets from Sunoco R&M for $20.0 million. The Eagle Point logistics assets consist of crude and refined product ship and barge docks, a refined product truck rack, and a 4.5 mile, refined product pipeline from the Eagle Point refinery to the origin of the Harbor pipeline. In connection with the acquisition, the Partnership entered into a throughput agreement with Sunoco R&M whereby they have agreed to maintain minimum volumes on the truck rack upon completion of certain capital improvements which were completed during the fourth quarter of 2004. The purchase price was funded initially through cash on hand. A portion of the proceeds of the April 7, 2004 sale of common units was subsequently utilized to replenish cash used to fund this acquisition (see Note 2). The purchase price was allocated on a preliminary basis to property, plant and equipment. The ship and barge docks and the truck rack have been included within the Terminal Facilities business segment, while the pipeline has been included within the Eastern Pipeline System. The results of the acquisition are included in the financial statements from the date of acquisition.

On November 15, 2002, the Partnership acquired a company whose assets included equity ownership interests in three Midwestern and Western United States products pipeline companies, consisting of a 31.5 percent interest in Wolverine, a 9.2 percent interest in West Shore, and a 14.0 percent interest in Yellowstone, for

an aggregate purchase price of $54.0 million. The purchase price for this acquisition was funded through borrowings under the Partnership's Credit Facility (see Note 10). On September 30, 2003, the Partnership acquired an additional 3.1 percent interest in West Shore for $3.7 million, raising its overall ownership percentage in West Shore from 9.2 percent to 12.3 percent. The Partnership's share of income from these joint ventures has been included in other income in the statements of income from their acquisition dates, and the amounts paid have been included within investment in affiliates in the balance sheets.

On November 15, 2002, the Partnership acquired a 43.8 percent equity ownership interest in West Texas Gulf, a Texas crude oil pipeline, for an aggregate purchase price of $10.6 million from Sunoco. Consideration paid to Sunoco for the acquisition included $10.5 million in cash and 4,515 Partnership common units with a value of $0.1 million at the date of the transaction. Since the acquisition was from a related party, the interest in West Texas Gulf was recorded by the Partnership at Sunoco's historical cost of $11.7 million. The additional $1.1 million was reflected as a capital contribution in the balance sheet. The cash component of the consideration for this acquisition was principally financed through borrowings under the Partnership's Credit Facility. The Partnership's share of income from this joint venture has been included in other income in the statements of income from the acquisition date. The investment was included within investment in affiliates in the balance sheets.

15. Cash Distributions

The Partnership distributes all cash on hand within 45 days after the end of each quarter, less reserves established by the general partner in its discretion. This is defined as "available cash" in the partnership agreement. The general partner has broad discretion to establish cash reserves that it determines are necessary or appropriate to properly conduct the Partnership's business. The Partnership will make quarterly distributions to the extent there is sufficient cash from operations after establishment of cash reserves and payment of fees and expenses, including payments to the general partner.

The Partnership has 11,383,639 subordinated units issued as of December 31, 2004, all of which are held by the general partner and for which there is no established public trading market. During the subordination period the Partnership will, in general, pay cash distributions each quarter in the following manner:

- First, 98 percent to the holders of common units and 2 percent to the general partner, until each common unit has received a minimum quarterly distribution of $0.45, plus any arrearages from prior quarters;
- Second, 98 percent to the holders of subordinated units and 2 percent to the general partner, until each subordinated unit has received a minimum quarterly distribution of $0.45; and
- Thereafter, in the manner described in the table below.

The subordination period is generally defined as the period that ends on the first day of any quarter beginning after December 31, 2006 if (1) the Partnership has distributed at least the minimum quarterly distribution on all outstanding units with respect to each of the immediately preceding three consecutive, non-overlapping four quarter periods; and (2) the adjusted operating surplus, as defined in the partnership agreement, during such periods equals or exceeds the amount that would have been sufficient to enable the Partnership to distribute the minimum quarterly distribution on all outstanding units on a fully diluted basis and the related distribution on the 2 percent general partner interest during those periods. If the subordination period ends, the rights of the holders of subordinated units will no longer be subordinated to the rights of the holders of common units and the subordinated units may be converted into common units. The Partnership has met the minimum quarterly distribution requirements on all outstanding units for each of the four quarter periods in 2002, 2003 and 2004. In addition, one-quarter of the subordinated units may convert to common units on a one-for-one basis

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after December 31, 2004, and one-quarter of the subordinated units may convert to common units on a one-for-one basis after December 31, 2005, if the Partnership meets the tests set forth in the partnership agreement. On February 15, 2005, 2,845,910 subordinated units, equal to one-quarter of the originally issued subordinated units held by the general partner, were converted to common units as the Partnership met the tests set forth in the partnership agreement.

After the subordination period, the Partnership will, in general, pay cash distributions each quarter in the following manner:

- First, 98 percent to all unitholders, pro rata, and 2 percent to the general partner, until the Partnership distributes for each outstanding unit an amount equal to the minimum quarterly distribution for that quarter; and
- Thereafter, as described in the paragraph and table below.

As presented in the table below, if cash distributions exceed $0.50 per unit in a quarter, the general partner will receive increasing percentages, up to 50 percent, of the cash distributed in excess of that amount. These distributions are referred to as “incentive distributions.” The amounts shown in the table below are the percentage interests of the general partner and the unitholders in any available cash from operating surplus that is distributed up to and including the corresponding amount in the column “Quarterly Cash Distribution Amount per Unit,” until the available cash that is distributed reaches the next target distribution level, if any. The percentage interests shown for the unitholders and the general partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution.

	Percentage of Distributions	
Quarterly Cash Distribution Amount per Unit	**Unitholders**	**General Partner**
Up to minimum quarterly distribution ($0.45 per Unit)	98%	2%
Above $0.45 per Unit up to $0.50 per Unit	98%	2%
Above $0.50 per Unit up to $0.575 per Unit	85%	15%
Above $0.575 per Unit up to $0.70 per Unit	75%	25%
Above $0.70 per Unit	50%	50%

There is no guarantee that the Partnership will pay the minimum quarterly distribution on the common units in any quarter, and the Partnership will be prohibited from making any distributions to unitholders if it would cause an event of default, or if an event of default is existing, under the Credit Facility or the Senior Notes (see Note 10).

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Distributions paid by the Partnership for the period from February 8, 2002, the closing date of the IPO, through December 31, 2004 were as follows:

Date Cash Distribution Paid	Cash Distribution per Limited Partner Unit	Annualized Cash Distribution per Limited Partner Unit	Total Cash Distribution to the Limited Partners	Total Cash Distribution to the General Partner
			($ in millions)	($ in millions)
May 15, 2002	$0.26	$ 1.80	$ 5.9	$ 0.1
August 14, 2002	$0.45	$ 1.80	$ 10.3	$ 0.2
November 14, 2002	$0.45	$ 1.80	$ 10.3	$ 0.2
February 14, 2003	$0.4875	$ 1.95	$ 11.1	$ 0.2
May 15, 2003	$0.4875	$ 1.95	$ 11.1	$ 0.2
August 14, 2003	$0.50	$ 2.00	$ 11.4	$ 0.2
November 14, 2003	$0.5125	$ 2.05	$ 11.7	$ 0.3
February 13, 2004	$0.55	$ 2.20	$ 12.5	$ 0.4
May 14, 2004	$0.57	$ 2.28	$ 13.7	$ 0.5
August 13, 2004	$0.5875	$ 2.35	$ 14.1	$ 0.7
November 12, 2004	$0.6125	$ 2.45	$ 14.7	$ 0.9

On January 18, 2005, the Partnership declared a cash distribution of $0.625 per unit on its outstanding common and subordinated units, representing the distribution for the quarter ended December 31, 2004. The $16.0 million distribution, including $1.0 million to the general partner, was paid on February 14, 2005 to unitholders of record at the close of business on January 28, 2005. The distribution paid on May 15, 2002 represented the minimum quarterly distribution for the 52-day period from the closing date of the IPO, February 8, 2002, through March 31, 2002.

16. Financial Instruments and Concentration of Credit Risk

The estimated fair value of financial instruments has been determined based on the Partnership's assessment of available market information and appropriate valuation methodologies. However, these estimates may not necessarily be indicative of the amounts that the Partnership could realize in a current market exchange.

The Partnership's current assets (other than inventories) and current liabilities are financial instruments. The estimated fair value of these financial instruments approximates their carrying amounts. The estimated fair value of the $64.5 million of borrowings under the Credit Facility at December 31, 2003 and 2004 approximate its carrying amount as these borrowings bear interest based upon short term interest rates. The estimated fair value of the Senior Notes at December 31, 2003 and 2004 was $285.4 million and $285.7 million, respectively, compared to the carrying amounts of $248.6 million and $248.8 million, respectively. The Senior Notes, which are publicly traded, were valued based upon quoted market prices.

Approximately 51 percent of total revenues recognized by the Partnership during 2004 was derived from Sunoco R&M. The Partnership sells crude oil to Sunoco R&M, transports crude oil and refined products to/from Sunoco R&M's refineries and provides terminalling and storage services for Sunoco R&M. Sunoco has been issued an investment grade credit rating by three recognized agencies and, accordingly, management of the Partnership does not believe that the transactions with Sunoco R&M expose it to significant credit risk.

SUNOCO LOGISTICS PARTNERS L.P.

NOTES TO FINANCIAL STATEMENTS—(Continued)

The Partnership's other trade relationships are primarily with major integrated oil companies, independent oil companies and other pipelines and wholesalers. These concentrations of customers may affect the Partnership's overall credit risk in that the customers (including Sunoco R&M) may be similarly affected by changes in economic, regulatory or other factors. The Partnership's customers' credit positions are analyzed prior to extending credit and periodically after the credit has been extended. The Partnership manages its exposure to credit risk through credit analysis, credit approvals, credit limits and monitoring procedures, and for certain transactions may utilize letters of credit, prepayments and guarantees.

17. Business Segment Information

The Partnership operates in three principal business segments: Eastern Pipeline System, Terminal Facilities and Western Pipeline System. A detailed description of each of these segments is contained in Note 1.

Segment Information (in thousands of dollars)

	Partnership and Predecessor			
	Year Ended December 31, 2002			
	Eastern Pipeline System	Terminal Facilities	Western Pipeline System	Total
Sales and other operating revenue:				
Affiliates	$ 72,173	$ 55,971	$1,019,577	$1,147,721
Unaffiliated customers	$ 22,865	$ 31,914	$ 621,528	$ 676,307
Operating income	$ 27,158(1)	$ 28,839	$ 9,632(2)	$ 65,629
Net interest expense				(17,299)
Income tax expense				(1,555)
Net income				46,775
Depreciation and amortization	$ 15,051(3)	$ 11,113(4)	$ 5,170	$ 31,334
Capital expenditures	$ 12,848(5)	$ 21,199	$ 6,735(6)	$ 40,782
Investment in affiliates	$ 54,660	$ —	$ 11,073	$ 65,733
Identifiable assets	$318,128	$212,286	$ 512,966	$1,093,880(7)

(1) Includes equity income of $6,706 thousand attributable to the Partnership's equity ownership interests in Explorer, Wolverine, West Shore and Yellowstone.
(2) Includes equity income of $207 thousand attributable to the Partnership's equity ownership interest in West Texas Gulf.
(3) Includes a $5,598 thousand provision to write-down an idled refined product pipeline (see Note 4).
(4) Includes a $671 thousand provision to write-down an idled terminal (see Note 4).
(5) Excludes the $54,000 thousand acquisition of an entity whose assets included equity ownership interests in Wolverine, West Shore and Yellowstone (see Note 14).
(6) Excludes the $10,591 thousand acquisition of the equity ownership interest in West Texas Gulf (see Note 14).
(7) Identifiable assets include the Partnership's unallocated $33,840 thousand cash and cash equivalents, $10,716 thousand advances to affiliates, $3,124 thousand deferred financing costs, and $2,820 thousand attributable to corporate activities.

SUNOCO LOGISTICS PARTNERS L.P.

NOTES TO FINANCIAL STATEMENTS—(Continued)

	Partnership			
	Year Ended December 31, 2003			
	Eastern Pipeline System	Terminal Facilities	Western Pipeline System	Total
Sales and other operating revenue:				
Affiliates	$ 72,533	$ 60,060	$1,250,497	$1,383,090
Unaffiliated customers	$ 21,628	$ 31,608	$1,221,147	$1,274,383
Operating income	$ 37,118(1)	$ 30,455	$ 11,901(2)	$ 79,474
Net interest expense				(20,040)
Net income				$ 59,434
Depreciation and amortization	$ 10,630	$ 10,925	$ 5,602	$ 27,157
Capital expenditures	$ 11,243(3)	$ 19,617	$ 6,517	$ 37,377
Investment in affiliates	$ 58,996	$ —	$ 11,494	$ 70,490
Identifiable assets	$324,037	$218,048	$ 575,906	$1,181,006(4)

(1) Includes equity income of $11,921 thousand attributable to the Partnership's equity ownership interests in Explorer, Wolverine, West Shore and Yellowstone.

(2) Includes equity income of $2,544 thousand attributable to the Partnership's equity ownership interest in West Texas Gulf.

(3) Excludes the $3,699 thousand acquisition of an additional equity ownership interest in West Shore (see Note 14).

(4) Identifiable assets include the Partnership's unallocated $50,081 thousand cash and cash equivalents, $7,288 thousand advances to affiliates, $2,699 thousand deferred financing costs, and $2,947 thousand attributable to corporate activities.

	Partnership			
	Year Ended December 31, 2004			
	Eastern Pipeline System	Terminal Facilities	Western Pipeline System	Total
Sales and other operating revenue:				
Affiliates	$ 72,500	$ 71,203	$1,607,909	$1,751,612
Unaffiliated customers	$ 24,939	$ 34,749	$1,639,985	$1,699,673
Operating income	$ 34,289(1)	$ 32,806	$ 10,260(2)	$ 77,355
Net interest expense				(20,324)
Net income				$ 57,031
Depreciation and amortization	$ 11,005	$ 15,115	$ 5,813	$ 31,933
Capital expenditures	$ 13,559(3)	$ 23,502(4)	$ 9,357	$ 46,418
Investment in affiliates	$ 58,344	$ —	$ 11,401	$ 69,745
Identifiable assets	$333,186	$270,824	$ 694,076	$1,368,786(5)

(1) Includes equity income of $11,446 thousand attributable to the Partnership's equity ownership interests in Explorer, Wolverine, West Shore and Yellowstone.

SUNOCO LOGISTICS PARTNERS L.P.

NOTES TO FINANCIAL STATEMENTS—(Continued)

(2) Includes equity income of $1,787 thousand attributable to the Partnership's equity ownership interest in West Texas Gulf.

(3) Excludes $7,409 thousand for the acquisition of the additional 33.3 percent ownership interest in the Harbor pipeline, including transaction costs, and $334 thousand of the allocated purchase price for a 4.5 mile refined product pipeline acquired as part of the Eagle Point logistics assets acquisition (see Note 14).

(4) Excludes the following acquisition amounts, including transaction costs: $8,081 thousand for the acquisition of a refined products terminal located in Columbus, Ohio; $12,276 thousand for the acquisition of two refined products terminals located in Baltimore, Maryland and Manassas, Virginia; and $21,065 thousand of the allocated purchase price for the dock and truck rack acquired as part of the Eagle Point logistics assets acquisition (see Note 14).

(5) Identifiable assets include the Partnership's unallocated $52,660 thousand cash and cash equivalents, $12,349 thousand advances to affiliates, $2,561 thousand deferred financing costs, and $3,130 thousand attributable to corporate activities.

The following table sets forth total sales and other operating revenue by product or service (in thousands of dollars):

	Partnership and Predecessor	Partnership	
	Year Ended December 31,		
	2002	2003	2004
Affiliates:			
Crude oil sales	$ 1,009,988	$ 1,246,210	$ 1,601,751
Pipeline	81,762	76,820	78,658
Terminalling and other	55,971	60,060	71,203
	$ 1,147,721	$ 1,383,090	$ 1,751,612
Unaffiliated Customers:			
Crude oil sales	$ 618,314	$ 1,218,063	$ 1,636,915
Pipeline	26,079	24,712	28,009
Terminalling and other	31,914	31,608	34,749
	$ 676,307	$ 1,274,383	$ 1,699,673

SUNOCO LOGISTICS PARTNERS L.P.

NOTES TO FINANCIAL STATEMENTS—(Continued)

18. Quarterly Financial Data (Unaudited)

Summarized quarterly financial data is as follows (in thousands of dollars, except per unit amounts):

	Partnership			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2003				
Sales and other operating revenue:				
Affiliates	$ 353,980	$ 313,087	$ 352,981	$ 363,042
Unaffiliated customers	$ 362,039	$ 343,854	$ 300,179	$ 268,311
Gross margin[1]	$ 30,463	$ 26,231	$ 29,021	$ 25,441
Operating income	$ 22,441	$ 16,818	$ 22,136	$ 18,079
Net income	$ 17,843	$ 11,862	$ 16,868	$ 12,861
Net income per Limited Partner unit—basic[2]	$ 0.77	$ 0.51	$ 0.72	$ 0.55
Net income per Limited Partner unit—diluted[2]	$ 0.77	$ 0.51	$ 0.72	$ 0.54

	Partnership			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2004				
Sales and other operating revenue:				
Affiliates	$ 365,113	$ 415,328	$ 458,592	$ 512,579
Unaffiliated customers	$ 379,794	$ 401,652	$ 399,011	$ 519,216
Gross margin[1]	$ 26,676	$ 31,056	$ 25,007	$ 29,133
Operating income	$ 17,786	$ 22,127	$ 17,582	$ 19,860
Net income	$ 13,011	$ 16,974	$ 12,380	$ 14,666
Net income per Limited Partner unit—basic[2]	$ 0.55	$ 0.68	$ 0.49	$ 0.57
Net income per Limited Partner unit—diluted[2]	$ 0.54	$ 0.67	$ 0.48	$ 0.57

(1) Gross margin equals sales and other operating revenue less cost of products sold and operating expenses and depreciation and amortization.

(2) Net income included within this calculation excludes amounts attributable to the general partner's interest in net income.

In reviewing the financial results for the year ended December 31, 2004, the Partnership determined that previously reported net income for the first three quarters of 2004 should be reduced by $0.6 million in the first quarter, $0.5 million in the second quarter and $0.4 million in the third quarter. These net reductions were due to the timing of accounting for accelerating depreciation of the Partnership's refined product terminal system assets related to an equipment upgrade program. The quarterly amounts above have been adjusted to reflect these adjustments.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the Partnership reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the Partnership reports under the Exchange Act is accumulated and communicated to management, including the President and Chief Executive Officer of Sunoco Partners LLC (the Partnership's general partner) and the Vice President and Chief Financial Officer of the general partner, as appropriate, to allow timely decisions regarding required disclosure.

As of December 31, 2004, the Partnership carried out an evaluation, under the supervision and with the participation of the management of the general partner (including the President and Chief Executive Officer and the Vice President and Chief Financial Officer), of the effectiveness of the design and operation of the Partnership's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the general partner's President and Chief Executive Officer, and its Vice President and Chief Financial Officer, concluded that the Partnership's disclosure controls and procedures are effective.

The management of the general partner is responsible for establishing, maintaining, and annually assessing internal control over the Partnership's financial reporting. A report by the general partner's management, assessing the effectiveness of the Partnership's internal control over financial reporting, appears under Item 8. "Financial Statements and Supplementary Data" of this report. Ernst & Young LLP, the Partnership's independent registered public accounting firm, have issued an attestation report on management's assessment of the Partnership's internal control over financial reporting, that also appears under Item 8 of this report.

No change in the Partnership's internal control over financial reporting has occurred during the fiscal quarter ended December 31, 2004 that has materially affected, or that is reasonably likely to materially affect, the Partnership's internal control over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Sunoco Partners LLC, the general partner, is a wholly-owned, indirect subsidiary of Sunoco, Inc. The general partner manages the Partnership's operations and activities. The Partnership's unitholders did not elect the general partner, or any of its officers or directors, and none of them is subject to re-election on a regular basis by unitholders in the future. Unitholders do not directly or indirectly participate in the management or operation of the Partnership. The general partner is liable, as general partner, for all of the Partnership's debts (to the extent not paid from Partnership assets), except for indebtedness or other obligations that are made specifically nonrecourse to it.

The general partner's board of directors held 7 meetings during 2004. The board has established standing committees to consider designated matters. The standing committees of the board are the Audit/Conflicts Committee and the Compensation Committee. The board has adopted governance guidelines for the board and charters for the standing committees.

The Audit/Conflicts Committee, in its role as an audit committee, oversees external financial reporting, engages independent auditors, and reviews procedures for internal auditing and the adequacy of internal accounting controls. The Audit/Conflicts Committee met as an audit committee 7 times during 2004. In addition, the Audit/Conflicts Committee, in its role as a "conflicts" committee, reviews specific matters that the board believes may involve conflicts of interest. This committee determines if the resolution of the conflict of interest is fair and reasonable to the Partnership. The Audit/Conflicts Committee met as a conflicts committee 20 times during 2004 to review matters related to the Partnership's acquisition of the Eagle Point logistics assets from Sunoco. Each committee member received a $20,000 fee in connection with these deliberations. The current members of the Audit/Conflicts Committee are: Stephen L. Cropper (chairman), Gary W. Edwards and L. Wilson Berry, Jr. The general partner's board of directors has determined that, based upon relevant experience, Audit/Conflicts Committee member Stephen L. Cropper is an "audit committee financial expert," as defined in Item 401 of Regulation S-K of the Securities Exchange Act of 1934, as amended. A description of Mr. Cropper's qualifications may be found elsewhere in this Item 10. The members of the Audit/Conflicts Committee must meet certain independence and experience standards to serve on an audit committee of a board of directors established by the New York Stock Exchange.

The Compensation Committee of the general partner's board of directors oversees compensation decisions for the officers of the general partner and the administration of the compensation plans described below. The Compensation Committee held 4 meetings during 2004. The current members of the Compensation Committee are: Gary W. Edwards (chairman), Stephen L. Cropper, L. Wilson Berry, Jr. and John G. Drosdick. Mr. Drosdick recuses himself from Compensation Committee decisions relating to equity compensation awards.

The board has affirmatively determined that Messrs. Berry, Cropper and Edwards are independent, as described in the governance guidelines and the New York Stock Exchange rules, since, for each of the last three years, none of them (or any of their immediate family members):

- is, or was an employee of the Partnership, or any of its wholly-owned entities or affiliates;
- received more than $100,000 in direct compensation from the Partnership or any of its wholly-owned entities or affiliates (other than director and committee fees and pension or other forms of deferred compensation for prior service, not contingent in any way on continued service);
- is, or was, an employee or a partner of the Partnership's internal or external audit firm, or participated in the audit, assurance or tax compliance (but not tax planning) practice of such firm; or personally worked on the Partnership's audit;
- is, or was an executive officer of another company at the same time as any of the general partner's present executive officers served on that other company's compensation committee;

- is or was an employee (or has an immediate family member who is a current executive officer), of a company that made payments to, or received payments from, the Partnership for property or services in an amount exceeding the greater of one million dollars ($1,000,000), or two percent (2%) of such other company's consolidated gross revenues.

In conjunction with regular board meetings, these three independent directors also meet in executive session without members of management present. The purpose of these executive sessions is to promote open and candid discussion among the non-affiliated directors.

The Partnership's unitholders and other interested parties may communicate with the general partner's board of directors, or any director or committee chairperson by writing to such parties in care of Bruce D. Davis, Jr., Vice President, General Counsel and Secretary, Sunoco Partners LLC, Ten Penn Center—3rd Floor, 1801 Market Street, Philadelphia, PA 19103-1699. Communications addressed to the board generally will be forwarded either to the appropriate committee chairperson or to all directors. Communications may be submitted confidentially and anonymously. Under certain circumstances, the Partnership or the general partner may be required by law to disclose the information or identity of the person submitting the communication. There were no material actions taken by the Board of Directors as a result of communications received during 2004 from unitholders or others. Certain concerns communicated to the general partner's board of directors also may be referred to the general partner's internal auditor or its General Counsel, in accordance with the general partner's regular procedures for addressing such concerns. The chairman of the general partner's board of directors, or the chairman of the general partner's Audit/Conflicts Committee may direct that certain concerns be presented to the Audit/Conflicts Committee, or to the full board, or that they otherwise receive special treatment, including retention of external counsel or other advisors.

The officers of the general partner, other than Paul A. Mulholland, Treasurer, spend substantially all of their time managing the Partnership's business and affairs. The non-executive directors devote as much time as is necessary to prepare for and attend board of directors and committee meetings.

The Partnership's general partner has adopted a Code of Ethics for Senior Officers, that applies to the principal executive officer, the principal financial officer, the principal accounting officer, the treasurer and persons performing similar functions for the general partner and its subsidiaries. In addition, the general partner has adopted a Code of Business Conduct and Ethics, that applies to all directors and employees. The Code of Business Conduct and Ethics addresses ethical handling of actual or apparent conflicts of interest, compliance with applicable laws, rules and regulations, full, fair, accurate, timely and understandable disclosure in public communications, and prompt internal reporting of violations. In accordance with the disclosure requirements of applicable law or regulation, the Partnership intends to disclose any amendment to, or waiver from, any provision of these Codes, on its website, or under Item 5.05 of a current report on Form 8-K.

The Partnership makes available, free of charge within the "Corporate Governance" section of its website at *www.sunocologistics.com*, and in print to any unitholder who so requests, the Code of Ethics for Senior Officers, the Code of Business Conduct and Ethics, the Audit/Conflicts Committee Charter, the Compensation Committee Charter, the Corporate Governance Guidelines and the Partnership's limited partnership agreement. Requests for print copies may be directed to: Investor Relations, Sunoco Logistics Partners L.P., 1801 Market Street—3rd Floor, Philadelphia, PA 19103, or telephone (215) 977-6350. The information contained on, or connected to, the Partnership's internet website is not incorporated by reference into this Form 10-K and should not be considered part of this or any other report that the Partnership files with, or furnishes to, the SEC.

On October 28, 2004, Deborah M. Fretz, President and Chief Executive Officer of Sunoco Partners LLC (general partner of the Partnership), submitted to the New York Stock Exchange ("NYSE") the Written Affirmation required by the rules of the NYSE certifying that she was not aware of any violations by the Partnership of NYSE corporate governance listing standards.

The certifications of Ms. Fretz and of Colin A. Oerton, Vice President and Chief Financial Officer of the general partner, made pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, regarding the quality of the Partnership's public disclosure, have been filed as exhibits to the Partnership's 2004 Annual Report to the SEC on Form 10-K.

Directors and Executive Officers of Sunoco Partners LLC (The General Partner)

The following table shows information for the directors and executive officers of Sunoco Partners LLC, the general partner. Executive officers and directors are elected for one-year terms.

Name	Age	Position with the General Partner
John G. Drosdick	61	Chairman and Director
Deborah M. Fretz	56	President, Chief Executive Officer and Director
Cynthia A. Archer	51	Director
L. Wilson Berry, Jr.	61	Director
Stephen L. Cropper	54	Director
Michael H.R. Dingus	56	Director
Gary W. Edwards	63	Director
Bruce G. Fischer	49	Director
Thomas W. Hofmann	53	Director
Paul S. Broker	44	Vice President, Western Operations
Bruce D. Davis, Jr.	48	Vice President, General Counsel and Secretary
James L. Fidler	57	Vice President, Business Development
David A. Justin	52	Vice President, Eastern Operations
Christopher W. Keene	39	Vice President, Business Development
Sean P. McGrath	33	Comptroller
Paul A. Mulholland	52	Treasurer
Colin A. Oerton	41	Vice President and Chief Financial Officer

Mr. Drosdick was elected Chairman of the Board of Directors in October 2001. He has been Chairman of the Board of Directors, President and Chief Executive Officer of Sunoco, Inc. since May 2000. Prior to that, he was a director, President and Chief Operating Officer of Sunoco, Inc. from December 1996 to May 2000. Mr. Drosdick is a director of Lincoln National Corp and United States Steel Corporation.

Ms. Fretz was elected President, Chief Executive Officer and a director in October 2001. Prior to assuming her positions with the Partnership, she was Senior Vice President, MidContinent Refining, Marketing and Logistics of Sunoco, Inc. from November 2000. Prior to that, she was Senior Vice President, Logistics of Sunoco, Inc. from August 1994 to November 2000 and also held the position of Senior Vice President, Lubricants of Sunoco, Inc. from January 1997 to November 2000. In addition, she has been President of Sun Pipe Line Company, a subsidiary of Sunoco, Inc., since October 1991. Ms. Fretz is a director of GATX Corporation.

Ms. Archer was elected to the Board of Directors in April 2002. Ms. Archer has been Vice President, Marketing and Development, Sunoco, Inc. since January 2001. Prior to joining Sunoco, she was Senior Vice President, Operations for Williams-Sonoma Inc., in charge of their direct-to-customer business from June 1999 to January 2001. Ms. Archer is a director of Mercantile Bankshares Corporation.

Mr. Berry was elected to the Board of Directors in March 2003. He is currently a consultant in the energy field. From 1998 until his retirement in 2000, Mr. Berry was Chief Executive Officer and President of Motiva Enterprises LLC, a refining and marketing joint venture in the Eastern United States, established by Shell Norco Refining Company, Texaco Refining and Marketing (East) Inc., and Saudi Refining Inc. From 1996 to 1998, he was President of Texaco Refining & Marketing, Inc., a domestic refining and marketing division of Texaco, Inc.

Mr. Cropper was elected to the Board of Directors in May 2002. Mr. Cropper is currently a private investor. From January 1996 until the time of his retirement in December 1998, he served as President and Chief Executive Officer of Williams Energy Services, a diversified energy company. Mr. Cropper served as president of Williams Pipe Line Company from 1986 to 1998. He is a director of: Energy Transfer Partners LP, QuikTrip Corporation, Berry Petroleum, Rental Car Finance Corporation and NRG Energy, Inc. Mr. Cropper has also been a past chairman of the Association of Oil Pipelines, and has served on the National Petroleum Council as well as the Transportation and Public Policy Committees of the American Petroleum Institute.

Mr. Dingus was elected to the Board of Directors in April 2002. He has been Senior Vice President, Sunoco, Inc. since January 2002. Prior to that, he was Vice President of Sunoco, Inc. from May 1999, and he has been President, Sun Coke Company since June 1996.

Mr. Edwards was elected to the Board of Directors in May 2002. Mr. Edwards is currently a consultant in the energy field. From November 1999 until the time of his retirement in December 2001, he was Senior Executive Vice President, Corporate Strategy & Development, Conoco, Inc., and had been Executive Vice President, Refining, Marketing, Supply & Transportation of Conoco from September 1991 until November 1999. Mr. Edwards is a director of Brand Services, Inc. Mr. Edwards is also a past director of the National Association of Manufacturers and the American Petroleum Institute, and a past director and Vice President of the European Petroleum Industry Association in Brussels.

Mr. Fischer was elected to the Board of Directors in April 2002. He has been Senior Vice President, Sunoco Chemicals of Sunoco, Inc. since January 2002. Prior to that, he was Vice President, Sunoco Chemicals from November 2000 to January 2002 and Vice President and General Manager, Sunoco MidAmerica Marketing and Refining from January 1999 to November 2000.

Mr. Hofmann was elected to the Board of Directors in October 2001. He has been Senior Vice President and Chief Financial Officer of Sunoco, Inc. since January 2002. Prior to that, he was Vice President and Chief Financial Officer of Sunoco, Inc. from July 1998 to January 2002. Mr. Hofmann is a director of Viasys Healthcare, Inc.

Mr. Broker was elected Vice President, Western Operations in November 2001. Prior to that, he had been Manager, Western Area Operations for Sun Pipe Line Company since September 2000. Mr. Broker served as an Area Superintendent of Eastern Area Operations for Sun Pipe Line Company from March 1997 through September 2000.

Mr. Davis was elected Vice President, General Counsel and Secretary in November 2003. From September 2000 to November 2003, Mr. Davis was Associate General Counsel for Mirant Corporation. Prior to that, from July 1992 to September 2000, he was Associate General Counsel for Constellation Energy Group.

Mr. Fidler currently is a Vice President of Sunoco Partners LLC. Prior to that, from November 2001 to January 2005, he was Vice President, Business Development. Mr. Fidler had been Vice President/General Manager of Sunoco Distribution Operations for the Sunoco Logistics and Lubricants business units of Sunoco, Inc. since 1995.

Mr. Justin was elected Vice President, Eastern Operations in November 2001. From September 2000 to November 2001, Mr. Justin served as Manager, Eastern Area Operations for Sun Pipe Line Company. Prior to that, he had been Manager, Western Area Operations for Sun Pipe Line Company from 1998 through September 2000.

Mr. Keene was elected Vice President, Business Development in January 2005. From February 2002 to December 2004, Mr. Keene was the Director, Midstream Development for Unocal Midstream & Trade (UMT), a division of Unocal Corporation. Prior to that, he had been the Director, Business Development, Unocal Global

Trade, a division of Unocal Corporation, and Vice President, Unocal Pipeline Company from April 1999 to January 2002. From September 1997 to March 1999, he was Project Manager, New Ventures, Southeast Asia for Unocal Corporation and Vice President, Unocal Bharat Limited.

Mr. McGrath was elected Comptroller in June 2002. Prior to that, from November 1998 to May 2002, he was Manager—Financial Reporting for Asplundh Tree Expert Co.

Mr. Mulholland was elected Treasurer in January 2002. He has been Treasurer of Sunoco, Inc. since March 2000. Prior to that, from May 1996 to April 2000, he was Assistant Treasurer of Sunoco, Inc.

Mr. Oerton was elected Vice President and Chief Financial Officer in January 2002. From October 2001 to January 2002, he was acting as a consultant in the natural resources industry. Prior to that, from August 1996 to October 2001, he was Senior Vice President—Natural Resources Group for Lehman Brothers Holdings, Inc.

COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934 requires directors, executive officers and persons who beneficially own more than 10 percent of the units to file certain reports with the Securities and Exchange Commission and the New York Stock Exchange concerning their beneficial ownership of the equity securities. The Securities and Exchange Commission regulations also require that a copy of all such Section 16(a) forms must be furnished to the Partnership by the directors, executive officers and greater than 10 percent unitholders. Based solely upon review of copies of such reports, management of the Partnership believes that its officers, directors and 10 percent unitholders are in compliance with applicable requirements of Section 16(a).

ITEM 11. EXECUTIVE COMPENSATION

The Partnership has no employees. It is managed by the officers of its general partner. The Partnership reimburses its general partner for certain indirect and direct expenses, including executive compensation expenses, incurred on the Partnership's behalf. Officers and employees of the general partner participate in employee benefit plans and arrangements sponsored by the general partner or its affiliates.

Compensation of Directors

Directors who are employees of Sunoco Partners LLC or its affiliates receive no additional compensation for service on the general partner's board of directors or any committees of the board. During 2004, directors who were not employees of Sunoco Partners LLC or its affiliates ("non-employee directors"), received an annual retainer of $15,000 in cash, paid quarterly, and a number of restricted units paid quarterly under the Sunoco Partners LLC Long-Term Incentive Plan. These restricted units had an aggregate fair market value equal to $15,000 on an annual basis (the fair market value of each quarterly payment of restricted units is calculated as of the payment date). The portion of the annual retainer paid in the form of restricted units is required to be deferred, and is credited to each non-employee director's account in the Sunoco Partners LLC Directors' Deferred Compensation Plan. Amounts thus deferred in the form of restricted units are treated as if invested in common units of the Partnership, and include a credit for distribution equivalent rights (in the form of additional restricted units), credited on the applicable date for Partnership cash distributions. On January 19, 2005, the general partner's board of directors approved an increase in the annual cash retainer to $17,500, and an increase in the aggregate fair market value of the restricted unit payments to $17,500 on an annual basis.

The chairman of the Audit/Conflicts Committee receives an annual committee chair retainer of $6,500 in cash. During 2004, the chairman of the Compensation Committee received an annual chair retainer of $1,500 in cash. On January 19, 2005, the general partner's board of directors approved an increase in the annual Compensation Committee chair retainer to $2,500 in cash. In addition, the non-employee directors receive $1,500 in cash for each board meeting attended, and $1,000 in cash for each committee meeting attended. Each

non-employee director is reimbursed for out-of-pocket expenses in connection with attending meetings of the board of directors or committees. Each director will be indemnified fully by the Partnership for actions associated with being a director to the extent permitted under Delaware law.

In addition to the mandatory deferral of the restricted unit retainer, the Directors' Deferred Compensation Plan also permits directors voluntarily to defer all or a portion of their cash compensation. Voluntarily deferred cash compensation amounts are credited in the form of restricted units, the value of which varies as though invested in common units of the Partnership. Amounts voluntarily deferred in the form of restricted units also are credited with distribution equivalent rights (in the form of additional restricted units), on the applicable date for Partnership cash distributions.

Payments of compensation deferred under the Directors' Deferred Compensation Plan are restricted in terms of the earliest and latest dates that payments may begin. All deferrals, whether mandatory or voluntary, will be paid out in cash.

Long-Term Incentive Plan

The general partner has adopted the Sunoco Partners LLC Long-Term Incentive Plan for employees and directors of the general partner and employees of its affiliates who perform services for the Partnership. This plan was designed to furnish additional compensation to employees and directors and to align their economic interests with those of common unitholders. The plan consists of two components: restricted units and unit options. The long-term incentive plan currently permits the grant of awards covering an aggregate of 1,250,000 common units. The Compensation Committee administers the plan.

The Compensation Committee, in its discretion, may terminate or amend the long-term incentive plan at any time with respect to any units for which a grant has not yet been made. However, no change in any outstanding grant may be made that would materially impair the rights of the participant without the consent of the participant. The Compensation Committee also has the right to alter or amend the long-term incentive plan or any part of the plan from time to time, including increasing the number of units that may be granted, subject to unitholder approval as required by the exchange upon which the common units are listed at that time.

Restricted Units

Each restricted unit entitles the grantee to receive a common unit upon vesting or, in the discretion of the Compensation Committee, an amount of cash equivalent to the value of a common unit. From time to time, the Compensation Committee may make grants under the plan to employees and/or directors containing such terms as the Compensation Committee shall determine under the plan. The Compensation Committee will determine the period over which restricted units granted to employees and/or directors will vest, and whether or not any such restricted units will have distribution equivalent rights entitling the grantee to receive an amount in cash equal to cash distributions made by the Partnership with respect to a like number of its common units during the period such restricted units are outstanding. The Compensation Committee may base its determination upon the achievement of specified financial or other performance objectives. Each grant of restricted units may be documented by an agreement with the participant, setting forth the specific terms and conditions for forfeiture, vesting and payout of such grant. In addition, the restricted units will vest upon a change of control of Sunoco Logistics Partners L.P., the general partner, or Sunoco, Inc.

If a grantee's employment or membership on the board of directors is terminated for cause, the grantee's restricted units automatically will be forfeited unless, and to the extent, the Compensation Committee provides otherwise. Common units, to be delivered upon the vesting of restricted units, may be common units acquired by the general partner in the open market, common units already owned by the general partner, common units acquired by the general partner directly from the Partnership or any other person or any combination of the foregoing. The general partner will be entitled to reimbursement by the Partnership for the cost incurred in

acquiring common units. If the Partnership issues new common units upon vesting of the restricted units, the total number of common units outstanding will increase. The Compensation Committee, in its discretion, may grant tandem distribution equivalent rights with respect to restricted units.

The Partnership intends the issuance of the common units upon vesting of the restricted units under the plan to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation of the common units. Therefore, plan participants will not pay any consideration for the common units they receive, and the Partnership will receive no remuneration for the units.

Unit Options

The long-term incentive plan currently permits the grant of options covering common units. In the future, the Compensation Committee may determine to make grants under the plan to employees and directors containing such terms as the committee shall determine. Unit options will have an exercise price that may not be less than the fair market value of the units on the date of grant. In general, unit options granted will become exercisable over a period determined by the Compensation Committee. In addition, the unit options will become exercisable upon a change in control of Sunoco Logistics Partners L.P., the general partner, or Sunoco, Inc. or upon the achievement of specified financial objectives.

Upon exercise of a unit option, the general partner will acquire common units in the open market or directly from the Partnership or any other person or use common units already owned by the general partner, or any combination of the foregoing. The general partner will be entitled to reimbursement by the Partnership for the difference between the cost incurred by the general partner in acquiring these common units and the proceeds received by the general partner from an optionee at the time of exercise. Thus, the cost of the unit options will be borne by the Partnership. If the Partnership issues new common units upon exercise of the unit options, the total number of common units outstanding will increase, and the general partner will pay the Partnership the proceeds it received from the optionee upon exercise of the unit option.

Executive Deferred Compensation Plan

The general partner has established the Sunoco Partners LLC Executive Deferred Compensation Plan to permit certain key employees each year to voluntarily defer the receipt of all or a portion of the payment to which they otherwise would be entitled under the provisions of the Annual Incentive Compensation Plan. In addition, the general partner's Compensation Committee, in its sole discretion, may require a participant to defer. Payment may be deferred to the first day of any calendar year that is at least six months after the end of the quarter in which the bonus is earned, or the first day of the calendar year following the date of death, permanent disability, retirement, or other termination. Deferred amounts are credited with interest equivalents, and may be paid out as a lump sum, or in a series of up to 20 approximately equal annual installments. At any time prior to payout, the participant may request in writing to accelerate the receipt of the deferred amounts, subject to a 5 percent reduction in the participant's deferred compensation account balance. Upon the occurrence of a change in control, a participant may elect to receive a single lump sum payment of his or her deferred compensation account balance.

Annual Incentive Plan

The general partner has adopted the Sunoco Partners LLC Annual Incentive Plan. This plan is designed to enhance the performance of the general partner's key employees by providing cash awards for achievement of annual financial and operational performance objectives. The Compensation Committee, in its discretion, may determine individual participants and payments, if any, for each fiscal year. The general partner's board of directors may amend or change the annual incentive plan at any time. The Partnership will reimburse the general partner for payments and costs incurred under the plan.

Unit Ownership Guidelines

Sunoco Partners LLC has established targets or guidelines for the ownership of Partnership common units, applicable to its directors, executives and certain key employees. Under these guidelines, the independent directors must own Partnership common units having a market value at all times equal to at least three times their average annual compensation (including retainers and fees). The other directors must own a fixed minimum number of Partnership common units. For executives and certain other key employees, the applicable unit ownership guidelines are denominated as a multiple of base salary, and the amount of common units required to be owned increases with the level of responsibility, with the Chief Executive Officer expected to own common units with a value equal to at least five times base salary. These guidelines are intended to tie the financial risks and rewards for such executives to the Partnership's total unitholder return and better align the interest of such executives with those of the Partnership's unitholders.

Perquisites

In addition to base salary, annual incentive and long-term award opportunities, the general partner provides certain executive officers with perquisites that, in 2004, included: reimbursement for financial planning (up to a maximum of $2,500 per year); and country and social club memberships. Executive officers receive tax gross-up payments in respect of certain of these perquisites (disclosed in the "Other Annual Compensation" column of the Summary Compensation Table).

SUMMARY COMPENSATION TABLE

The following table represents compensation expense for the three years ended December 31, 2004 for the Chief Executive Officer and each of the four other most highly compensated executive officers of the general partner:

					Long-Term Compensation			
		Annual Compensation			Awards		Payouts	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation[1] ($)	Restricted Stock Award(s)[2] ($)	Securities Underlying Options /SARs[3]	LTIP Payouts ($)	All Other Annual Compensation[4]
D. M. Fretz	2004	419,769	343,434	25,648			5,723,270[6]	21,860
President and Chief Executive Officer	2003	399,486	320,160	7,630				20,822
	2002	380,000	361,775[5]	6,940				19,789
C. A. Oerton	2004	239,094	120,365				1,750,904[6]	12,452
Vice President and	2003	230,000	122,728					9,766
Chief Financial Officer	2002	239,504	138,801	247,376[7]	298,050[8]			439
J. L. Fidler	2004	226,981	85,687				1,078,609[6]	11,820
Vice President, Business Development	2003	221,507	88,647	1,343				11,535
	2002	213,500	101,630					11,118
Bruce D. Davis, Jr.	2004	210,000	79,254					436
Vice President, General Counsel & Secretary	2003	28,269[9]	11,766	59,710[10]	157,764[11]			
	2002							

Name and Principal Position	Year	Annual Compensation: Salary ($)	Annual Compensation: Bonus ($)	Annual Compensation: Other Annual Compensation[1] ($)	Long-Term Compensation: Awards: Restricted Stock Award(s)[2] ($)	Long-Term Compensation: Awards: Securities Underlying Options /SARs[3]	Long-Term Compensation: Payouts: LTIP Payouts ($)	All Other Annual Compensation[4]
D. A. Justin	2004	198,359	76,137				745,323[6]	10,330
Vice President, Eastern Operations	2003	190,945	77,505					9,942
	2002	183,600	88,774					9,561
P.S. Broker	2004	169,818	63,240				393,159[6]	8,844
Vice President, Western Operations	2003	154,203	50,887					8,030
	2002	148,272	58,724					7,734

NOTES TO TABLE:

1. The amounts shown in this column include reimbursements for the payment of certain taxes.
2. Awards of Restricted Units, subject to performance-based conditions on vesting, granted under the Sunoco Partners LLC Long-Term Incentive Plan ("LTIP") are excluded from this table. However, such grants made during the last completed fiscal year are reflected in the table captioned "Other Long-Term Incentive Plan Awards" in this section. Other Restricted Unit awards, conditioned only upon lapse of time or continued service are included in this Summary Compensation Table as "Restricted Stock Awards."
3. Although permitted by the terms of the LTIP, no Unit Options have been awarded at this time.
4. This table below shows the components of this column for 2004:

Name	Company Match Under Defined Contribution Plans	Cost of Basic Life Insurance	Total
D. M. Fretz	$ 20,988	$ 872	$21,860
C. A. Oerton	$ 11,955	$ 497	$12,452
J. L. Fidler	$ 11,349	$ 471	$11,820
B. D. Davis, Jr.	$ 0	$ 436	$ 436
D. A. Justin	$ 9,918	$ 412	$10,330
P. S. Broker	$ 8,491	$ 353	$ 8,844

Sunoco Partners LLC, the Partnership's general partner, is a participating employer in two Sunoco, Inc. defined contribution plans: (1) the Sunoco, Inc. Capital Accumulation Plan (or "SunCAP"), a 401(k) plan open to most employees; and (2) the Sunoco, Inc. Savings Restoration Plan, for executive-level SunCAP participants otherwise subject to certain Internal Revenue Code limitations on 401(k) plan contributions. The Savings Restoration Plan permits such participants to continue to receive matching contributions after exceeding the applicable limits.

5. As an executive officer of Sunoco, Inc., prior to the Partnership's initial public offering in 2002, Ms. Fretz participated in the Sunoco, Inc. Deferred Compensation Plan for executives. The 2002 bonus amount shown in the table includes $142,251, the receipt of which has been deferred.
6. The amounts shown in this column for 2004 represent the value of certain restricted unit awards (including applicable distribution equivalents rights), made in July 2002. These awards consisted of: (1) certain grants made in connection with the Partnership's initial public offering (the "Launch Grants"), and (2) initial grants of performance-based restricted units under the Sunoco Partners LLC Long Term Incentive Plan (the "2002 Regular Grants"). The criteria for payout of each of these awards were met at the end of 2004, and these awards were paid out in February 2005, in the form of common units, representing limited partnership interests in the Partnership. The Launch Grants were paid out at 100% of the targeted amount, while the 2002 Regular Grants were paid out at 167% of the targeted amount. For Mr. Oerton, the amount shown also includes the value of a special restricted unit award, the payout of which was conditioned only upon his continued employment (see Note 8 below).

7. This figure reflects payment for temporary living expenses and moving expenses ($61,634) under the Sunoco, Inc. Moving and Relocation Policy for New Hires, and amounts reimbursed during 2002 for payment of taxes ($185,742) relating to moving and relocation expenses and an associated salary advance.
8. In connection with his hiring, Mr. Oerton was granted a special award of 15,000 Restricted Units with an aggregate value of $298,050 on the date of grant. Vesting and payout of these Restricted Units is subject only to Mr. Oerton's continued employment with Sunoco Partners LLC during the period from July 23, 2002 through January 14, 2005. These Restricted Units have distribution equivalent rights.
9. Mr. Davis joined Sunoco Partners LLC on November 2, 2003. The salary figure shown in this column for 2003 reflects amounts actually paid to Mr. Davis during the period from this date through December 31, 2003.
10. This figure reflects payment for moving expenses ($49,752) under the Sunoco, Inc. Moving and Relocation Policy for New Hires, and amounts reimbursed during 2004 for payment of taxes ($9,958) relating to moving and relocation expenses.
11. In connection with his hiring, Mr. Davis was granted a special award of 4,514 Restricted Units with an aggregate value of $157,764 on the date of grant. Vesting and payout of these Restricted Units is subject only to Mr. Davis' continued employment with Sunoco Partners LLC during the period from November 10, 2003 through December 31, 2006. These Restricted Units have distribution equivalent rights.

LONG-TERM INCENTIVE PLANS—AWARDS IN LAST FISCAL YEAR[1]

The following table presents certain data concerning grants to the named executive officers of Restricted Units under the Sunoco Partners LLC Long-Term Incentive Plan ("LTIP") during the last completed fiscal year:

Name	Number of Shares, Units or Other Rights (#)[2]	End of Performance Period	Estimated Future Payout[3]		
			Threshold (#)	Target (#)	Maximum (#)
D. M. Fretz	18,135	12-31-2006	0	18,135	36,270
C. A. Oerton	6,206	12-31-2006	0	6,206	12,412
J. L. Fidler	4,034	12-31-2006	0	4,034	8,068
B. D. Davis, Jr.	4,534	12-31-2006	0	4,534	9,068
D. A. Justin	3,103	12-31-2006	0	3,103	6,206
P. S. Broker	2,234	12-31-2006	0	2,234	4,468

NOTES TO TABLE:

1. Actual payout of these awards will depend upon the Partnership achieving certain specified performance levels based upon annual objectives for distributable cash over a Restricted Period that runs from January 20, 2004 through December 31, 2006. Payment of any amounts earned will occur following such period, assuming continued employment with the general partner at such time.
2. Values in this column represent regular grants of Restricted Units on January 20, 2004.
3. The portion of each award that may be earned during the Restricted Period ranges from a threshold value of zero, to a target value equal to 100 percent of the award, and a maximum value of 200 percent of the award.

PENSION PLANS

Sunoco Partners LLC, the Partnership's general partner, is a participating employer in certain Sunoco, Inc. pension and retirement plans. This table shows the estimated annual retirement benefits payable to a covered executive based upon the final average pay formulas of the Sunoco, Inc. Retirement Plan ("SCIRP"), the Sunoco, Inc. Pension Restoration Plan, and the Sunoco, Inc. Executive Retirement Plan ("SERP"). Executives who participate in these plans may elect to receive their accrued benefits in the form of either a lump sum or an

annuity. The estimates shown in the table below assume that benefits are received in the form of a single life annuity. These estimates do not take into account potential future increases in base salary, or future bonuses that may be paid.

Final Average Total Cash Compensation[1]	Estimated Annual Benefits Upon Retirement at Age 62 After Completion of the Following Years of Service					
	15 Years[2]	20 Years[2]	25 Years	30 Years	35 Years[3]	40 Years[3]
$ 200,000	$ 80,000	$ 80,000	$ 83,000	$ 100,000	$ 108,000	$ 115,000
400,000	160,000	160,000	167,000	200,000	215,000	230,000
600,000	240,000	240,000	250,000	300,000	323,000	345,000
800,000	320,000	320,000	333,000	400,000	430,000	460,000
1,000,000	400,000	400,000	417,000	500,000	538,000	575,000
1,200,000	480,000	480,000	500,000	600,000	645,000	690,000
1,400,000	560,000	560,000	583,000	700,000	753,000	805,000
1,600,000	640,000	640,000	667,000	800,000	860,000	920,000
1,800,000	720,000	720,000	750,000	900,000	968,000	1,035,000
2,000,000	800,000	800,000	834,000	1,000,000	1,075,000	1,150,000

NOTES TO TABLE:

1. Final Average Total Cash Compensation is the average of the base salary and annual bonus in the highest 36 consecutive months during the last 120 months of service.
2. Based on the SERP minimum benefit formula of 40% of the Final Average Total Cash Compensation with 12 or more years of service.
3. The benefits shown in the table apply to those executives who participate in either the SERP or the Final Average Pay formula of the SCIRP, which is a qualified defined benefit retirement plan. Credited years of service for the period ended December 31, 2004 for the executive officers named in the Summary Compensation Table are as follows: Ms. Fretz—27 years, Mr. Oerton—2 years, Mr. Fidler—35 years, Mr. Davis—1 year, Mr. Justin—19 and Mr. Broker—16 years. Effective January 1, 1987, for employees hired subsequent to that date, Sunoco, Inc. converted the SCIRP from a final average pay plan to a cash balance pension plan. SCIRP benefits for employees hired after this conversion are calculated using the Career Pay formula, based on a percentage of pay each year and an indexing adjustment. Messrs Oerton and Davis participate in the Career Pay formula of the SCIRP. Normal retirement age under the SCIRP is 65 years.

The retirement benefits shown above for the SCIRP, the Pension Restoration Plan and the SERP are amounts calculated prior to the Social Security offset, which is equal to one and two-thirds percent of primary Social Security benefits for each year of Retirement Plan participation up to 30 years or a maximum offset of 50% of primary Social Security benefits. The Internal Revenue Code limits retirement benefits payable under tax-qualified retirement plans, like the SCIRP. In 2004, the maximum annual qualified benefit for a covered participant retiring at age 65 was $165,000, and for one retiring at age 55 was $98,604. Any reduction in retirement benefits payable under the SCIRP, due to these Internal Revenue Code limits, will be paid from the Pension Restoration Plan. Pension Restoration Plan benefits may not be rolled over and are fully taxable as ordinary income in the year paid.

The SERP provides pension benefits over and above benefits available under the SCIRP to participants who are at least 55 years of age, with a minimum of five (5) years service as an executive. SERP benefits are offset by benefits payable under other Sunoco qualified or non-qualified plans. In the event of voluntary termination, accrued SERP benefits would be payable to executives over age 55 with at least five years of service. For executives not meeting these criteria, accrued benefits payable under the appropriate SCIRP formula would be paid, along with any Pension Restoration Plan benefits. The SERP also can provide benefits in the event of involuntary termination or change in control of Sunoco, Inc. The maximum benefit payable under any SERP formula cannot exceed 50% of final average earnings. Except in the event of involuntary termination, the SERP generally will not provide benefits to employees hired before January 1, 1987 who participate in the Final

Average Pay formula of SCIRP. Benefits under the Pension Restoration Plan and the SERP are paid from general corporate assets and, in the event of insolvency, would be subject to the claims of general creditors.

SEVERANCE PLANS

Sunoco Partners LLC, the Partnership's general partner, is a participating employer in certain Sunoco, Inc. plans that provide certain severance benefits to the general partner's named executive officers and other key management personnel.

The Sunoco, Inc. Executive Involuntary Severance Plan provides severance benefits to executives involuntarily terminated other than for just cause, death or disability. Depending upon salary grade level, named executive officers would receive severance payments ranging from one to one and one-half times base salary plus guideline annual incentive in effect on the termination date.

The Sunoco, Inc. Special Executive Severance Plan provides severance benefits in case of termination (whether actual or constructive and other than for just cause, death or disability) occurring within two years of a Change in Control of Sunoco, Inc., as defined in the plan. Severance under this plan would be payable to named executive offices in a lump sum equal to three times annual compensation. For these purposes, annual compensation consists of (i) annual base salary in effect immediately prior to a Change in Control or immediately prior to the employment termination date, whichever is greater, plus (ii) the greater of annual guideline incentive in effect immediately before the Change in Control or employment termination date, or the highest bonus awarded in any of the three years ending prior to the Change in Control, or any subsequent year ending before the employment termination date.

Eligible executives under both these plans are entitled to medical coverage during the applicable severance period, at the same rate that such benefits are provided to active employees.

The Sunoco Partners LLC Long-Term Incentive Plan provides that, upon a Change in Control, as defined in the plan, all awards of restricted units or unit options automatically vest and become payable or exercisable, as the case may be, in full. In this regard, all restricted periods terminate and all performance criteria, if any, are deemed to have been achieved at the maximum level, regardless of whether performance targets actually have been met.

Compensation Committee Interlocks and Insider Participation

There are no compensation committee interlocks.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SECURITYHOLDER MATTERS

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information, as of December 31, 2004, regarding Partnership common units that may be issued upon conversion (assuming a one-for-one conversion) of outstanding restricted units granted under the general partner's Long-Term Incentive Plan to executive officers and other key employees. For more information about this plan (which did not require approval by the Partnership's limited partners at the time of its adoption in 2002), refer to "Item 11—Executive Compensation—Long-Term Incentive Plan".

EQUITY COMPENSATION PLAN INFORMATION[1]

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)
Equity compensation plans approved by security holders	None	None	None
Equity compensation plans not approved by security holders	439,273	—	810,727
Total	439,273	—	810,727

NOTES TO TABLE:

1. The amounts in column (a) of this table reflect only Restricted Units that have been granted under the Sunoco Partners LLC Long-Term Incentive Plan, since the inception of the plan. No unit options have been granted. Each Restricted Unit shown in the table represents a right to receive (upon vesting and payout) a specified number of Partnership common units. Vesting and payout may be conditioned upon achievement of pre-determined financial or other performance objectives for, or attainment of certain length of service goals with, the Partnership and its affiliates. No value is shown in column (b) of the table, since the Restricted Units do not have an exercise, or “strike”, price. For illustrative purposes, a maximum payment (i.e., a 200 percent ratio) has been assumed for vesting and payout.

Beneficial Ownership Table

The following table sets forth the beneficial ownership of common units of Sunoco Logistics Partners L.P., by directors of Sunoco Partners LLC (the general partner), by each named executive officer and by all directors and officers of Sunoco Partners LLC as a group as of December 31, 2004. Unless otherwise noted, each individual exercises sole voting or investment power over the Partnership common units shown in the table. For purposes of this table, beneficial ownership includes Partnership common units as to which the person has sole or shared voting or investment power and also any Partnership common units that such person has the right to acquire within 60 days of December 31, 2004, through the conversion of restricted units. During 2004, Sunoco Partners LLC was owned by the following members: Sun Pipe Line Company (67%); Sunoco, Inc. (R&M) (13%); and Atlantic Refining & Marketing Corp. (20%), each of which is a direct or indirect wholly-owned subsidiary of Sunoco, Inc.

Name of Beneficial Owner[1]	Number of Common Units Beneficially Owned	Percentage of Common Units Beneficially Owned	Number of Subordinated Units Beneficially Owned	Percentage of Subordinated Units Beneficially Owned	Number of Restricted Units Owned[4]	Percentage of Total Units Beneficially Owned
Sunoco Partners LLC[2]	3,455,095	27.4%	11,383,639[3]	100%	0	61.9%
John G. Drosdick	30,000	*	0	0%	0	*
Deborah M. Fretz	142,394	1.1%	0	0%	0	0.6%
Cynthia A. Archer	2,000	*	0	0%	0	*
L. Wilson Berry, Jr.	0	*	0	0%	953	*
Stephen L. Cropper	6,700	*	0	0%	988	*
Michael H.R. Dingus	2,000	*	0	0%	0	*
Gary W. Edwards	0	*	0	0%	1,159	*
Bruce G. Fischer	3,000	*	0	0%	0	*
Thomas W. Hofmann	2,500	*	0	0%	0	*
Paul S. Broker	10,172	*	0	0%	0	*
Bruce D. Davis, Jr.	0	*	0	0%	0	*
James L. Fidler	28,134	*	0	0%	0	*
David A. Justin	19,335	*	0	0%	0	*
Colin A. Oerton	49,472	*	0	0%	0	*
All directors and executive officers as a group (16 persons)	297,708	2.4%	0	0%	3,100	1.2%

* Less than 0.5 percent.

NOTES TO TABLE:

1. The address of each beneficial owner named above is 1801 Market Street, Philadelphia, PA 19103.
2. Sunoco, Inc. is the ultimate parent company of Sunoco Partners LLC and may, therefore, be deemed to beneficially own the units that are held by Sunoco Partners LLC.
3. On February 15, 2005, 2,845,910 of these subordinated units, or 25% of the outstanding amount, were converted to common units in accordance with the partnership agreement.
4. The amounts shown in this column represent the balance, as of December 31, 2004, of restricted units credited to the respective deferred compensation accounts established for each independent director pursuant to the terms of the Sunoco Partners LLC Directors Deferred Compensation Plan. These restricted units cannot be converted to common units of the Partnership, and will be paid out in cash (as a lump sum or series of installments), commencing on: (1) the later of: (a) the first day of the calendar year following retirement or other termination of board service, and (b) the first day following the six-month anniversary of retirement or other termination of board service; or (2) the first day of the calendar year following death. A portion of these restricted units, credited quarterly to each such director's Mandatory Deferred Compensation Account, reflects payment of the applicable Board Restricted Unit Retainer. At December 31, 2004, Mr. Berry's Mandatory Deferred Compensation Account balance was 707 restricted units, while those of Messrs. Cropper and Edwards were each 988 restricted units.

In addition to the foregoing, Tortoise Capital Advisors LLC, a Delaware limited liability company ("TCA"), filed a Schedule 13G on February 11, 2005, to report that, as of December 31, 2004, it had shared voting and dispositive power over 897,010 common units of the Partnership, representing 7.1% of the total outstanding common units of the Partnership, as of that date. Of these units, 810,000 were held by an affiliate, Tortoise Energy Infrastructure Corporation and the remainder were held in managed accounts for which TCA acts as investment adviser.

The following table sets forth certain information regarding beneficial ownership of Sunoco, Inc.'s common stock, as of December 31, 2004, by directors of Sunoco Partners LLC, by each named executive officer and by all directors and officers of Sunoco Partners LLC as a group. Unless otherwise noted, each individual exercises sole voting or investment power over the shares of Sunoco, Inc. common stock shown in the table. For purposes of this table, beneficial ownership includes shares of Sunoco, Inc. common stock as to which the person has sole or shared voting or investment power and also any shares of Sunoco, Inc. common stock that such person has the right to acquire within 60 days of December 31, 2004, through the exercise of any option, warrant, or right.

Name of Beneficial Owner	Shares of Sunoco, Inc. Common Stock Beneficially Owned[1]	Percentage of Sunoco, Inc. Common Stock Beneficially Owned
John G. Drosdick	408,645	0.59%
Deborah M. Fretz	6,328	*
Cynthia A. Archer	9,313	*
L. Wilson Berry, Jr.	0	*
Stephen L. Cropper	0	*
Michael H.R. Dingus	85,902	0.12%
Gary W. Edwards	0	*
Bruce G. Fischer	46,813	*
Thomas W. Hofmann	36,641	*
Paul S. Broker	299	*
Bruce D. Davis, Jr.	0	*
James L. Fidler	4,570	*
David A. Justin	0	*
Colin A. Oerton	0	*
All directors and executive officers as a group (16 persons)	612,089	0.88%

* Less than 0.5 percent.

(1) The amounts shown include shares of Sunoco, Inc. common stock which the following persons have the right to acquire through the exercise of stock options within 60 days after December 31, 2004 under certain Sunoco, Inc. plans:

Name	Shares
John G. Drosdick	125,000
Deborah M. Fretz	0
Cynthia A. Archer	4,000
Michael H.R. Dingus	40,000
Bruce G. Fischer	0
Thomas W. Hofmann	0
Paul S. Broker	0
James L. Fidler	2,060
David A. Justin	0
All executive officers as a group (including those named above)	179,560

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As of December 31, 2004, the general partner owned 3,455,095 common units and 11,383,639 subordinated units, representing a 60.6 percent limited partner interest. In addition, the general partner also owns a 2 percent general partner interest. The general partner's ability to manage and operate the Partnership and its ownership of a 62.6 percent partnership interest effectively gives the general partner the ability to control the Partnership.

Distribution and Payments to the General Partner and Its Affiliates

The following table summarizes the distribution and payments made and to be made by the Partnership to the general partner and its affiliates in connection with the ongoing operation and liquidation. These distributions and payments were determined by and among affiliated entities and, consequently, are not the result of arm's-length negotiations.

	Operational Stage
Payments to the general partner and its affiliates	The Partnership paid the general partner an administrative fee, $8.4 million for the year ended December 31, 2004, for the provision of various general and administrative services for the Partnership's benefit. In addition, the general partner is entitled to reimbursement for all expenses it incurs on the Partnership's behalf, including other general and administrative expenses. These reimbursable expenses include the salaries and the cost of employee benefits of employees of the general partner who provide services to the Partnership. The general partner has sole discretion in determining the amount of these expenses.
Removal or withdrawal of the general partner	If the general partner withdraws or is removed, its general partner interest and its incentive distribution rights will either be sold to the new general partner for cash or converted into common units, in each case for an amount equal to the fair market value of those interests as provided in the Partnership Agreement.
	Liquidation Stage
Liquidation	Upon liquidation, the partners, including the general partner, will be entitled to receive liquidating distributions according to their particular capital account balances.

Concurrently with the closing of the February 2002 IPO, the Partnership entered into several agreements with Sunoco, Inc. (R&M), and/or one or more of its affiliates. These agreements include the Omnibus Agreement, the Pipelines and Terminals Storage and Throughput Agreement, the Inter-refinery Lease Agreement, an intellectual property license agreement, certain crude oil purchase and sale agreements, a treasury services agreement and other agreements, all of which are described in detail under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Agreements with Sunoco R&M and Sunoco, Inc."

Subsequent to the February 2002 IPO, the Partnership entered into other agreements with Sunoco, Inc., Sunoco R&M and the general partner, including various throughput agreements regarding certain recently acquired assets or improvements or expansions at existing assets not covered by the Pipelines and Terminals Storage and Throughput Agreement; the purchase agreement with Sunoco R&M to acquire the Eagle Point refinery logistics assets; and certain redemption and expense-sharing agreements with Sunoco, Inc. (and/or its affiliates) that were ancillary to the Partnership's April 2004 offering of common units for sale to the public. For

further information on these agreements, please refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Agreements with Sunoco R&M and Sunoco, Inc.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table presents the aggregate fees billed for audit and other professional services and products by the Partnership’s independent registered public accounting firm, Ernst & Young LLP, for each of the last two fiscal years:

	For the Year Ended December 31,	
Type of Fee	**2003**	**2004**
Audit Fees[1]	$ 455,000	$ 1,099,000
Audit Related Fees[2]	$ 75,000	$ 124,000

NOTES:

1. Audit Fees, including those for statutory audits, include the aggregate fees paid by the Partnership during the fiscal year indicated for professional services rendered by Ernst & Young for the audit of the Partnership’s annual financial statements and the Partnership’s assessment and Ernst & Young’s opinion on the Partnership’s internal control over financial reporting for compliance under Section 404 of the Sarbanes-Oxley Act of 2002 and review of financial statements included in the Partnership’s quarterly reports on Form 10-Q.
2. Audit Related Fees include the aggregate fees paid by the Partnership during the fiscal year indicated for assurance and related services by Ernst & Young that are reasonably related to the performance of the audit or review of the Partnership’s financial statements and not included in Audit Fees, including review of registration statements and issuance of consents. Also included in Audit Related Fees are fees for internal control review and accounting advice.

Each of the services listed above were approved by the Audit/Conflicts Committee of the general partner’s board of directors prior to their performance. All services rendered by Ernst & Young LLP, the Partnership’s principal accountant, are performed pursuant to a written engagement letter with the general partner. During the last two fiscal years, no audit or audit-related services were performed for the Partnership, or its general partner, by anyone other than Ernst & Young LLP.

The Audit/Conflicts Committee of the general partner’s board of directors is responsible for pre-approving all audit services, and permitted non-audit services, to be performed by independent registered public accounting firm for the Partnership, or its general partner. The Committee reviews the services to be performed to determine whether provision of such services potentially could impair the independence of the Partnership’s independent registered public accounting firm. The Committee’s approval procedures include reviewing a detailed budget for each particular service or category of audit, audit-related, or tax services to be rendered, as well as a description of, and budgeted amounts for, specific categories of anticipated non-audit services. Pre-approval is generally granted for up to one year. Committee approval is required to exceed the budgeted amount for any particular category of services or to engage the independent registered public accounting firm for services not included in the budget. Additional services or specific engagements may be approved, on a case-by-case basis, prior to the independent registered public accounting firm undertaking such services.

Subject to the requirements of applicable law, the Audit/Conflicts Committee may delegate such pre-approval authority to the Audit/Conflicts Committee chairman. However, any pre-approvals granted by the chairman, acting pursuant to such delegated authority, are reviewed by the full membership of the Audit/Conflicts Committee at its next regular meeting. Management of the general partner provides periodic updates to the Audit/Conflicts Committee regarding the extent of any services provided in accordance with this pre- approval process, as well as the cumulative fees incurred to date for all non-audit services, to ensure that such services are within the parameters approved by the Audit/Conflicts Committee.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

(1) The financial statements are included in Item 8. Financial Statements and Supplementary Data.

(2) All financial statement schedules required are included in the financial statements or notes thereto.

(3) Exhibits:

Exhibit No.	Description
3.1*	Certificate of Limited Partnership of Sunoco Logistics Partners L.P. (incorporated by reference to Exhibit 3.1 to Form S-1 Registration Statement, file No. 333-71968, filed October 22, 2001)
3.2*	Second Amended and Restated Agreement of Limited Partnership of Sunoco Logistics Partners L.P., dated as of July 20, 2004 (incorporated by reference to Exhibit 3.1 of Form 10-Q, file No. 1-31219, filed August 5, 2004)
3.3*	Certificate of Limited Partnership of Sunoco Logistics Operations L.P. (incorporated by reference to Exhibit 3.1 to Amendment No. 1 to Form S-1 filed December 18, 2001)
3.4*	First Amended and Restated Agreement of Limited Partnership of Sunoco Logistics Partners Operations L.P., dated as of February 8, 2002 (incorporated by reference to Exhibit 3.5 of Form 10-K, file No. 1-31219, filed April 1, 2002)
10.1	Credit Agreement dated as of November 22, 2004, by and among Sunoco Logistics Partners Operations L.P., Sunoco Logistics Partners L.P., Citibank, N.A., Barclays Bank PLC, Keybank National Association, SunTrust Bank, Wachovia Bank, National Association and other lenders
10.2*	Indenture, dated as of February 7, 2002, between Sunoco Logistics Partners Operations L.P. and First Union National Bank (incorporated by reference to Exhibit 10.2 of Form 10-K, file No. 1.31219, filed April 1, 2002)
10.3*	Registration Rights Agreement, dated as of February 8, 2002, among Sunoco Logistics Partners Operations L.P., Sunoco Logistics Partners L.P., Sunoco Pipeline L.P., Sunoco Partners Marketing & Terminals L.P., and the following Initial Purchasers: Lehman Brothers, Inc., Credit Suisse First Boston Corporation, Banc of America Securities LLC, Salomon Smith Barney Inc., UBS Warburg LLC and First Union Securities, Inc. (incorporated by reference to Exhibit 10.3 of Form 10-K, file No. 1-31219, filed April 1, 2002)
10.4*	Contribution, Conveyance and Assumption Agreement, dated as of February 8, 2002, among Sunoco, Inc., Sun Pipe Line Company of Delaware, Sunoco, Inc. (R&M), Atlantic Petroleum Corporation; Sunoco Texas Pipe Line Company, Sun Oil Line of Michigan (Out) LLC, Mid-Continent Pipe Line (Out) LLC, Sun Pipe Line Services (Out) LLC, Atlantic Petroleum Delaware Corporation, Atlantic Pipeline (Out) L.P., Sunoco Partners LLC, Sunoco Partners Lease Acquisition & Marketing LLC, Sunoco Logistics Partners L.P., Sunoco Logistics Partners GP LLC, Sunoco Pipeline L.P., Sunoco Partners Marketing & Terminals L.P., Sunoco Mid-Con (In) LLC, Atlantic (In) L.P., Sunoco Logistics Partners Operations L.P., Sunoco Logistics Partners Operations GP LLC, Atlantic R&M (In) L.P., Sun Pipe Line Services (In) L.P., Sunoco Michigan (In) LLC, Atlantic (In) LLC, Sunoco Logistics Pipe Line GP LLC, Sunoco R&M (In) LLC, and Atlantic Refining & Marketing Corp. (incorporated by reference to Exhibit 10.4 of Form 10-K, file No. 1-31219, filed April 1, 2002)

Exhibit No.	Description
10.5*	Omnibus Agreement, dated as of February 8, 2002, by and among Sunoco, Inc., Sunoco, Inc. (R&M), Sunoco Logistics Pipe Line Company of Delaware, Atlantic Petroleum Corporation, Sunoco Texas Pipe Line Company, Sun Pipe Line Services (Out) LLC, Sunoco Logistics Partners L.P., Sunoco Logistics Partners Operations L.P., and Sunoco Partners LLC (incorporated by reference to Exhibit 10.5 of Form 10-K, file No. 1-31219, filed April 1, 2002)
10.5.1	Agreement Extending Term of Section 4.1 of Omnibus Agreement, dated as of January 20, 2005, and effective January 1, 2005, by and among Sunoco, Inc., Sunoco, Inc. (R&M), Sunoco Logistics Pipe Line Company of Delaware, Atlantic Petroleum Corporation, Sunoco Texas Pipe Line Company, Sun Pipe Line Services (Out) LLC, Sunoco Logistics Partners L.P., Sunoco Logistics Partners Operations L.P., and Sunoco Partners LLC
10.6*	Pipelines and Terminals Storage and Throughput Agreement, dated as of February 8, 2002, among Sunoco, Inc. (R&M), Sunoco Logistics Partners L.P., Sunoco Logistics Partners Operations L.P., Sunoco Partners LLC, Sunoco Partners Marketing & Terminals L.P., Sunoco Pipeline L.P., Sunoco Logistics Partners GP LLC, and Sunoco Logistics Partners Operations GP LLC
10.7*	Amended and Restated Treasury Services Agreement, dated as of November 26, 2003, by and among Sunoco, Inc., Sunoco Logistics Partners L.P., and Sunoco Logistics Partners Operations L.P. (incorporated by reference to Exhibit 10.7.1 of Form 10-K, file No. 1-31219, filed March 4, 2004)
10.8*	Intellectual Property and Trademark License Agreement, dated as of February 8, 2002 among Sunoco, Inc., (“Sunoco”), Sunoco, Inc. (R&M), Sunmarks, Inc., Sunoco Logistics Partners L.P., Sunoco Logistics Partners Operations L.P., Sunoco Partners Marketing & Terminals L.P., Sunoco Pipeline L.P., and Sunoco Partners LLC (incorporated by reference to Exhibit 10.8 of Form 10-K, file No. 1-31219, filed April 1, 2002)
10.9*	Interrefinery Lease, dated as of February 8, 2002, between Sunoco Pipeline L.P., and Sunoco, Inc. (R&M) (incorporated by reference to Exhibit 10.9 of Form 10-K, file No. 1-31219, filed April 1, 2002)
10.10*	Common Unit Redemption Agreement, dated as of April 1, 2004, between Sunoco Logistics Partners L.P. and Sunoco Partners LLC (incorporated by reference to Exhibit 10.1 of Form 10-Q, File No. 1-31219, filed May 6, 2004)
10.11*	Sunoco Partners LLC Long-Term Incentive Plan (amended and restated as of July 22, 2002)
10.11.1*	Form of Restricted Unit Agreement under the Sunoco Partners LLC Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Form 10-Q, File No. 1-31219, filed November 5, 2004)
10.11.2*	Form of Restricted Unit Agreement under the Sunoco Partners LLC Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to Form 10-Q, File No. 1-31219, filed November 5, 2004)
10.12*	Sunoco Partners LLC Annual Incentive Plan (incorporated by reference to Exhibit 10.4 to Amendment No. 2 to the Form S-1 Registration Statement filed January 11, 2002)
10.13*	Sunoco Partners LLC Directors’ Deferred Compensation Plan (incorporated by reference to Exhibit 10.2 to the Form S-8, File No. 333-71968, filed July 22, 2002)
10.13.1	Amendment No. 1 to Sunoco Partners LLC Directors’ Deferred Compensation Plan
10.14*	Sunoco Partners LLC Executive Deferred Compensation Plan (incorporated by reference to Exhibit 10.14 to Form 10-K, File No. 1-31219, filed March 4, 2004)

Exhibit No.	Description
10.15	Sunoco Partners LLC Executive Summary Compensation Sheet for 2005
10.16	Sunoco Partners LLC Independent Director Compensation Summary Sheet for 2005
12.1	Statement of Computation of Ratio of Earnings to Fixed Charges
14.1*	Code of Ethics for Senior Officers (incorporated by reference to Exhibit 10.14.1 to Form 10-K, File No. 1-31219, filed March 4, 2004)
21.1	Subsidiaries of Sunoco Logistics Partners L.P.
23.1	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney
31.1	Chief Executive Officer Certification of Periodic Report Pursuant to Exchange Act Rule 13a-14(a)
31.2	Chief Financial Officer Certification of Periodic Report Pursuant to Exchange Act Rule 13a-14(a)
32	Chief Executive Officer and Chief Financial Officer Certification of Periodic Report Pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. § 1350
99	Audited Balance Sheet of Sunoco Partners LLC as of December 31, 2004

* Each such exhibit has heretofore been filed with the Securities and Exchange Commission as part of the filing indicated and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SUNOCO LOGISTICS PARTNERS L.P.
(Registrant)

By: Sunoco Partners LLC (its General Partner)

By: /S/ COLIN A. OERTON
Colin A. Oerton
Vice President and Chief Financial Officer

March 4, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by or on behalf of the following persons on behalf of the registrant and in the capacities indicated on March 4, 2005.

CYNTHIA A. ARCHER*
Cynthia A. Archer
Director of Sunoco Partners LLC,
General Partner of
Sunoco Logistics Partners L.P.

BRUCE G. FISCHER*
Bruce G. Fischer
Director of Sunoco Partners LLC,
General Partner of
Sunoco Logistics Partners L.P.

STEPHEN L. CROPPER*
Stephen L. Cropper
Director of Sunoco Partners LLC,
General Partner of
Sunoco Logistics Partners L.P.

DEBORAH M. FRETZ*
Deborah M. Fretz
Chief Executive Officer and Director of
Sunoco Partners LLC,
General Partner of
Sunoco Logistics Partners L.P.
(Principal Executive Officer)

MICHAEL H.R. DINGUS*
Michael H.R. Dingus
Director of Sunoco Partners LLC,
General Partner of
Sunoco Logistics Partners L.P.

THOMAS W. HOFMANN*
Thomas W. Hofmann
Director of Sunoco Partners LLC,
General Partner of
Sunoco Logistics Partners L.P.

JOHN G. DROSDICK*
John G. Drosdick
Director and Chairman of
Sunoco Partners LLC,
General Partner of
Sunoco Logistics Partners L.P.

SEAN P. MCGRATH*
Sean P. McGrath
Comptroller of Sunoco Partners LLC,
General Partner of Sunoco Logistics Partners L.P.
(Principal Accounting Officer)

GARY W. EDWARDS*
Gary W. Edwards
Director of Sunoco Partners LLC,
General Partner of
Sunoco Logistics Partners L.P

COLIN A. OERTON*
Colin A. Oerton
Vice President and Chief Financial Officer of
Sunoco Partners LLC, General Partner of
Sunoco Logistics Partners L.P.
(Principal Financial Officer)

L. WILSON BERRY, JR.*
L. Wilson Berry, Jr.
Director of Sunoco Partners LLC,
General Partner of
Sunoco Logistics Partners L.P

*By: /S/ COLIN A. OERTON
Colin A. Oerton
Individually and as Attorney-in-Fact

Exhibit 10.1

EXECUTION COPY

CREDIT AGREEMENT

among

SUNOCO LOGISTICS PARTNERS OPERATIONS L.P.
as the Borrower,

SUNOCO LOGISTICS PARTNERS L.P.
as a Guarantor

CITIBANK, N.A.,
as Administrative Agent, and
as a Lender and L/C Issuer,

BARCLAYS BANK PLC,
as a Lender and L/C Issuer,

and

The Other Lenders Party Hereto

$250,000,000

SENIOR CREDIT FACILITY

BARCLAYS BANK PLC,
Syndication Agent,

KEYBANK NATIONAL ASSOCIATION,
SUNTRUST BANK,
and
WACHOVIA BANK, NATIONAL ASSOCIATION,
Co-Documentation Agents,

CITIGROUP GLOBAL MARKETS INC.,
and
BARCLAYS CAPITAL,
Joint Lead Arrangers and Bookrunners

Dated as of November 22, 2004

TABLE OF CONTENTS

SCHEDULES

EXHIBITS

Form of:

CREDIT AGREEMENT

This CREDIT AGREEMENT ("***Agreement***") is entered into as of November 22, 2004, among SUNOCO LOGISTICS PARTNERS OPERATIONS L.P., a Delaware limited partnership (the "***Borrower***"), SUNOCO LOGISTICS PARTNERS L.P., a Delaware limited partnership (the "***MLP***"), each lender from time to time party hereto (collectively, the "***Lenders***" and individually, a "***Lender***"), and CITIBANK, N.A., as Administrative Agent and L/C Issuer.

The Borrower has requested that the Lenders provide a revolving credit facility with a letter of credit sub-facility, and the Lenders are willing to do so on the terms and conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I.
DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

Acquisition means any transaction or series of related transactions for the purpose of, or resulting in, directly or indirectly, (a) the acquisition by a Company of all or substantially all of the assets of a Person or of any business or division of a Person; (b) the acquisition by a Company of more than 50% of any class of Voting Stock (or similar ownership interests) of any Person; or (c) a merger, consolidation, amalgamation, or other combination by a Company with another Person if a Company is the surviving entity, *provided that*, (i) in any merger involving the Borrower, the Borrower must be the surviving entity; and (ii) in any merger involving a Wholly-Owned Subsidiary and another Subsidiary, a Wholly-Owned Subsidiary shall be the survivor.

Acquisition Period means the period beginning with the payment of the purchase price for a Specified Acquisition (the ***"Acquisition Closing Date***") and ending on the earlier of (a) 270 days after the commencement of such period or (b) the date on which the Borrower is in compliance with ***Section 7.14(b)(ii)***; *provided that* during any Acquisition Period, no additional Acquisition Period shall commence, nor shall such Acquisition Period be extended, by any subsequent Specified Acquisition until the current Acquisition Period shall have terminated and Borrower shall be in compliance with ***Section 7.14(b)(ii)***. As used above, "***Specified Acquisition***" means a Permitted Acquisition or an Investment in a Permitted Joint Venture (a) for which the aggregate purchase price, when added to the aggregate purchase price for other Permitted Acquisitions and Investments in Permitted Joint Ventures closed during the twelve (12) calendar month period ending on the Acquisition Closing Date of such Permitted Acquisition or Investment, exceeds $50,000,000, and (b) which is designated by the Borrower (by written notice to the Administrative Agent) as a "*Specified Acquisition*", such designation to be made at any time within 270 days after the Acquisition Closing Date of such Permitted Acquisition or Investment.

Administrative Agent means Citibank in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

Administrative Agent's Office means the Administrative Agent's address and, as appropriate, account as set forth on ***Schedule 10.02***, or such other address or account as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

Administrative Details Form means the Administrative Details Form furnished by a Lender to the Administrative Agent in connection with this Agreement.

Affiliate means, as to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. A Person shall be deemed to be controlled by any other Person if such other Person possesses, directly or indirectly, power (a) to vote 10% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners; or (b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

Agent/Arranger Fee Letter has the meaning specified in ***Section 2.08(d)***.

Agent-Related Persons means the Administrative Agent (including any successor administrative agent), together with its Affiliates (including, in the case of Citibank in its capacity as the Administrative Agent, Citigroup Global Markets Inc.), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

Aggregate Commitments has the meaning set forth in the definition of "***Commitment***."

Aggregate Committed Sum means, on any date of determination, the sum of all Committed Sums then in effect for all Lenders (as the same may have been reduced, increased or canceled as provided in the Loan Documents).

Agreement means this Credit Agreement.

Applicable Rate means the following percentages per annum (stated in terms of basis points) set forth in the table below, on any date of determination, with respect to the Type of Borrowing or facility fee that corresponds to the Pricing Level, as determined based upon the Borrower's Debt Rating.

Pricing Level	Debt Rating	Facility Fee	Applicable Rate for Eurodollar Rate Loans and Letters of Credit	Applicable Rate for Base Rate Loans	Utilization Fee
1	[3]BBB+/Baa1	12.5	37.5	0	12.5
2	BBB/Baa2	15.0	47.5	0	12.5
3	BBB-/Baa3	17.5	70.0	0	12.5
4	£BB+/Ba1 or unrated	25.0	100.0	0	12.5

Each change in the Applicable Rate resulting from a publicly announced change in the Debt Rating shall be effective, in the case of an upgrade, during the period commencing on the date of delivery by the Borrower to the Administrative Agent of notice thereof pursuant to ***Section 6.03(d)*** and ending on the date immediately preceding the effective date of the next such change and, in the case of a downgrade, during the period commencing on the date of the public announcement thereof and ending on the date immediately preceding the effective date of the next such change.

Asset Acquisition has the meaning set forth in ***Section 7.14(c)(i)***.

Assignment and Assumption means an Assignment and Assumption substantially in the form of ***Exhibit D*** or any other form approved by the Administrative Agent.

Attorney Costs means and includes all reasonable fees and reasonable disbursements of any law firm or other external counsel and the reasonable allocated cost of internal legal services and all disbursements of internal counsel.

Attributable Indebtedness means, on any date, in respect of any Capital Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP.

Attributable Principal means, on any date, in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a capital lease.

Audited Financial Statement means the audited consolidated balance sheet of the MLP and its Subsidiaries for the fiscal year ended December 31, 2003 and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year of the MLP and its Subsidiaries, including the notes thereto.

Authorizations means all filings, recordings, and registrations with, and all validations or exemptions, approvals, orders, authorizations, consents, franchises, licenses, certificates, and permits from, any Governmental Authority.

Bank Guaranties means guaranties or other agreements or instruments serving a similar function issued by a bank or other financial institution.

Barclays means Barclays Bank PLC.

Base Rate means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Citibank as its "*prime rate*." Such rate is a rate set by Citibank based upon various factors including Citibank's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Citibank shall take effect at the opening of business on the day specified in the public announcement of such change.

Base Rate Loan means a Loan that bears interest based on the Base Rate.

Board means the Board of Governors of the Federal Reserve System of the United States of America.

Borrower has the meaning set forth in the introductory paragraph hereto.

Borrower Affiliate means each Subsidiary of the Borrower, the General Partner, the MLP, the general partner of the MLP, each Guarantor, and their respective Subsidiaries.

Borrower Operating Agreements means the following: (a) Borrower's and its Subsidiaries' Organization Documents, (b) the Omnibus Agreement, (c) the Contribution Agreement, (d) the Throughput Agreement, (e) the Interrefinery Lease Agreement, (f) the Treasury Services Agreement, and (g) the Intellectual Property Agreement.

Borrowing means a borrowing consisting of simultaneous Loans of the same Type and having the same Interest Period made by each of the Lenders pursuant to ***Section 2.01***.

Borrowing Notice means a notice of (a) a Borrowing, (b) a conversion of Loans from one Type to the other, or (c) a continuation of Loans as the same Type, pursuant to ***Section 2.03(a),*** which, if in writing, shall be substantially in the form of ***Exhibit A-1*** or ***A-2***, as applicable.

Business Day means any day other than a Saturday, Sunday, or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, New York or the state where the Administrative Agent's Office is located and, if such day relates to any Eurodollar Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the applicable offshore Dollar interbank market.

Canadian Subsidiary means a Subsidiary of the Borrower organized under the laws of Canada or a Canadian province.

Capital Expenditure by a Person means an expenditure (determined in accordance with GAAP) for any fixed asset owned by such Person for use in the operations of such Person having a useful life of more than one year, or any improvements or additions thereto.

Capital Lease means any capital lease or sublease which should be capitalized on a balance sheet in accordance with GAAP.

Cash Collateralize means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the L/C Issuer and the Lenders, as collateral for the L/C Obligations, cash and deposit account balances held pursuant to documentation satisfactory to the Administrative Agent and the L/C Issuer (which documents are hereby consented to by the Lenders). Derivatives of such term have corresponding meanings.

Change of Control means (a) the failure of Sunoco to own, directly or indirectly, 51% of the general partner interests in the MLP, (b) the failure of the MLP to own, free of all Liens, directly or indirectly, 100% of the general partner interests in the Borrower, (c) the failure of Sunoco to control the management of both the MLP and the Borrower, or (d) the failure of the MLP to own, free of all Liens, all of the limited partner interests in the Borrower.

Change in Law means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or the L/C Issuer (or, for purposes of ***Section 3.04(b)***, by any lending office of such Lender or by such Lender's or the L/C Issuer's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

Citibank means Citibank, N.A.

Clean Down Period has the meaning set forth in ***Section 6.15***.

Closing Date means the date upon which all the conditions precedent in ***Section 4.01*** are satisfied or waived in accordance with ***Section 10.01*** (or, in the case of ***Sections 4.01(b)*** and ***(c),*** waived by the Person entitled to receive the applicable payment).

Code means the Internal Revenue Code of 1986.

Commitment means, as to each Lender, its obligation to make Loans to the Borrower pursuant to ***Section 2.01***, and to purchase participations in L/C Obligations pursuant to ***Section 2.02***, in an aggregate principal amount at any one time outstanding not to exceed its Committed Sum, in each case as such amount may be reduced or adjusted from time to time in accordance with this Agreement (collectively, the "***Aggregate Commitments***").

Committed Sum means for any Lender, at any date of determination occurring prior to the Maturity Date, the amount stated beside such Lender's name on the most-recently amended ***Schedule 2.01*** to this Agreement (which amount is subject to increase, reduction, or cancellation in accordance with the Loan Documents).

Company and ***Companies*** means, on any date of determination thereof, the MLP, the Borrower and each of their respective Subsidiaries.

Compensation Period has the meaning set forth in ***Section 2.11(e)(ii)***.

Compliance Certificate means a certificate substantially in the form of ***Exhibit C***.

Consolidated EBITDA means, for any period, for the MLP and its Subsidiaries on a consolidated basis, an amount equal to the sum of (a) Consolidated Net Income, (b) Consolidated Interest Charges, (c) the amount of taxes, based on or measured by income, used or included in the determination of such Consolidated Net Income, and (d) the amount of depreciation and amortization expense deducted in determining such Consolidated Net Income.

Consolidated Interest Charges means, for any period, for the MLP and its Subsidiaries on a consolidated basis, the sum of (a) all interest, premium payments, fees, charges and related expenses of the MLP and its Subsidiaries in connection with Indebtedness (including capitalized interest) other than Excluded Affiliate Debt, in each case to the extent treated as interest in accordance with GAAP, and (b) the portion of rent expense of the MLP and its Subsidiaries with respect to such period under Capital Leases that is treated as interest in accordance with GAAP.

Consolidated Net Income means, for any period, for the MLP and its Subsidiaries on a consolidated basis, the net income or net loss of the MLP and its Subsidiaries from continuing operations, *provided that* there shall be excluded from such net income (to the extent otherwise included therein): (a) the income (or loss) of any entity other than a Subsidiary in which the MLP or any Subsidiary has an ownership interest, except to the extent that any such income has been actually received by the MLP or such Subsidiary in the form of cash dividends or similar cash distributions; (b) net extraordinary gains and losses (other than, in the case of losses, losses resulting from charges against net income to establish or increase reserves for potential environmental liabilities and reserves for exposure under rate cases), and (c) any gains or losses attributable to non-cash write-ups or write-downs of assets.

Consolidated Total Debt means, as of any date of determination, for the MLP and its Subsidiaries on a consolidated basis, the sum of (a) the outstanding principal amount of all obligations and liabilities, whether current or long-term, for borrowed money (including Obligations hereunder), (b) Capital Leases, and (c) without duplication, all Guaranty Obligations with respect to Indebtedness of the type specified in ***subsections (a)*** and ***(b)*** above.

Contractual Obligation means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

Contribution Agreement means the Contribution, Conveyance and Assumption Agreement dated as of February 8, 2002 among Sunoco Partners LLC, the MLP, the Borrower, and certain Affiliates of Sunoco.

Credit Extension means each of the following: (a) a Borrowing and (b) an L/C Credit Extension.

Crude Oil Purchase Agreements means Crude Oil Purchase Agreements between Sunoco Partners Marketing & Terminals and Sunoco R&M, entered into from time to time.

Customary Coverage means insurance coverage in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Borrower or its Subsidiaries operate.

Debt Rating of the Borrower means, as of any date of determination, the rating as determined by either S&P or Moody's (collectively, the "***Debt Ratings***") of the Borrower's non-credit-enhanced, senior unsecured long-term debt; *provided that* if a Debt Rating is issued by each of the foregoing rating agencies, then the higher of such Debt Ratings shall apply, unless there is a split in Debt Ratings of more than one level, in which case the level that is one level lower than the higher Debt Rating shall apply.

Debtor Relief Laws means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States of America or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

Default means any event that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

Default Rate means an interest rate equal to (a) the Base Rate *plus* (b) the Applicable Rate, if any, applicable to Base Rate Loans *plus* (c) 2% per annum; *provided*, *however*, that with respect to a Eurodollar Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Rate) otherwise applicable to such Loan plus 2% per annum, in each case to the fullest extent permitted by applicable Laws.

Disposition or ***Dispose*** means the sale, transfer, license or other disposition (including any sale and leaseback transaction) of any property (including stock, partnership and other equity interests) by any Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

Distribution Loan means a Loan which is made for the purpose of paying a Quarterly Distribution.

Documentation Agent-Related Person means each of KeyBank National Association, Suntrust Bank, and Wachovia Bank, National Association, together with their respective Affiliates, and their respective officers, directors, employees, agents and attorneys-in-fact.

Dollar and ***$*** means lawful money of the United States of America.

EDGAR means the Electronic Data Gathering and Retrieval System of the United States Securities and Exchange Commission.

Eligible Assignee means (a) a Lender; (b) an Affiliate of a Lender; and (c) any other Person (other than a natural Person) approved by the Administrative Agent, the L/C Issuers and, unless an Event of Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed); *provided that* notwithstanding the foregoing, "***Eligible Assignee***" shall not include the Borrower or any of the Borrower's Affiliates or Subsidiaries.

Environmental Law means any applicable Law that relates to (a) the condition or protection of air, groundwater, surface water, soil, or other environmental media, (b) the environment, including natural resources or any activity which affects the environment, (c) the regulation of any pollutants, contaminants, wastes, substances, and Hazardous Substances, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. § 9601 et seq.) ("***CERCLA***"), the Clean Air Act (42 U.S.C. § 7401 et seq.), the Federal Water Pollution Control Act, as amended by the Clean Water Act (33 U.S.C. § 1251 et seq.), the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. § 136 et seq.), the Emergency Planning and Community Right to Know Act of 1986 (42 U.S.C. § 11001 et seq.), the Hazardous Materials Transportation Act (49 U.S.C. § 1801 et seq.), the National Environmental Policy Act of 1969 (42 U.S.C. § 4321 et seq.), the Oil Pollution Act (33 U.S.C. § 2701 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Rivers and Harbors Act (33 U.S.C. § 401 et seq.), the Safe Drinking Water Act (42 U.S.C. § 201 and § 300f et seq.), the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and the Hazardous and Solid Waste Amendments of 1984 (42 U.S.C. § 6901 et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), and analogous state and local Laws, as any of the foregoing may have been and may be amended or supplemented from time to time, and any analogous enacted or adopted Law, or (d) the Release or threatened Release of Hazardous Substances.

ERISA means the Employee Retirement Income Security Act of 1974 and any regulations issued pursuant thereto.

ERISA Affiliate means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of *Section 414(b)* or *(c)* of the Code (and *Sections 414(m)* and *(o)* of the Code for purposes of provisions of this Agreement relating to obligations imposed under *Section 412* of the Code).

ERISA Event means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Borrower or any ERISA Affiliate from a Pension Plan subject to *Section 4063* of ERISA during a plan year in which it was a substantial employer (as defined in *Section 4001(a)(2)* of ERISA) or a cessation of operations that is treated as such a withdrawal under *Section 4062(e)* of ERISA; (c) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under *Sections 4041* or *4041A* of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which might reasonably be expected to constitute grounds under *Section 4042* of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under *Title IV* of ERISA, other than PBGC premiums due but not delinquent under *Section 4007* of ERISA, upon the Borrower or any ERISA Affiliate.

Eurodollar Rate means for any Interest Period with respect to any Eurodollar Rate Loan:

(a) the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page (such page currently being page 3750) of the Telerate screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(b) if the rate referenced in the preceding ***subsection (a)*** does not appear on such page or service or such page or service shall cease to be available, the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(c) if the rates referenced in the preceding ***subsections (a)*** and ***(b)*** are not available, the rate per annum determined by the Administrative Agent as the rate of interest (rounded upward to the next 1/100th of 1%) at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted by Citibank and with a term equivalent to such Interest Period would be offered by Citibank's London Branch to major banks in the offshore Dollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period.

Eurodollar Rate Loan means a Loan that bears interest at a rate based on the Eurodollar Rate.

Event of Default means any of the events or circumstances specified in ***Article VIII***.

Evergreen Letter of Credit has the meaning specified in ***Section 2.02(b)(iii)***.

Excluded Affiliate Debt means Indebtedness that is included in the definition of Consolidated Total Debt, owed by the Borrower or a Subsidiary of the Borrower to a Sunoco, Inc. Affiliate in an amount not to exceed $75,000,000 that (a) requires no payment of principal at any time prior to the date that is six (6) months after the Maturity Date, (b) requires no payment of interest during the existence of a Default or Event of Default under this Agreement, (c) contains terms no less favorable to the Borrower and its Subsidiaries than could be obtained on an arm's length basis from third parties, and (d) is subordinated to the full payment of the Obligations pursuant to a subordination agreement satisfactory to the Required Lenders.

Existing Credit Agreement means the Credit Agreement dated as of February 1, 2002 among the Borrower, the Guarantor, Bank of America, N.A. as Administrative Agent and L/C Issuer, and the lenders therein named, as amended by the First Amendment and Second Amendment thereto.

Existing Letters of Credit means the letters of credit, if any, issued pursuant to the Existing Credit Agreement and described on ***Schedule 1.01***.

Federal Funds Rate means, for any day, the rate per annum (rounded upwards to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank on the Business Day next succeeding such day; *provided that* (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to Citibank on such day on such transactions as determined by the Administrative Agent.

Foreign Lender has the meaning specified in ***Section 10.15***.

Foreign Subsidiary of any Person means a Subsidiary of such Person that is organized or incorporated under the Laws of a jurisdiction *other than* a jurisdiction of the United States.

GAAP means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination, consistently applied. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); *provided that*, until so amended, (a) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (b) the Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

General Partner means Sunoco Logistics Partners GP LLC, a Delaware limited liability company, the general partner of the Borrower.

Governmental Authority means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other legal entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

Granting Lender has the meaning specified in ***Section 10.07(i)***.

Guarantors means any Person, including the MLP and every Subsidiary of Borrower (other than (a) a JV Holding Subsidiary to the extent provided in ***Section 6.13(b)***, and (b) a Canadian Subsidiary), which undertakes to be liable for all or any part of the Obligations by execution of a Guaranty, or otherwise.

Guaranty means a Guaranty now or hereafter made by any Guarantor in favor of the Administrative Agent on behalf of the Lenders, substantially in the form of ***Exhibit E-1*** or ***Exhibit E-2***, as may be amended from time to time.

Guaranty Obligation means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other payment obligation of another Person (the "*primary obligor*") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other payment obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other payment obligation of the payment of such Indebtedness or other payment obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other payment obligation, or (iv) entered into for the purpose of assuring in any other manner the obligees in respect of such Indebtedness or other payment obligation of the payment thereof or to protect such obligees against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person

securing any Indebtedness or other payment obligation of any other Person, whether or not such Indebtedness or other payment obligation is assumed by such Person; *provided*, *however*, that the term "***Guaranty Obligation***" shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guaranty Obligation shall be deemed to be the lesser of (a) an amount equal to the stated or determinable outstanding amount of the related primary obligation and (b) the maximum amount for which such guarantying Person may be liable pursuant to the terms of the instrument embodying such Guaranty Obligation, unless the outstanding amount of such primary obligation and the maximum amount for which such guarantying Person may be liable are not stated or determinable, in which case the amount of such Guaranty Obligation shall be the maximum reasonably anticipated liability in respect thereof as determined by the guarantying Person in good faith.

Hazardous Substance means (a) any substance that is designated, defined, or classified as a hazardous waste, hazardous material, pollutant, contaminant, or toxic or hazardous substance, or that is otherwise regulated, under any Environmental Law, including without limitation any hazardous substance within the meaning of *Section 101(14)* of CERCLA, and (b) petroleum, oil, gasoline, natural gas, fuel oil, motor oil, waste oil, diesel fuel, jet fuel, and other refined petroleum hydrocarbons.

Honor Date has the meaning set forth in ***Section 2.02(c)(i)***.

Incremental EBITDA of an entity means the EBITDA of such entity for the most recent four fiscal quarters. For this purpose:

EBITDA means an amount equal to the sum of (a) Net Income, (b) Interest Charges, (c) the amount of taxes, based on or measured by income, used or included in the determination of such Net Income, and (d) the amount of depreciation and amortization expense deducted in determining such Net Income.

Interest Charges means the sum of (a) all interest, premium payments, fees, charges and related expenses in connection with Indebtedness (including capitalized interest), in each case to the extent treated as interest in accordance with GAAP, and (b) the portion of rent expense with respect to such period under Capital Leases that is treated as interest in accordance with GAAP.

Net Income for a Person means the net income or net loss from continuing operations, *provided that* there shall be excluded from such net income (to the extent otherwise included therein): (a) the income (or loss) of any entity other than a Subsidiary in which such Person has an ownership interest, except to the extent that any such income has been actually received by such Person in the form of cash dividends or similar cash distributions; (b) net extraordinary gains and losses (other than, in the case of losses, losses resulting from charges against net income to establish or increase reserves for potential environmental liabilities and reserves for exposure under rate cases), and (c) any gains or losses attributable to non-cash write-ups or write-downs of assets.

Increase Effective Date has the meaning set forth in ***Section 2.13(b)***.

Indebtedness means, as to any Person at a particular time, all of the following:

(a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(b) the face amount of all letters of credit (including standby and commercial), banker's acceptances, Bank Guaranties, surety bonds, and similar instruments issued for the account of such Person, and, without duplication, all drafts drawn and unpaid thereunder;

(c) whether or not so included as liabilities in accordance with GAAP, all obligations of such Person to pay the deferred purchase price of property or services, other than trade accounts payable in the ordinary course of business not overdue by more than 60 days, and indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;

(d) Capital Leases; and

(e) all Guaranty Obligations of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture in which such Person is a general partner, unless such Indebtedness is expressly made non-recourse to such Person except for customary exceptions acceptable to the Required Lenders. The amount of any Capital Lease as of any date shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date.

Indemnified Liabilities has the meaning set forth in ***Section 10.05***.

Independent Insurers means sound and reputable insurance companies not Affiliates of the Borrower.

Indemnitees has the meaning set forth in ***Section 10.05***.

Intellectual Property Agreement means the Intellectual Property and Trademark License Agreement dated as of February 8, 2002, among the Borrower, Sunoco, Sunoco R&M, the MLP and certain other Affiliates of Sunoco.

Interest Coverage Ratio means, as of any date of determination, the ratio of (a) Consolidated EBITDA for the period of the four prior fiscal quarters ending on such date to Consolidated Interest Charges during such period.

Interest Payment Date means, (a) as to any Loan other than a Base Rate Loan, the last day of each Interest Period applicable to such Loan; *provided*, *however*, that if any Interest Period for a Eurodollar Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan, the last Business Day of each March, June, September and December and the Maturity Date.

Interest Period means, as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or converted to or continued as a Eurodollar Rate Loan and ending on the date one, two, three or six months thereafter, as selected by the Borrower in its Borrowing Notice; *provided that*:

(i) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Rate Loan, such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period pertaining to a Eurodollar Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period shall extend beyond the scheduled Maturity Date.

Interrefinery Lease Agreement means the Interrefinery Lease Agreement between Sunoco Pipeline L.P. and Sunoco R&M dated as of February 8, 2002.

Investment means, as to any Person, any acquisition or investment by such Person, whether directly or through a Subsidiary of such Person, by means of (a) the purchase or other acquisition of capital stock or other securities of another Person, (b) a loan, advance or capital contribution to, guaranty of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

Investment Grade Rating means ratings of BBB- and Baa3 or better by S&P and Moody's, respectively, of long-term non-enhanced senior unsecured debt.

IRS means the United States Internal Revenue Service.

JV Holding Subsidiary means PUT, LLC, a Delaware limited liability company and Sunoco West Texas Gulf Pipe Line LLC, a Delaware limited liability company.

Laws means, collectively, all applicable international, foreign, federal, state and local statutes, treaties, rules, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, licenses, authorizations and permits of, any Governmental Authority.

L/C Advance means, with respect to each Lender, such Lender's participation in any L/C Borrowing in accordance with its Pro Rata Share.

L/C Borrowing means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced as a Borrowing.

L/C Credit Extension means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the renewal or increase of the amount thereof.

L/C Issuer means each of Citibank and Barclays in its capacity as issuer of Letters of Credit hereunder, or any successor issuer of Letters of Credit hereunder.

L/C Issuer Commitment means (a) with respect to each of Citibank and Barclays, $37,500,000, and (b) with respect to any Lender which agrees to be an L/C Issuer after the Closing Date, the aggregate face amount of Letters of Credit that such L/C Issuer has agreed in writing to issue as of the date such Lender became a L/C Issuer.

L/C Obligations means, as at any date of determination, the aggregate undrawn face amount of all outstanding Letters of Credit *plus* the aggregate of all Unreimbursed Amounts, including all L/C Borrowings.

Lender has the meaning specified in the introductory paragraph hereto and, as the context requires, includes the L/C Issuer.

Lending Office means, as to any Lender, the office or offices of such Lender set forth on its Administrative Details Form, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent.

Letter of Credit means any standby or commercial letter of credit issued hereunder and shall include the Existing Letters of Credit.

Letter of Credit Application means an application and agreement for the issuance or amendment of a letter of credit in the form from time to time in use by the L/C Issuer.

Letter of Credit Expiration Date means the day that is seven days prior to the Maturity Date (or, if such day is not a Business Day, the next preceding Business Day).

Leverage Ratio means, for the MLP and its Subsidiaries on a consolidated basis, the ratio of (a) (i) Consolidated Total Debt as of the determination date *minus* (ii) Excluded Affiliate Debt as of such date to (b) (i) Consolidated EBITDA for the period of the four fiscal quarters ending on such date, or if such date is not the last day of a fiscal quarter, ending on the last day of the fiscal quarter most recently ended.

Lien means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever to secure or provide for payment of any obligation of any Person, (including any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable Laws of any jurisdiction), including the interest of a purchaser of accounts receivable.

Loan means an extension of credit by a Lender to the Borrower pursuant to ***Section 2.01***.

Loan Documents means this Agreement, each Note, the Agent/Arranger Fee Letter, each Borrowing Notice, each Compliance Certificate, and the Guaranties.

Loan Parties means, collectively, the Borrower and each Guarantor.

Material Adverse Effect means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties or financial condition of the Borrower and its Subsidiaries taken as a whole or of the MLP and its Subsidiaries taken as a whole; (b) a material impairment of the ability of the Borrower, the MLP, or any other Loan Party, collectively to perform their obligations under the Loan Documents; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Borrower, against the MLP, or against the Loan Parties, collectively, of any Loan Documents.

Material Agreement means (a) each Borrower Operating Agreement, and (b) any other contract material to the business of the Borrower and its Subsidiaries, taken as a whole.

Maturity Date means (a) the Stated Maturity Date, or (b) such earlier effective date of any other termination, cancellation, or acceleration of all Commitments under this Agreement.

Maximum Amount and ***Maximum Rate*** respectively mean, for each Lender, the maximum non-usurious amount and the maximum non-usurious rate of interest which, under applicable Law, such Lender is permitted to contract for, charge, take, reserve, or receive on the Obligations.

MLP has the meaning set forth in the introductory paragraph hereto.

Moody's means Moody's Investors Service, Inc.

Multiemployer Plan means any employee benefit plan of the type described in *Section 4001(a)(3)* of ERISA, to which the Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding three calendar years, has made or been obligated to make contributions.

Net Cash Proceeds means with respect to any Disposition, cash (including any cash received by way of deferred payment pursuant to a promissory note or otherwise, as and when received) received by the Borrower or any of its Subsidiaries in connection with and as consideration therefor, on or after the date of consummation of such transaction, *after* (a) deduction of Taxes payable in connection with or as a result of such transaction, (b) payment of all usual and customary brokerage commissions and all other reasonable fees and expenses related to such transaction (including, without limitation, reasonable attorneys' fees and closing costs incurred in connection with such transaction), (c) deduction of appropriate amounts required to be reserved (in accordance with GAAP) for post-closing adjustments by the Borrower or any of its Subsidiaries in connection with such transaction, against any liabilities retained by the Borrower or any of its Subsidiaries after such transaction, which liabilities are associated with the asset or assets being sold, including, without limitation, pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations associated with such transaction, and (d) deduction for the amount of any Indebtedness (*other than* the Obligations or Indebtedness owed to the Borrower or any of its Subsidiaries) secured by the respective asset or assets being sold, which Indebtedness is repaid as a result of such transaction; *provided, however*, in the case of Taxes that are deductible under ***clause (a)*** preceding or post-closing adjustments under ***clause (c)*** preceding, but which Taxes or post-closing adjustments have not actually been paid or are not yet payable, the Borrower or any of its Subsidiaries selling such assets may deduct from the cash proceeds an amount (the ***"Reserved Amount"***) equal to the amount reserved in accordance with GAAP as a reasonable estimate for such Taxes or post-closing adjustments, *so long as*, at the time such Taxes or post-closing adjustments are actually paid, the amount, if any, by which the Reserved Amount exceeds the Taxes or post-closing adjustments actually paid shall constitute additional ***"Net Cash Proceeds"*** of such Disposition.

Nonrenewal Notice Date has the meaning specified in ***Section 2.02(b)(iii)***.

Notes means promissory notes of the Borrower, substantially in the form of ***Exhibit B*** hereto, evidencing the obligation of Borrower to repay the Loans, and "***Note***" means any one of such promissory notes issued hereunder.

Obligations means all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document, whether direct or indirect (including those acquired by

assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest that accrues after the commencement by or against any Loan Party of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding; *provided that*, all references to the "**Obligations**" in each Guaranty and in ***Sections 2.11(c)*** and ***10.09*** of this Agreement shall, in addition to the foregoing, also include all present and future indebtedness, liabilities, and obligations (and all renewals and extensions thereof or any part thereof) now or hereafter owed to any Lender or any Affiliate of a Lender arising from or pursuant to any Swap Contract entered into by the Borrower or any of its Subsidiaries.

Omnibus Agreement means the Omnibus Agreement dated as of February 8, 2002, among the MLP, General Partner, the Borrower, Sunoco, Sunoco (R&M) and certain other Affiliates of Sunoco.

Organization Documents means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws; (b) with respect to any limited liability company, the certificate of formation and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation with the secretary of state or other department in the state of its formation, in each case as amended from time to time.

Other Taxes has the meaning specified in ***Section 3.01(b)***.

Outstanding Amount means on any date, (i) with respect to Loans, the aggregate principal amount thereof after giving effect to any Borrowings and prepayments or repayments occurring on such date; and (ii) with respect to any L/C Obligations, the amount of such L/C Obligations on such date after giving effect to any L/C Credit Extension occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements of outstanding unpaid drawings under any Letters of Credit or any reductions in the maximum amount available for drawing under Letters of Credit taking effect on such date.

Participant has the meaning specified in ***Section 10.07(d).***

Partnership Agreement (Borrower) means the Amended and Restated Agreement of Limited Partnership of Sunoco Logistics Partners Operations L.P., dated as of February 8, 2002.

Partnership Agreement (MLP) means the Second Amended and Restated Agreement of Limited Partnership of the MLP, dated as of July 20, 2004.

PBGC means the Pension Benefit Guaranty Corporation.

Pension Plan means any "*employee pension benefit plan*" (as such term is defined in *Section 3(2)(A)* of ERISA), other than a Multiemployer Plan, that is subject to *Title IV* of ERISA and is sponsored or maintained by the Borrower or any ERISA Affiliate or to which the Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer plan (as described in *Section 4064(a)* of ERISA) has made contributions at any time during the immediately preceding five plan years.

Permitted Acquisition means an Acquisition by the Borrower or a Subsidiary of the Borrower, so long as the following requirements have been satisfied:

(i) Such Acquisition shall not result in the Borrower's ownership of a Foreign Subsidiary other than a Canadian Subsidiary;

(ii) At the time of the closing of the Acquisition, the Borrower shall deliver to the Administrative Agent (A) a certificate of a Responsible Officer of Borrower certifying that as of the closing of the Acquisition, no Default or Event of Default (including a Default pursuant to ***Section 7.09***) shall exist or occur as a result thereof and after giving effect thereto, and (B) a copy of the purchase agreement governing such Acquisition;

(iii) At the time of closing of the Acquisition, the Borrower shall deliver to the Administrative Agent a certificate, demonstrating pro forma compliance with ***Sections 7.01(i)***, ***7.04(e)*** and ***(f),*** and ***7.14***, as of the closing of the Acquisition after giving effect thereto and after giving effect to any Indebtedness (including Obligations) incurred in connection therewith;

(iv) If such Acquisition results in the Borrower's ownership of a Subsidiary (other than a Canadian Subsidiary) who is not yet a Guarantor, the Borrower shall have complied with the requirements of ***Section 6.13*** as of the date of such Acquisition; and

(v) If such Acquisition results in the Borrower's ownership of a Canadian Subsidiary, the Borrower shall deliver to the Administrative Agent a certificate, demonstrating pro forma compliance with ***Section 7.02(i)*** as of the closing of such Acquisition after giving effect thereto.

Permitted Investments means:

(a) United States Dollars;

(b) direct general obligations, or obligations of, or obligations fully and unconditionally guaranteed as to the timely payment of principal and interest by, the United States or any agency or instrumentality thereof having remaining maturities of not more than thirteen (13) months, but excluding any such securities whose terms do not provide for payment of a fixed dollar amount upon maturity or call for redemptions;

(c) certificates of deposit and eurodollar time deposits with maturities of thirteen (13) months or less, bankers acceptances with maturities not exceeding one hundred eighty (180) days, overnight bank deposits and other similar short term instruments, in each case with any domestic commercial bank having capital and surplus in excess of $500,000,000 and having a rating of at least "A2" by Moody's and at least "A" by S&P;

(d) repurchase obligations with a term of not more than thirteen (13) months for underlying securities of the types described in (b) and (c) above entered into with any financial institution meeting the qualifications in (c) above;

(e) commercial paper (having original maturities of not more than two hundred seventy (270) days) of any person rated "P-1" or better by Moody's or "A-1" or the equivalent by S&P; and

(f) money market mutual or similar funds having assets in excess of $100,000,000, at least 95% of the assets of which are comprised of assets specified in ***clause (a)*** through ***(e)*** above.

Permitted Joint Venture means any Person (other than a Subsidiary) in which the Borrower owns (including ownership through its Subsidiaries) equity interests representing less than 100% of the total outstanding equity interests of such Person, *provided that* such Person is engaged only in the businesses that are permitted for the Borrower and its Subsidiaries pursuant to ***Section 7.09***.

Permitted Liens means Liens permitted under ***Section 7.01*** as described in such Section.

Person means any individual, trustee, corporation, general partnership, limited partnership, limited liability company, joint stock company, trust, unincorporated organization, bank, business association, firm, joint venture or Governmental Authority.

Plan means any "*employee benefit plan*" (as such term is defined in *Section 3(3)* of ERISA) established by the Borrower or any ERISA Affiliate.

Present and Related Businesses means the storage, transportation and distribution of hydrocarbons, and businesses closely related thereto.

Principal Payment means a payment of principal (or, in the case of a Synthetic Lease, Attributable Principal), whether pursuant to an amortization schedule, at maturity, or otherwise.

Pro Rata Share means, at any date of determination, for any Lender, the percentage (carried out to the ninth decimal place) that its Committed Sum bears to the Aggregate Committed Sum.

Proceeds Account has the meaning set forth in ***Section 2.04(b)(iii)***.

Quarterly Distributions means with respect to the Borrower, the distributions by the Borrower of Available Cash (as defined in the Partnership Agreement (Borrower)) or with respect to MLP, the distributions by the MLP of Available Cash (as defined in the Partnership Agreement (MLP)).

Reduction Amount has the meaning set forth in the definition of ***Triggering Sale***.

Reference Period has the meaning set forth in Section ***7.14(c)(i)***.

Refinery Assets means refineries and related assets that accept crude oil or feedstock or ship product pursuant to a Borrower Operating Agreement.

Register has the meaning set forth in ***Section 10.07(c).***

Reinvested means used for capital expenditures in connection with the Present and Related Business of a Company.

Release means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposal, deposit, dispersal, migrating, or other movement into the air, ground, or surface water, or soil in violation of any Environmental Law.

Reportable Event means any of the events set forth in *Section 4043(c) of ERISA*, other than events for which the 30 day notice period has been waived.

Request for Credit Extension means (a) with respect to a Borrowing, conversion or continuation of Loans, a Borrowing Notice, and (b) with respect to a L/C Credit Extension, a Letter of Credit Application.

Required Lenders means (a) on and after the Closing Date and at all times thereafter prior to termination of the Commitments, Lenders whose Pro Rata Shares aggregate more than 50%, and (b) at any time after termination of the Commitments, those Lenders holding more than 50% of the *sum* of (i) the Loans *plus* (ii) the L/C Obligations.

Responsible Officer means the president, chief executive officer, chief financial officer, treasurer or assistant treasurer of a Loan Party. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

Restricted Payment by a Person means any dividend or other distribution (whether in cash, securities or other property) with respect to any equity interest in such Person, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such equity interest or of any option, warrant or other right to acquire any such equity interest.

Rights means rights, remedies, powers, privileges, and benefits.

S&P means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc.

Servicing Employees has the meaning set forth in ***Section 5.15***.

SPC has the meaning specified in ***Section 10.07(i)***.

Stated Maturity Date means November 20, 2009.

Subsidiary of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a "***Subsidiary***" or to "***Subsidiaries***" shall refer to a Subsidiary or Subsidiaries of the Borrower.

Subsidiary Guarantor means a Subsidiary of the Borrower that has executed a Guaranty.

Sunoco means Sunoco, Inc., a Pennsylvania corporation.

Sunoco Contract Party means any Sunoco, Inc. Affiliate that is a party to a Material Agreement with the MLP, the Borrower or a Subsidiary of Borrower, and any permitted assignee.

Sunoco, Inc. Affiliate means Sunoco and each Affiliate of Sunoco other than the Companies.

Sunoco Partners Marketing & Terminals means Sunoco Partners Marketing & Terminals L.P., a Texas limited partnership, any successor entity or any entity to which all or substantially all of its assets are transferred.

Sunoco Pipeline L.P. means Sunoco Pipeline L.P., a Texas limited partnership, any successor entity or any entity to which all or substantially all of its assets are transferred.

Sunoco (R&M) means Sunoco, Inc. (R&M), a Pennsylvania corporation.

Swap Contract means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "***Master Agreement***"), including any such obligations or liabilities under any Master Agreement.

Swap Termination Value means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in ***clause (a)*** the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include any Lender).

Syndication Agent-Related Person means Barclays Bank PLC, together with its Affiliates, and their respective officers, directors, employees, agents and attorneys-in-fact.

Synthetic Lease Obligation means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment). The amount of any Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable Principal in respect thereof as of such date.

Taxes has the meaning set forth in ***Section 3.01***.

Throughput Agreement means the Pipelines and Terminals Storage and Throughput Agreement between the Borrower, Sunoco R&M, and certain other Affiliates of Sunoco dated as of February 8, 2002.

Treasury Services Agreement means the Amended and Restated Treasury Services Agreement between the Borrower, the MLP, and Sunoco, dated as of November 26, 2003, pursuant to which the Borrower and the MLP participate in Sunoco's centralized cash management program.

Triggering Sale means any Disposition (other than a Disposition permitted by ***Section 7.06(a)(i), (ii)*** or ***(iii)*** by a Company to any other Person (other than to the Borrower or to a Wholly-Owned Subsidiary of the Borrower) with respect to which the Net Cash Proceeds realized by any Company for such Disposition, when aggregated with the Net Cash Proceeds from all such other Dispositions by all Companies occurring since the Closing Date, equals or exceeds an amount (the "***Threshold Amount***") which is equal to 15% of the MLP's consolidated assets (measured as of the close of the then most recent fiscal quarter end). The portion of the Net Cash Proceeds in excess of the Threshold Amount is herein called the "***Reduction Amount***."

Type means, with respect to a Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan.

Unauthorized Assignment means an assignment by a Sunoco Contract Party of any of its obligations under a Borrower Operating Agreement other than an assignment to a purchaser with an Investment Grade Rating who fully assumes the obligations of such Sunoco Contract Party under such Borrower Operating Agreement.

Unfunded Pension Liability means the excess of a Pension Plan's benefit liabilities under *Section 4001(a)(16)* of ERISA, over the current value of that Pension Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to *Section 412* of the Code for the applicable plan year.

Unreimbursed Amount has the meaning set forth in ***Section 2.02(c)(i)***.

Voting Stock means the capital stock (or equivalent thereof) of any class or kind, of a Person, the holders of which are entitled to vote for the election of directors, managers, or other voting members of the governing body of such Person.

Wholly-Owned when used in connection with a Person means any Subsidiary of such Person of which all of the issued and outstanding shares of stock (*except* shares required as directors' qualifying shares) shall be owned by such Person or one or more of its Wholly-Owned Subsidiaries.

1.02 Other Interpretive Provisions.

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) (i) The words "*herein*" and "*hereunder*" and words of similar import when used in any Loan Document shall refer to such Loan Document as a whole and not to any particular provision thereof.

(ii) Unless otherwise specified herein, Article, Section, Exhibit and Schedule references are to this Agreement.

(iii) The term "*including*" is by way of example and not limitation.

(iv) The term "*documents*" includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced.

(c) In the computation of periods of time from a specified date to a later specified date, the word "*from*" means "*from and including*;" the words "*to*" and "*until*" each mean "*to but excluding*;" and the word "*through*" means "*to and including*."

(d) Section headings herein and the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.03 Accounting Terms. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, *except* as otherwise specifically prescribed herein.

1.04 Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.05 References to Agreements and Laws. Unless otherwise expressly provided herein, (a) references to agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Loan Document; and (b) references to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Law.

ARTICLE II.
THE COMMITMENTS AND BORROWINGS

2.01 Loans.

(a) Subject to the terms and conditions set forth herein, each Lender severally, but not jointly, agrees to make loans (each such loan, a "***Loan***") to the Borrower from time to time on any Business Day during the period from the Closing Date to the Maturity Date, in an aggregate amount not to exceed at any time outstanding the amount of such Lender's Commitment. Such Borrowings may be prepaid and reborrowed from time to time in accordance with the terms and provisions of the Loan Documents; *provided that*, each such Borrowing must occur on a Business Day and no later than the Business Day immediately preceding the Maturity Date, and *provided, further*, that after giving effect to any Borrowing, (i) the aggregate Outstanding Amount of all Loans and L/C Obligations shall not exceed the Aggregate Commitments, and (ii) the aggregate Outstanding Amount of the Loans of any Lender, *plus* such Lender's Pro Rata Share of the Outstanding Amount of all L/C Obligations shall not exceed such Lender's Commitment.

(b) Loans shall be available to the Borrower for the purposes set forth in ***Section 6.12****; provided, however*, the total outstanding principal amount of Distribution Loans may not at any time exceed $20,000,000.

2.02 Letters of Credit. (a) The Letter of Credit Commitment.

(i) Subject to the terms and conditions set forth herein, (A) each L/C Issuer agrees, in reliance upon the agreements of the other Lenders set forth in this ***Section 2.02***, (1) from time to time on any Business Day during the period from the Closing Date until the Letter of Credit Expiration Date, to issue Letters of Credit for the account of the Borrower or its Subsidiaries, and to amend or renew Letters of Credit previously issued by it, in accordance with ***subsection (b)*** below, and (2) to honor drafts under the Letters of Credit; and (B) the Lenders severally agree to participate in Letters of Credit issued for the account of the Borrower and its Subsidiaries; *provided that* the L/C Issuer shall not be obligated to make any L/C Credit Extension with respect to any Letter of Credit, and no Lender shall be obligated to participate in, any Letter of Credit if as of the date of such L/C Credit Extension, (x) the Outstanding Amount of all L/C Obligations and all Loans would exceed the Aggregate Commitments, (y) the aggregate Outstanding Amount of the Loans of any Lender, *plus* such Lender's Pro Rata Share of the Outstanding Amount of all L/C Obligations would exceed such Lender's Commitment, or (z) the Outstanding Amount of the L/C Obligations under Letters of Credit issued by such L/C Issuer would exceed the L/C Issuer

Commitment of such L/C Issuer. Within the foregoing limits, and subject to the terms and conditions hereof, the Borrower's ability to obtain Letters of Credit shall be fully revolving, and accordingly the Borrower may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed. All Existing Letters of Credit, if any, shall be deemed to have been issued pursuant hereto, and from and after the Closing Date shall be subject to and governed by the terms and conditions hereof.

(ii) The L/C Issuer shall be under no obligation to issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the L/C Issuer from issuing such Letter of Credit, or any Law applicable to the L/C Issuer or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the L/C Issuer shall prohibit, or request that the L/C Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the L/C Issuer with respect to such Letter of Credit any restriction, reserve or capital requirement (for which the L/C Issuer is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon the L/C Issuer any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which the L/C Issuer in good faith deems material to it;

(B) the issuance of such Letter of Credit would violate one or more policies of the L/C Issuer; or

(C) such Letter of Credit is in a face amount less than $100,000, or is to be used for a purpose other than as described in ***Section 6.12*** or is denominated in a currency other than Dollars.

(iii) The L/C Issuer shall not issue a Letter of Credit if:

(A) subject to ***Section 2.02(b)(iii)***, the expiry date of such requested Letter of Credit would occur more than twelve months after the date of issuance or last renewal, unless the Required Lenders have approved such expiry date; or

(B) the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless all the Lenders have approved such expiry date.

(iv) The L/C Issuer shall be under no obligation to amend any Letter of Credit if (A) the L/C Issuer would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(b) Procedures for Issuance and Amendment of Letters of Credit; Evergreen Letters of Credit.

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower delivered to the L/C Issuer (with a copy to the Administrative Agent) in the form of a Letter of Credit Application, appropriately completed and signed by a Responsible Officer of the Borrower. Such L/C Application must be received by the L/C Issuer and the Administrative Agent not later than 11:00 a.m., New York time, at least two Business Days (or such later date and time as the L/C Issuer may agree in a particular instance in its sole discretion)

prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as the L/C Issuer may require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the L/C Issuer (A) the Letter of Credit to be amended; (B) the proposed date of amendment thereof (which shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as the L/C Issuer may require.

(ii) Promptly after receipt of any Letter of Credit Application, the L/C Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Application from the Borrower and, if not, the L/C Issuer will provide the Administrative Agent with a copy thereof. Upon receipt by the L/C Issuer of confirmation from the Administrative Agent that the requested issuance or amendment is permitted in accordance with the terms hereof, then, subject to the terms and conditions hereof, the L/C Issuer shall, on the requested date, issue a Letter of Credit for the account of the Borrower or enter into the applicable amendment, as the case may be, in each case in accordance with the L/C Issuer's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the L/C Issuer a participation in such Letter of Credit in an amount equal to the product of such Lender's Pro Rata Share *times* the amount of such Letter of Credit.

(iii) If the Borrower so requests in any applicable Letter of Credit Application, the L/C Issuer may, in it sole and absolute discretion, agree to issue a Letter of Credit that has automatic renewal provisions (each, an "***Evergreen Letter of Credit***"); *provided that* any such Evergreen Letter of Credit must permit the L/C Issuer to prevent any such renewal at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "***Nonrenewal Notice Date***") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the L/C Issuer, the Borrower shall not be required to make a specific request to the L/C Issuer for any such renewal. Once an Evergreen Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the L/C Issuer to permit the renewal of such Letter of Credit at any time to a date not later than the Letter of Credit Expiration Date; *provided, however*, that the L/C Issuer shall not permit any such renewal if it has received notice on or before the Business Day immediately preceding the Nonrenewal Notice Date (1) from the Administrative Agent that the Required Lenders have elected not to permit such renewal or (2) from any Lender stating that one or more of the applicable conditions specified in ***Section 4.02*** is not then satisfied and directing the L/C Issuer not to permit such renewal. Notwithstanding anything to the contrary contained herein, the L/C Issuer shall have no obligation to permit the renewal of any Evergreen Letter of Credit at any time.

(iv) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the L/C Issuer will also deliver to the Borrower and the Administrative Agent a true and complete copy of such Letter of Credit or amendment.

(c) Drawings and Reimbursements; Funding of Participations.

(i) Upon any drawing under any Letter of Credit, the L/C Issuer shall notify the Borrower and the Administrative Agent thereof. Not later than 11:00 a.m., New York time, on the date of any payment by the L/C Issuer under a Letter of Credit (each such date, an "***Honor Date***"), the Borrower shall reimburse the L/C Issuer through the Administrative Agent in an amount equal to the amount of such drawing. If the Borrower fails to so reimburse the L/C Issuer by such time, the Administrative Agent shall promptly notify each Lender of the Honor Date, the amount of the unreimbursed drawing (the "***Unreimbursed Amount***"), and such Lender's Pro Rata Share thereof. In such event, the Borrower shall be deemed to have requested a Borrowing of Base Rate Loans to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in ***Section 2.03*** for the principal amount of Base Rate Loans, but subject to the amount of the unutilized portion of the Aggregate Commitments and the conditions set forth in ***Section 4.02*** (other than the delivery of a Borrowing Notice). Any notice given by the L/C Issuer or the Administrative Agent pursuant to this ***Section 2.02(c)(i)*** may be given by telephone if immediately confirmed in writing; *provided that* the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(ii) Each Lender (including the Lender acting as L/C Issuer) shall upon any notice pursuant to ***Section 2.02(c)(i)*** make funds available to the Administrative Agent for the account of the L/C Issuer at the Administrative Agent's Office in an amount equal to its Pro Rata Share of the Unreimbursed Amount not later than 1:00 p.m., New York time, on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of ***Section 2.02(c)(iii)***, each Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the L/C Issuer.

(iii) With respect to any Unreimbursed Amount that is not fully refinanced by a Borrowing of Base Rate Loans because the conditions set forth in ***Section 4.02*** cannot be satisfied or for any other reason, the Borrower shall be deemed to have incurred from the L/C Issuer an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate. In such event, each Lender's payment to the Administrative Agent for the account of the L/C Issuer pursuant to ***Section 2.02(c)(ii)*** shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this ***Section 2.02***.

(iv) Until each Lender funds its Loan or L/C Advance pursuant to this ***Section 2.02(c)*** to reimburse the L/C Issuer for any amount drawn under any Letter of Credit, interest in respect of such Lender's Pro Rata Share of such amount shall be solely for the account of the L/C Issuer.

(v) Each Lender's obligation to make Loans or L/C Advances to reimburse the L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this ***Section 2.02(c),*** shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the L/C Issuer, the Borrower or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default or Event of Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing. Any such reimbursement shall not relieve or otherwise impair the obligation of the Borrower to reimburse the L/C Issuer for the amount of any payment made by the L/C Issuer under any Letter of Credit, together with interest as provided herein.

(vi) If any Lender fails to make available to the Administrative Agent for the account of the L/C Issuer any amount required to be paid by such Lender pursuant to the foregoing provisions of this ***Section 2.02(c)*** by the time specified in ***Section 2.02(c)(ii),*** the L/C Issuer shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the L/C Issuer at a rate per annum equal to the Federal Funds Rate from time to time in effect. A certificate of the L/C Issuer submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this ***clause (vi)*** shall be conclusive absent manifest error.

(d) Repayment of Participations.

(i) At any time after the L/C Issuer has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with ***Section 2.02(c),*** if the Administrative Agent receives for the account of the L/C Issuer any payment related to such Letter of Credit (whether directly from the Borrower or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), or any payment of interest thereon, the Administrative Agent will distribute to such Lender its Pro Rata Share thereof in the same funds as those received by the Administrative Agent.

(ii) If any payment received by the Administrative Agent for the account of the L/C Issuer pursuant to ***Section 2.02(c)(i)*** is required to be returned, each Lender shall pay to the Administrative Agent for the account of the L/C Issuer its Pro Rata Share thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect.

(e) Obligations Absolute. The obligation of the Borrower to reimburse the L/C Issuer for each drawing under each Letter of Credit, and to repay each L/C Borrowing and each drawing under a Letter of Credit that is refinanced by a Borrowing of Loans, shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other agreement or instrument relating thereto;

(ii) the existence of any claim, counterclaim, set-off, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the L/C Issuer or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the L/C Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the L/C Issuer under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law; or

(v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, that might otherwise constitute a defense available to, or a discharge of, the Borrower.

The Borrower shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Borrower's instructions or other irregularity, the Borrower will immediately notify the L/C Issuer. The Borrower shall be conclusively deemed to have waived any such claim against the L/C Issuer and its correspondents unless such notice is given as aforesaid.

(f) Role of L/C Issuer. Each Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, the L/C Issuer shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. Neither the L/C Issuer, nor any of the respective Affiliates, correspondents, participants or assignees of the L/C Issuer shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Required Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Letter of Credit Application. The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; *provided*, *however*, that this assumption is not intended to, and shall not, preclude the Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. Neither the L/C Issuer, nor any of the respective Affiliates, correspondents, participants or assignees of the L/C Issuer, shall be liable or responsible for any of the matters described in ***clauses (i)*** through ***(v)*** of ***Section 2.02(e)***; *provided*, *however*, that anything in such clauses to the contrary notwithstanding, the Borrower may have a claim against the L/C Issuer, and the L/C Issuer may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower which the Borrower proves were caused by the L/C Issuer's willful misconduct or gross negligence or the L/C Issuer's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, the L/C Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and the L/C Issuer shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

(g) Cash Collateral. Upon the request of the Administrative Agent, (i) if the L/C Issuer has honored any full or partial drawing request under any Letter of Credit and such drawing has resulted in an L/C Borrowing, or (ii) if, as of the Letter of Credit Expiration Date, any Letter of Credit may for any reason remain outstanding and partially or wholly undrawn, the Borrower shall immediately Cash Collateralize the then Outstanding Amount of all L/C Obligations (in an amount equal to such

Outstanding Amount). In addition, ***Sections 2.04(c)*** and ***8.02*** set forth certain requirements to Cash Collateralize under the circumstances therein described. The Borrower hereby grants to the Administrative Agent, for the benefit of the L/C Issuer and the Lenders, a security interest in all such cash, deposit accounts and all balances therein and all proceeds of the foregoing. Cash collateral shall be maintained in blocked interest bearing deposit accounts at the Administrative Agent.

(h) Applicability of ISP98 and UCP. Unless otherwise expressly agreed by the L/C Issuer and the Borrower when a Letter of Credit is issued (including any such agreement applicable to an Existing Letter of Credit), the rules of the "*International Standby Practices 1998*" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance) shall apply to each standby Letter of Credit, and the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce at the time of issuance, shall apply to each commercial Letter of Credit.

(i) Letter of Credit Fees. The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Pro Rata Share a Letter of Credit fee for each Letter of Credit issued equal to the Applicable Rate *times* the actual daily undrawn amount under each Letter of Credit. Such fee for each Letter of Credit shall be due and payable on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, and on the Letter of Credit Expiration Date. If there is any change in the Applicable Rate during any quarter, the actual daily undrawn amount of each Letter of Credit shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect.

(j) Fronting Fee and Documentary and Processing Charges Payable to L/C Issuer. The Borrower shall pay directly to the L/C Issuer for its own account a fronting fee in an amount with respect to each Letter of Credit issued equal to 1/8 of 1% per annum on the daily undrawn amount thereunder, due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, and on the Letter of Credit Expiration Date. In addition, the Borrower shall pay directly to the L/C Issuer for its own account the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of the L/C Issuer relating to letters of credit as from time to time in effect. Such fees and charges are due and payable on demand and are nonrefundable.

(k) Conflict with Letter of Credit Application. In the event of any conflict between the terms hereof and the terms of any Letter of Credit Application, the terms hereof shall control.

2.03 Borrowings, Conversions and Continuations of Loans.

(a) Each Borrowing, each conversion of Loans from one Type to the other, and each continuation of Loans as the same Type shall be made upon the Borrower's irrevocable notice to the Administrative Agent, which may be given by telephone. Each such notice must be received by the Administrative Agent not later than 11:00 a.m., New York time, (i) three Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Eurodollar Rate Loans, (ii) one Business Day prior to the conversion of Eurodollar Rate Loans to Base Rate Loans, and (iii) on the requested date of any Borrowing of Base Rate Loans. Each such telephonic notice must be confirmed promptly by delivery to the Administrative Agent of a written Borrowing Notice, appropriately completed and signed by an authorized officer of the Borrower. Each Borrowing of, conversion to or continuation of Eurodollar Rate Loans shall be in a principal amount of $500,000 or a whole multiple of $500,000 in excess thereof. Each Borrowing of or conversion to Base Rate Loans shall be in a principal amount of $500,000 or a whole multiple of $100,000 in excess thereof. Each Borrowing Notice (whether telephonic

or written) shall specify (i) whether the Borrower is requesting a Borrowing, a conversion of Loans from one Type to the other, or a continuation of Loans as the same Type, (ii) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Loans to be borrowed, converted or continued, (iv) the Type of Loans to be borrowed or to which existing Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Borrower fails to specify a Type of Loan in a Borrowing Notice or if the Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable Loans shall be made or continued as, or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans. If the Borrower requests a Borrowing of, conversion to, or continuation of Eurodollar Rate Loans in any such Borrowing Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(b) Following receipt of a Borrowing Notice, the Administrative Agent shall promptly notify each Lender of its Pro Rata Share of the applicable Loans, and if no timely notice of a conversion or continuation is provided by the Borrower, the Administrative Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans described in the preceding subsection. In the case of a Borrowing, each Lender shall make the amount of its Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 1:00 p.m., New York time, on the Business Day specified in the applicable Borrowing Notice. Upon satisfaction of the applicable conditions set forth in ***Section 4.02*** (and, if such Borrowing is the initial Borrowing, ***Section 4.01***), the Administrative Agent shall make all funds so received available to the Borrower in like funds as received by the Administrative Agent either by (i) crediting the account of the Borrower on the books of Citibank with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to the Administrative Agent by the Borrower; *provided*, *however*, that if, on the date of the Borrowing there are L/C Borrowings outstanding, then the proceeds of such Borrowing shall be applied, *first*, to the payment in full of any such L/C Borrowings, and *second*, to the Borrower as provided above.

(c) Except as otherwise provided herein, a Eurodollar Rate Loan may be continued or converted only on the last day of the Interest Period for such Eurodollar Rate Loan. During the existence of a Default or Event of Default, no Loans may be requested as, converted to or continued as Eurodollar Rate Loans without the consent of the Required Lenders, and the Required Lenders may demand that any or all of the then outstanding Eurodollar Rate Loans be converted immediately to Base Rate Loans.

(d) The Administrative Agent shall promptly notify the Borrower and the Lenders of the interest rate applicable to any Eurodollar Rate Loan upon determination of such interest rate. The determination of the Eurodollar Rate by the Administrative Agent shall be conclusive in the absence of manifest error.

(e) After giving effect to all Borrowings, all conversions of Loans from one Type to the other, and all continuations of Loans as the same Type, there shall not be more than ten (10) Interest Periods in effect at any given time with respect to Loans.

2.04 Prepayments.

(a) Optional Prepayments. The Borrower may, upon notice to the Administrative Agent, at any time or from time to time voluntarily prepay in whole or in part the Loans without premium or penalty; *provided that* (i) such notice must be received by the Administrative Agent not later than 11:00 a.m., New York time, (A) three Business Days prior to any date of prepayment of Eurodollar Rate Loans, and (B) on the date of prepayment of Base Rate Loans; (ii) any prepayment of Eurodollar Rate Loans

shall be in a principal amount of $500,000 or a whole multiple of $500,000 in excess thereof; and (iii) any prepayment of Base Rate Loans shall be in a principal amount of $500,000 or a whole multiple of $100,000 in excess thereof. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of such Lender's Pro Rata Share of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a Eurodollar Rate Loan shall be accompanied by all accrued interest thereon, together with any additional amounts required pursuant to ***Section 3.05***. Each such prepayment shall be applied to the Loans of the Lenders in accordance with their respective Pro Rata Shares.

Unless a Default or Event of Default has occurred and is continuing or would arise as a result thereof any payment or prepayment of the Loans may be reborrowed by Borrower, subject to the terms and conditions hereof.

(b) Mandatory Prepayments from Net Cash Proceeds of Triggering Sales.

(i) If any portion of the Net Cash Proceeds realized by a Company from any Triggering Sale (including any deferred purchase price therefor) has not been Reinvested within two hundred seventy (270) days from the receipt by such Company of such Net Cash Proceeds (including receipt of any deferred payments for any such Triggering Sale or portion thereof, if and when received), then on the Business Day following such two hundred and seventieth (270^{th}) day the Commitments shall be permanently reduced, and the Loans shall be prepaid, in an amount equal to the Reduction Amount that is not so Reinvested.

(ii) The prepayments provided for in this ***Section 2.04(b)*** shall be applied as follows, *unless* a Default or Event of Default has occurred and is continuing or would arise as a result thereof (whereupon the provisions of ***Section 2.11(d)***shall apply): (A) first, as a payment of all Unreimbursed Amounts then outstanding, until paid in full, and (B) second, as a prepayment of the Outstanding Loans. All mandatory prepayments shall be allocated Pro Rata to each Lender. All mandatory prepayments made pursuant to this ***Section 2.04(b)*** shall permanently reduce the Commitments.

(iii) Within two (2) Business Days of a Company's receipt of Net Cash Proceeds from a Triggering Sale, the Borrower shall (or shall cause the applicable Company to) deposit an amount equal to the Reduction Amount into an account with the Administrative Agent (the "***Proceeds Account***"); *provided*, *however*, that the Borrower shall not be required to deposit an amount that is more than the amount of the Commitments. Such proceeds shall remain in the Proceeds Account until the earlier of (x) the date such proceeds are Reinvested, or (y) the two hundred and seventieth (270^{th}) day following the receipt of such proceeds. If such proceeds are not Reinvested as herein provided, such proceeds shall, on the Business Day following such ninetieth day, be used for prepayment of Loans and any excess shall be refunded to the Borrower, or, if there are no outstanding Loans, or unpaid outstanding Obligations then due, such proceeds shall be refunded to the Borrower, and the Commitments shall be permanently reduced as provided in ***Section 2.04(b)(i)***; *provided*, *however*, that if the outstanding Loans are Eurodollar Rate Loans, the Administrative Agent shall hold such proceeds in the Proceeds Account until the Eurodollar Rate Loans can be prepaid without incurring funding losses under ***Section 3.05***; *provided*, *further*, that if the Loans have become due and payable pursuant to ***Section 8.02*** or otherwise, the Administrative Agent may, without notice, apply all funds in the Proceeds Account to repayment of the Obligations.

(iv) All funds held in the Proceeds Account shall be invested in time deposits or certificates of deposit issued by the Administrative Agent or in investments that constitute Permitted Investments (*provided that* the maturities thereof shall not exceed 90 days). All interest and income earned on the amounts held in the Proceeds Account shall be paid to the Borrower at the time the funds therein are applied as provided in this ***Section 2.04(b)***.

(v) The Borrower hereby grants to the Administrative Agent, for the benefit of the Lenders, a lien on and security interest in and to the Proceeds Account and all monies, cash, checks, drafts, certificates of deposit, instruments, investment property, and other items ever received by Administrative Agent for deposit therein and held therein, as security for the Obligations. The rights granted by this ***Section 2.04(b)(v)*** shall be in addition to the rights of the Administrative Agent under any statutory banker's Lien or the common law right of setoff.

(c) Mandatory Payments/Reductions. If for any reason the Outstanding Amount of all Loans and L/C Obligations at any time exceeds the Aggregate Commitments then in effect, the Borrower shall immediately prepay Loans and/or Cash Collateralize the L/C Obligations in an aggregate amount equal to such excess.

(d) Mandatory Prepayments: Interest/Consequential Loss. All prepayments under this ***Section 2.04*** shall be made *together with* accrued interest to the date of such prepayment on the principal amount prepaid and any amounts due under ***Section 3.05***.

(e) Mandatory Prepayments: Clean-Down Period. The Borrower shall make such prepayments of Borrowings used to fund Quarterly Distributions as are required in order to comply with ***Section 6.15***. For purposes of calculating compliance with ***Section 6.15***, when a prepayment of Loans is made pursuant to this ***Section 2.04***, unless otherwise specified by the Borrower, such prepayment shall *first* be considered to prepay Loans made for Quarterly Distributions, and *second* be considered to prepay Loans made for other purposes permitted by ***Section 6.12***.

2.05 Reduction or Termination of Commitments. The Borrower may, upon notice to the Administrative Agent, terminate the Aggregate Commitments, or permanently reduce the Aggregate Commitments to an amount not less than the then Outstanding Amount of all Loans and L/C Obligations; *provided that* (i) any such notice shall be received by the Administrative Agent not later than 11:00 a.m., five Business Days prior to the date of termination or reduction, and (ii) any such partial reduction shall be in an aggregate amount of $5,000,000 or any whole multiple of $1,000,000 in excess thereof. The Administrative Agent shall promptly notify the Lenders of any such notice of reduction or termination. Once reduced in accordance with this Section, the Commitments may not be increased. Any reduction of the Aggregate Commitments shall be applied to the Aggregate Commitments of each Lender according to its Pro Rata Share. All facility fees on the portion of the Commitment so terminated which have accrued to the effective date of any termination of Commitments shall be paid on the effective date of such termination.

2.06 Repayment of Loans. The Borrower shall repay to the Lenders on the Maturity Date the aggregate principal amount of Loans outstanding on such date.

2.07 Interest. (a) Subject to the provisions of ***subsection (b)*** below, (i) each Eurodollar Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Eurodollar Rate for such Interest Period *plus* the Applicable Rate and (ii) each Base Rate Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate *plus* the Applicable Rate.

(b) While any Event of Default exists or after acceleration, (i) the Borrower shall pay interest on the principal amount of all outstanding Obligations at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Law, and (ii) accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

(d) If the designated rate applicable to any Borrowing exceeds the Maximum Rate, the rate of interest on such Borrowing shall be limited to the Maximum Rate, but any subsequent reductions in such designated rate shall not reduce the rate of interest thereon below the Maximum Rate until the total amount of interest accrued thereon equals the amount of interest which would have accrued thereon if such designated rate had at all times been in effect. In the event that at maturity (stated or by acceleration), or at final payment of the Outstanding Amount of any Loans or L/C Obligations, the total amount of interest paid or accrued is less than the amount of interest which would have accrued if such designated rates had at all times been in effect, then, at such time and to the extent permitted by Law, the Borrower shall pay an amount equal to the difference between (a) the lesser of the amount of interest which would have accrued if such designated rates had at all times been in effect and the amount of interest which would have accrued if the Maximum Rate had at all times been in effect, and (b) the amount of interest actually paid or accrued on such Outstanding Amount.

2.08 Fees. (a) Facility Fee. The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Pro Rata Share, a facility fee equal to the Applicable Rate *times* the actual daily amount of the Aggregate Commitments, regardless of usage. The facility fee shall accrue at all times from the Closing Date until the Maturity Date and shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the Closing Date, and on the Maturity Date. The facility fee shall be calculated quarterly in arrears, and if there is any change in the Applicable Rate during any quarter, the actual daily amount shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect. The facility fee shall accrue at all times from and after the Closing Date, including at any time during which one or more of the conditions in ***Article IV*** is not met.

(b) Utilization Fee. The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Pro Rata Share, a utilization fee equal to the Applicable Rate *times* the actual daily aggregate Outstanding Amount of Loans and L/C Obligations on each day that such aggregate Outstanding Amount exceeds 50% of the Aggregate Commitments. The utilization fee shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the Closing Date, and on the Maturity Date. The utilization fee shall be calculated quarterly in arrears. The utilization fee shall accrue at all times, including at any time during which one or more of the conditions in ***Article IV*** is not met.

(c) Arranger's and Agency Fees. The Borrower shall pay certain fees to the Arranger for the Arranger's own account, and shall pay an agency fee to the Administrative Agent for the Administrative Agent's own account, in the amounts and at the times specified in the letter agreement, dated November 3, 2004 (the "***Agent/Arranger Fee Letter***"), between the Borrower, the Arrangers and the Administrative Agent. Such fees shall be fully earned when paid and shall be nonrefundable for any reason whatsoever.

(d) Lenders' Upfront Fee. On the Closing Date, the Borrower shall pay to the Administrative Agent, for the account of the Lenders in accordance with their respective Pro Rata Shares, an upfront fee in the agreed amount in accordance with the Agent/Arranger Fee Letter. Such upfront fees are for the credit facilities by the Lenders under this Agreement and are fully earned on the date paid. The upfront fee paid to each Lender is solely for its own account and is nonrefundable for any reason whatsoever.

2.09 Computation of Interest and Fees. Computation of interest on Base Rate Loans shall be calculated on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed. Computation of all other types of interest and all fees shall be calculated on the basis of a year of 360 days and the actual number of days elapsed, which results in a higher yield to the payee thereof than a method based on a year of 365 or 366 days. Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, *provided that* any Loan that is repaid on the same day on which it is made shall bear interest for one day.

2.10 Evidence of Debt. (a) The Loans made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Loans made by the Lenders to the Borrower and the interest and payments thereon. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Loans or the L/C Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of such Lender shall control. Upon the request of any Lender made through the Administrative Agent, such Lender's Loans may be evidenced by one or more Notes. Each Lender may attach schedules to its Note(s) and endorse thereon the date, Type (if applicable), amount and maturity of the applicable Loans and payments with respect thereto.

(b) In addition to the accounts and records referred to in ***subsection (a)***, each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Letters of Credit. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control.

2.11 Payments Generally. (a) All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 12:00 noon, New York time, on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Pro Rata Share (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after 12:00 noon, New York time, shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue.

(b) Subject to the definition of "***Interest Period***," if any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

(c) If no Default or Event of Default exists and if no order of application is otherwise specified in the Loan Documents, payments and prepayments of the Obligations shall be applied first to fees, second to accrued interest then due and payable on the Outstanding Amount of Loans and L/C Obligations, and then to the remaining Obligations in the order and manner as Borrower may direct.

(d) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully the Obligations, or if a Default or Event of Default exists, any payment or prepayment shall be applied in the following order: (i) to the payment of enforcement expenses incurred by the Administrative Agent, including Attorney Costs; (ii) to the ratable payment of all other fees, expenses, and indemnities for which the Administrative Agent or Lenders have not been paid or reimbursed in accordance with the Loan Documents (as used in this ***Section 2.11(d)(ii)***, a "*ratable payment*" for any Lender or the Administrative Agent shall be, on any date of determination, that proportion which the portion of the total fees, expenses, and indemnities owed to such Lender or the Administrative Agent bears to the total aggregate fees and indemnities owed to all Lenders and the Administrative Agent on such date of determination); (iii) to the ratable payment of accrued and unpaid interest on the Outstanding Amount of Loans and L/C Borrowings (as used in this ***Section 2.11(d)(iv)***, "*ratable payment*" means, for any Lender, on any date of determination, that proportion which the accrued and unpaid interest on the Outstanding Amount of Loans and L/C Borrowings owed to such Lender bears to the total accrued and unpaid interest on the Outstanding Amount of Loans and L/C Borrowings owed to all Lenders); (iv) to the ratable payment of the Outstanding Amount of Loans and L/C Borrowings (as used in this ***Section 2.11(d)(v)***, "*ratable payment*" means for any Lender, on any date of determination, that proportion which the Outstanding Amount of Loans and L/C Borrowings owed to such Lender bears to the Outstanding Amount of Loans and L/C Borrowings owed to all Lenders); (v) to Cash Collateralize Letters of Credit; and (vi) to the payment of the remaining Obligations, if any, in the order and manner Required Lenders deem appropriate.

(e) Unless the Borrower or any Lender has notified the Administrative Agent prior to the date any payment is required to be made by it to the Administrative Agent hereunder (or, in the case of a Lender's notice associated with a Base Rate Loan, prior to 1:00 p.m., New York time, on the date of the funding of such Loan) that the Borrower or such Lender, as the case may be, will not make such payment, the Administrative Agent may assume that the Borrower or such Lender, as the case may be, has timely made such payment and may (but shall not be so required to), in reliance thereon, make available a corresponding amount to the Person entitled thereto. If and to the extent that such payment was not in fact made to the Administrative Agent in immediately available funds, then:

(i) if the Borrower failed to make such payment, each Lender shall forthwith on demand repay to the Administrative Agent the portion of such assumed payment that was made available to such Lender in immediately available funds, together with interest thereon in respect of each day from and including the date such amount was made available by the Administrative Agent to such Lender to the date such amount is repaid to the Administrative Agent in immediately available funds, at the Federal Funds Rate from time to time in effect; and

(ii) if any Lender failed to make such payment, such Lender shall forthwith on demand pay to the Administrative Agent the amount thereof in immediately available funds, together with interest thereon for the period from the date such amount was made available by the Administrative Agent to the Borrower to the date such amount is recovered by the Administrative Agent (the "***Compensation Period***") at a rate per annum equal to the Federal Funds Rate from time to time in effect. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan, included in the applicable Borrowing. If such Lender does not pay such amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent may make a demand therefor upon the Borrower, and the Borrower

shall pay such amount to the Administrative Agent, together with interest thereon for the Compensation Period at a rate per annum equal to the rate of interest applicable to the applicable Borrowing. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its Commitment or to prejudice any rights which the Administrative Agent or the Borrower may have against any Lender as a result of any default by such Lender hereunder.

A notice of the Administrative Agent to any Lender with respect to any amount owing under this ***subsection (e)*** shall be conclusive, absent manifest error.

(f) If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this ***Article II***, and the conditions to the applicable Borrowing set forth in ***Article IV*** are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(g) The obligations of the Lenders hereunder to make Loans and to fund participations in Letters of Credit are several and not joint. The failure of any Lender to make any Loan on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan or purchase its participation.

(h) Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

2.12 Sharing of Payments. If, other than as expressly provided elsewhere herein, any Lender shall obtain on account of the Loans made by it, or the participations in L/C Obligations, any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its ratable share (or other share contemplated hereunder) thereof, such Lender shall immediately (a) notify the Administrative Agent of such fact, and (b) purchase from the other Lenders such participations in the Loans made by them, and/or such subparticipations in the participations in L/C Obligations held by them, as shall be necessary to cause such purchasing Lender to share the excess payment in respect of such Loan or such participations, as the case may be, pro rata with each of them; *provided*, *however*, that if all or any portion of such excess payment is thereafter recovered from the purchasing Lender, such purchase shall to that extent be rescinded and each other Lender shall repay to the purchasing Lender the purchase price paid therefor, together with an amount equal to such paying Lender's ratable share (according to the proportion of (i) the amount of such paying Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to ***Section 10.09***) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Lenders following any such purchases or repayments. Each Lender that purchases a participation pursuant to this Section shall from and after such purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Obligations purchased to the same extent as though the purchasing Lender were the original owner of the Obligations purchased.

2.13 Increase in Aggregate Committed Sum.

(a) Provided there exists no Default or Event of Default, the Borrower may from time to time provide notice to the Administrative Agent (who shall promptly notify the Lenders) that (i) one or more Lenders has or have agreed to increase its (or their) Committed Sum under the Credit Agreement, or (ii) one or more Eligible Assignees (other than a Lender) has or have agreed to become Lender(s) pursuant a joinder agreement in form and substance satisfactory to the Administrative Agent; *provided*, *that* (i) the Borrower shall be required to obtain the prior written consent of each L/C Issuer to the addition of any new Lender and to the increase in the Committed Sum of any existing Lender, (ii) the minimum Committed Sum of any new Lender shall be $5,000,000, and (iii) the Aggregate Committed Sum may at no time exceed $400,000,000. No Lender is obligated to increase its Committed Sum at any time pursuant to this ***Section 2.13***.

(b) If the Aggregate Committed Sum is increased in accordance with this ***Section 2.13***, the Administrative Agent and the Borrower shall determine the effective date (the "***Increase Effective Date***") of such increase. The Administrative Agent shall promptly notify the Borrower and the Lenders of such increase and the Increase Effective Date. As a condition precedent to such increase, the Borrower shall deliver to the Administrative Agent a certificate of the Borrower and of each Guarantor dated as of the Increase Effective Date signed by a Responsible Officer of each such Loan Party (i) certifying and attaching the resolutions adopted by such Loan Party approving or consenting to such increase, and (ii) in the case of the Borrower, certifying that, before and after giving effect to such increase, (A) the representations and warranties contained in ***Article V*** of the Credit Agreement and the other Loan Documents are true and correct on and as of the Increase Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this ***Section 2.13***, the representations and warranties contained in ***Sections 5.05(a)*** and ***(b)*** shall be deemed to refer to the most recent financial statements furnished pursuant to ***subsections (a)*** and ***(b)***, respectively, of ***Section 6.01***, and (B) no Default or Event of Default exists. The Borrower shall prepay any Loans outstanding on the Increase Effective Date (and pay any additional amounts required pursuant to ***Section 3.05***) to the extent necessary to keep the outstanding Loans ratable with any revised Pro Rata Shares arising from any nonratable increase in the Aggregate Committed Sum under this ***Section 2.13***.

(c) This ***Section 2.13*** shall supersede any provisions in ***Sections 2.12*** or ***10.01*** to the contrary.

ARTICLE III.
TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes.

(a) Any and all payments by the Borrower to or for the account of the Administrative Agent or any Lender under any Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and all liabilities with respect thereto, *excluding*, in the case of the Administrative Agent and each Lender, taxes imposed on or measured by its net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which the Administrative Agent or such Lender, as the case may be, is organized or maintains its Lending Office (all such non-excluded taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and liabilities being hereinafter referred to as "***Taxes***"). If the Borrower shall be required by any Laws to deduct any Taxes from or in respect of any sum payable under any Loan Document to the Administrative Agent or any Lender, (i) the sum payable shall be increased as necessary

so that after making all required deductions (including deductions applicable to additional sums payable under this Section), each of the Administrative Agent and such Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Laws, and (iv) within 30 days after the date of such payment, the Borrower shall furnish to the Administrative Agent (which shall forward the same to such Lender) the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, the Borrower agrees to pay any and all present or future stamp, court or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under any Loan Document or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, any Loan Document (hereinafter referred to as "***Other Taxes***").

(c) If the Borrower shall be required to deduct or pay any Taxes or Other Taxes from or in respect of any sum payable under any Loan Document to the Administrative Agent or any Lender, the Borrower shall also pay to the Administrative Agent (for the account of such Lender) or to such Lender, at the time interest is paid, such additional amount that such Lender specifies as necessary to preserve the after-tax yield (after factoring in all taxes, including taxes imposed on or measured by net income) such Lender would have received if such Taxes or Other Taxes had not been imposed.

(d) The Borrower agrees to indemnify the Administrative Agent and each Lender for (i) the full amount of Taxes and Other Taxes (including any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section) paid by the Administrative Agent and such Lender, (ii) amounts payable under ***Section 3.01(c)*** and (iii) any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. Payment under this subsection (d) shall be made within 30 days after the date the Lender or the Administrative Agent makes a demand therefor.

3.02 Illegality. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund Eurodollar Rate Loans, or materially restricts the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the applicable offshore Dollar market, or to determine or charge interest rates based upon the Eurodollar Rate, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender to make or continue Eurodollar Rate Loans or to convert Base Rate Loans to Eurodollar Rate Loans shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all Eurodollar Rate Loans of such Lender to Base Rate Loans, either on the last day of the Interest Period thereof, if such Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Rate Loans. Upon any such prepayment or conversion, the Borrower shall also pay interest on the amount so prepaid or converted. Each Lender agrees to designate a different Lending Office if such designation will avoid the need for such notice and will not, in the reasonable judgment of such Lender, otherwise be materially disadvantageous to such Lender.

3.03 Inability to Determine Rates. If the Administrative Agent determines in connection with any request for a Eurodollar Rate Loan or a conversion to or continuation thereof that (a) Dollar deposits are not being offered to banks in the applicable offshore Dollar market for the applicable amount and Interest Period of such Eurodollar Rate Loan, or adequate and reasonable means do not exist for determining the Eurodollar Rate for such Eurodollar Rate Loan, or (b) if the Required Lenders determine

and notify the Administrative Agent that the Eurodollar Rate for such Eurodollar Rate Loan does not adequately and fairly reflect the cost to the Lenders of funding such Eurodollar Rate Loan, then the Administrative Agent will promptly notify the Borrower and all Lenders. Thereafter, the obligation of the Lenders to make or maintain Eurodollar Rate Loans shall be suspended until the Administrative Agent revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing, conversion or continuation of Eurodollar Rate Loans or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans in the amount specified therein.

3.04 Increased Cost and Reduced Return; Capital Adequacy; Reserves on Eurodollar Rate Loans.

(a) If any Lender determines that as a result of a Change in Law, or such Lender's compliance therewith, there shall be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Loans or (as the case may be) issuing or participating in Letters of Credit, or a reduction in the amount received or receivable by such Lender in connection with any of the foregoing (excluding for purposes of this ***subsection (a)*** any such increased costs or reduction in amount resulting from (i) Taxes or Other Taxes (as to which ***Section 3.01*** shall govern), (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or any foreign jurisdiction or any political subdivision of either thereof under the Laws of which such Lender is organized or has its Lending Office, and (iii) reserve requirements contemplated by ***Section 3.04(c)*** utilized, as to Eurodollar Rate Loans, in the determination of the Eurodollar Rate), then from time to time upon demand of such Lender (with a copy of such demand to the Administrative Agent), the Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such increased cost or reduction. No Lender shall have the right to recover such additional amounts for any period more than 90 days prior to the date such Lender notified the Borrower thereof.

(b) If any Lender determines a Change In Law has the effect of reducing the rate of return on the capital of such Lender or any corporation controlling such Lender as a consequence of such Lender's obligations hereunder (taking into consideration its policies with respect to capital adequacy and such Lender's desired return on capital), then from time to time upon demand of such Lender (with a copy of such demand to the Administrative Agent), the Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such reduction. No Lender shall have the right to recover such additional amounts for any period more than 90 days prior to the date such Lender notified the Borrower thereof.

(c) The Borrower shall pay to each Lender, as long as such Lender shall be required under regulations of the Board to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "***Eurocurrency liabilities***"), additional costs on the unpaid principal amount of each Eurodollar Rate Loan equal to the actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Loan, *provided* the Borrower shall have received at least 15 days' prior notice (with a copy to the Administrative Agent) of such additional interest from such Lender. If a Lender fails to give notice 15 days prior to the relevant Interest Payment Date, such additional interest shall be due and payable 15 days from receipt of such notice.

3.05 Funding Losses. Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise); or

(b) any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan other than a Base Rate Loan on the date or in the amount notified by the Borrower.

For purposes of calculating amounts payable by the Borrower to the Lenders under this ***Section 3.05***, each Lender shall be deemed to have funded each Eurodollar Rate Loan made by it at the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the applicable offshore Dollar interbank market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded.

3.06 Matters Applicable to all Requests for Compensation. A certificate of the Administrative Agent or any Lender claiming compensation under this ***Article III*** and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, the Administrative Agent or such Lender may use any reasonable averaging and attribution methods.

3.07 Survival. All of the Borrower's obligations under this ***Article III*** shall survive termination of the Commitments and payment in full of all the other Obligations.

ARTICLE IV.
CONDITIONS PRECEDENT TO BORROWINGS

4.01 Conditions to Credit Extension. The obligation of each Lender to make its initial Credit Extension hereunder is subject to satisfaction of the following conditions precedent:

(a) The Administrative Agent's receipt of the following, each of which shall be originals or facsimiles (followed promptly by originals) and unless otherwise specified, each properly executed by an authorized officer of the signing Loan Party, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance reasonably satisfactory to the Administrative Agent:

(i) executed counterparts of this Agreement, the Guaranty executed by the Subsidiaries of Borrower, and the Guaranty executed by the MLP, each dated as of the Closing Date;

(ii) Notes executed by the Borrower in favor of each Lender requesting such Notes, each in a principal amount equal to such Lender's Committed Sum, each dated as of the Closing Date;

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of officers of each Loan Party as the Administrative Agent may require to establish the identities of and verify the authority and capacity of each officer thereof authorized to act in connection with this Agreement and the other Loan Documents to which such Loan Party is a party;

(iv) such evidence as the Administrative Agent may reasonably require to verify that each Loan Party and the General Partner is duly organized or formed, validly existing, in good standing in the jurisdiction of its organization;

(v) a certificate signed by an a Responsible Officer of the Borrower certifying (A) that the representations and warranties contained in ***Article V*** are true and correct in all respects on and as of such date, (B) no Default or Event of Default has occurred and is continuing as of such date, (C) since December 31, 2003 there has occurred no material adverse change in the business, assets, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of the Borrower and its Subsidiaries taken as a whole, or of any Borrower Affiliate, (D) there is no litigation, investigation or proceeding known to and affecting the Borrower or any Borrower Affiliate for which the Borrower is required to give notice pursuant to ***Section 6.03(c)*** (or, if there is any such litigation, investigation or proceeding, then a notice containing the information required by ***Section 6.03(c)*** shall be given concurrently with the delivery of the certificate given pursuant to this ***clause (v)***), and (E) no action, suit, investigation or proceeding is pending or threatened in any court or before any arbitrator or governmental authority by or against the Borrower or any Borrower Affiliate, or any of their respective properties, that (x) could reasonably be expected to materially and adversely affect the Borrower, any Borrower Affiliate, or any Guarantor, or (y) seeks to affect any transaction contemplated hereby or the ability of the Borrower or any Guarantor to perform its obligations under the Loan Documents, and (F) the current Debt Ratings;

(vi) a certificate of a Responsible Officer listing the Material Agreements then in effect;

(vii) receipt of audited financial statements of the MLP as of December 31, 2003, unaudited financial statements of the MLP as of September 30, 2004, and such other financial information as the Administrative Agent may reasonably request;

(viii) opinions from (i) Ballard Spahr Andrews & Ingersoll, LLP, counsel to each Loan Party and the General Partner, substantially in the form of ***Exhibit F-1*** hereto, and (ii) Bruce Davis, Esq., counsel to each Loan Party and the General Partner, substantially in the form of ***Exhibit F-2*** hereto, and (iii) Vinson & Elkins LLP, special Texas counsel to the Borrower, substantially in the form of ***Exhibit F-3*** hereto;

(ix) a letter from CT Corporation System, Inc., to accept service of process in the State of New York on behalf of the Borrower and each Guarantor;

(x) evidence of termination of the Existing Credit Facility and repayment of all loans thereunder; and

(xi) such other assurances, certificates, documents, consents or opinions as the Administrative Agent, the L/C Issuer, or the Required Lenders reasonably may require.

(b) Any fees due and payable at the Closing Date shall have been paid.

(c) The Borrower shall have paid Attorney Costs of the Administrative Agent to the extent invoiced prior to, or on, the Closing Date.

(d) The Debt Rating of the Borrower shall be an Investment Grade Rating or better.

The Administrative Agent shall notify the Borrower and the Lenders of the Closing Date, and such notice shall be conclusive and binding.

4.02 Conditions to all Loans and L/C Credit Extensions. The obligation of each Lender to honor any Borrowing Notice (other than a Borrowing Notice requesting only a conversion of Loans to the other Type, or a continuation of Loans as the same Type) and the obligation of the L/C Issuer to issue any Letter of Credit is subject to the following conditions precedent:

(a) The representations and warranties of the Loan Parties contained in ***Article V*** (other than ***Section 5.05(c)***), or which are contained in any document furnished at any time under or in connection herewith, shall be true and correct on and as of the date of such Request for Credit Extension, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and except that for purposes of this ***Section 4.02***, the representations and warranties contained in ***subsections (a)*** and ***(b)*** of ***Section 5.05*** shall be deemed to refer to the most recent statements furnished pursuant to ***clauses (a)*** and ***(b)***, respectively, of ***Section 6.01***.

(b) No Default or Event of Default shall exist or would result from such proposed Request for Credit Extension.

(c) The Administrative Agent, and, if applicable, the L/C Issuer, shall have received a Request for Credit Extension and, if applicable, a Letter of Credit Application in accordance with the requirements hereof.

(d) The Administrative Agent shall have received, in form and substance reasonably satisfactory to it, such other assurances, certificates, documents or consents related to the foregoing as the Administrative Agent or the Required Lenders reasonably may require.

Each Request for Credit Extension (other than a Borrowing Notice requesting only a conversion of Loans to the other Type or a continuation of Loans as the same Type) submitted by the Borrower shall be deemed to be a representation and warranty that the conditions specified in ***Sections 4.02(a)*** and ***(b)*** have been satisfied on and as of the date of the applicable Credit Extension.

ARTICLE V.
REPRESENTATIONS AND WARRANTIES

Each of the Borrower and the MLP, and each Guarantor by its execution of a Guaranty, represents and warrants to the Administrative Agent and the Lenders that:

5.01 Existence; Qualification and Power; Compliance with Laws. As of the Closing Date, the General Partner shall be the sole general partner of the Borrower. All of the limited partner interests in the Borrower, which shall constitute 99.99% of the partner interests of the Borrower, are owned by the MLP. The General Partner and each Loan Party (a) is a corporation, partnership or limited liability company duly organized or formed, validly existing and in good standing under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all governmental licenses, authorizations, consents and approvals to own its assets, carry on its business and to execute, deliver, and perform its obligations under the Loan Documents to which it is a party, (c) is duly qualified and is licensed and in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license, and (d) is in compliance with all Laws, except in each case referred to in ***clause (c)*** or this ***clause (d)***, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.02 Authorization; No Contravention. The execution, delivery and performance by each Loan Party of each Loan Document to which such Person is party, have been duly authorized by all necessary corporate or other organizational action, and do not and will not (a) contravene the terms of any of such Person's Organization Documents; (b) conflict with or result in any breach or contravention of, or the creation of any Lien under, any Contractual Obligation to which such Person is a party or any order, injunction, writ or decree of any Governmental Authority to which such Person or its property is subject; or (c) violate any Law.

5.03 Governmental Authorization. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority is necessary or required in connection with the execution, delivery or performance by any Loan Party of this Agreement or any other Loan Document.

5.04 Binding Effect. This Agreement has been, and each other Loan Document, when delivered hereunder, will have been duly executed and delivered by each Loan Party that is party thereto. This Agreement constitutes, and each other Loan Document when so delivered will constitute, a legal, valid and binding obligation of such Loan Party, enforceable against each Loan Party that is party thereto in accordance with its terms except to the extent that such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally from time to time in effect and may be subject to the discretion of courts with respect to the granting of equitable remedies.

5.05 Financial Statements; No Material Adverse Effect.

(a) The Audited Financial Statements were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein. The Audited Financial Statements (i) fairly present the financial condition of the MLP and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance in all material respects with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (ii) show all material indebtedness and other liabilities, direct or contingent, of the MLP and its Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Indebtedness in accordance with GAAP consistently applied throughout the period covered thereby.

(b) The unaudited consolidated financial statements of the MLP and its Subsidiaries dated September 30, 2004 (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, (ii) fairly present the financial condition of the MLP and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance in all material respects with GAAP consistently applied throughout the period covered thereby, and (iii) show all material indebtedness and other liabilities, direct or contingent, of the MLP and its Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Indebtedness in accordance with GAAP consistently applied throughout the period covered thereby.

(c) Since December 31, 2003, there has been no event or circumstance that has or could reasonably be expected to have a Material Adverse Effect.

5.06 Litigation. There are no actions, suits, proceedings, investigations, claims or disputes pending or, to the knowledge of the MLP or the Borrower threatened or contemplated in writing, at law, in equity, in arbitration or before any Governmental Authority, by or against any Loan Party or any of their respective Subsidiaries or against any of their properties or revenues which (a) seek to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby, or (b) if determined adversely, could reasonably be expected to have a Material Adverse Effect.

5.07 Ownership of Property; Liens. Each Loan Party and its Subsidiaries have good title to, or valid leasehold interests in, all its real and personal property necessary or used in the ordinary conduct of its business, except for such defects in title as would not, individually or in the aggregate, have a Material Adverse Effect, and the property of the Borrower and its Subsidiaries is subject to no Liens, other than Permitted Liens.

5.08 Environmental Compliance. The MLP and the Borrower have reasonably concluded that (a) there are no claims alleging potential liability under or responsibility for violation of any Environmental Law except any such claims that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (b) there is no environmental condition or circumstance, such as the presence or Release of any Hazardous Substance, on any property owned, operated or used by any Loan Party or any of their Subsidiaries that could reasonably be expected to have a Material Adverse Effect, and (c) there is no violation of or by any Loan Party or any Subsidiary of a Loan Party of any Environmental Law, except for such violations as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.09 Insurance. The Companies maintain insurance providing Customary Coverage provided by Independent Insurers, or the Companies and their properties are covered by coverage provided by Independent Insurers to Sunoco and its Affiliates, and Sunoco provides such contractual coverage to the Companies with respect to paying or otherwise satisfying deductible requirements such that the Required Lenders are satisfied that the effect of such arrangement is to provide the Companies with the equivalent of Customary Coverage.

5.10 Taxes. The MLP, the Borrower and their respective Subsidiaries have filed all federal, state and other material tax returns and reports required to be filed, and have paid all federal, state and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against any Loan Party or any of their respective Subsidiaries that would, if made, have a Material Adverse Effect.

5.11 ERISA Compliance. The representations and warranties set forth in this ***Section 5.11*** shall apply only if the Borrower or an ERISA Affiliate establishes a Plan.

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state Laws except to the extent that noncompliance could not reasonably be expected to have a Material Adverse Effect. Each Plan that is intended to qualify under *Section 401(a)* of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the best knowledge of the MLP and the Borrower, nothing has occurred which would prevent, or cause the loss of, such qualification, except to the extent that nonqualification could not reasonably be expected to have a Material Adverse Effect. The Borrower and each ERISA Affiliate have made all required contributions to each Plan subject to *Section 412* of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to *Section 412* of the Code has been made with respect to any Plan, except to the extent that nonpayment could not reasonably be expected to have a Material Adverse Effect.

(b) There are no pending or, to the best knowledge of the MLP or the Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could

reasonably be expected to have a Material Adverse Effect. Neither the MLP nor the Borrower nor any ERISA Affiliate has engaged in or knowingly permitted to occur and, to the Borrower's and the MLP's knowledge, no other party has engaged in or permitted to occur any prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur that could reasonably be expected to have a Material Adverse Effect; (ii) no Pension Plan has any Unfunded Pension Liability that (when aggregated with any other Unfunded Pension Liability) has resulted or could reasonably be expected to result in a Material Adverse Effect; and (iii) neither the Borrower nor any ERISA Affiliate has engaged in a transaction that could be subject to *Sections 4069* or *4212(c)* of ERISA that could reasonably be expected to have a Material Adverse Effect.

5.12 Subsidiaries and other Investments. As of the Closing Date the Borrower has no Subsidiaries other than those specifically disclosed in part (a) of ***Schedule 5.12***, has no equity investment in any other corporation or other entity other than those specifically disclosed in part (b) of ***Schedule 5.12***, and such investments described in part (b) of ***Schedule 5.12*** are in compliance with ***Section 7.02(c)***. From and after the Closing Date the MLP will have no Subsidiaries other than the General Partner, the Borrower, and the Borrower's Subsidiaries.

5.13 Margin Regulations; Investment Company Act; Public Utility Holding Company Act; Use of Proceeds.

(a) No Loan Party is engaged and no Loan Party will engage, principally or as one of their important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board), or extending credit for the purpose of purchasing or carrying margin stock. Margin Stock constitutes less than 25% of those assets of each Loan Party which are subject to any limitation on a sale, pledge, or other restrictions hereunder.

(b) No Loan Party, no Person controlling any Loan Party, or any Subsidiary of any Loan Party (i) is a "*holding company*," or a "*subsidiary company*" of a "*holding company*," or an "*affiliate*" of a "*holding company*" or of a "*subsidiary company*" of a "*holding company*," within the meaning of the Public Utility Holding Company Act of 1935, or (ii) is or is required to be registered as an "*investment company*" under the Investment Company Act of 1940.

(c) The Borrower will use all proceeds of Credit Extensions in the manner set forth in ***Section 6.12***.

5.14 Disclosure. No statement, information, report, representation, or warranty made by any Loan Party in any Loan Document or furnished to the Administrative Agent or any Lender by or on behalf of any Loan Party in connection with any Loan Document contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

5.15 Labor Matters. To the Borrower's and the MLP's knowledge, there are no actual or threatened strikes, labor disputes, slowdowns, walkouts, or other concerted interruptions of operations by the Servicing Employees that could reasonably be expected to have a Material Adverse Effect. As used in this Section, "***Servicing Employees***" means employees of the General Partner or other Affiliate of Sunoco who perform services in connection with Borrower's and its Subsidiaries' business.

5.16 Compliance with Laws. No Loan Party or any of its Subsidiaries are in violation of any Laws, *other than* such violations which could not, individually or collectively, reasonably be expected to have a Material Adverse Effect. No Loan Party or any of its Subsidiaries has received notice alleging any noncompliance with any Laws, *except* for such noncompliance which no longer exists, or which non-compliance could not reasonably be expected to have a Material Adverse Effect.

5.17 Third Party Approvals. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any party that is not a party to this Agreement is necessary or required in connection with the execution, delivery or performance by, or enforcement against, any Loan Party of this Agreement or any other Loan Document *except* where obtained or where the failure to receive such approval, consent, exemption, authorization, or the failure to do such other action by, or provide such notice could not reasonably be expected to have a Material Adverse Effect.

5.18 Solvency. Neither the Borrower and its Subsidiaries on a consolidated basis nor the MLP and its Subsidiaries on a consolidated basis are "*insolvent*" as such term is used and defined in (i) the United States Bankruptcy Code or (ii) the New York Fraudulent Conveyance Act, N.Y. Debt. & Cred. Law §§ 270-281.

ARTICLE VI.
AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, or any Loan or other Obligation shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, each of the Borrower and the MLP shall, and shall (except in the case of the covenants set forth in ***Sections 6.01***, ***6.02***, ***6.03*** and ***6.12***) cause each of their Subsidiaries to:

6.01 Financial Statements. Deliver to the Administrative Agent and each Lender, in form and detail reasonably satisfactory to the Administrative Agent and the Required Lenders:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of the MLP, consolidated balance sheets of the MLP and its Subsidiaries as at the end of such fiscal year, and the related statements of income and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, audited and accompanied by a report and opinion of Ernst & Young LLP or other independent certified public accountant of nationally recognized standing reasonably acceptable to the Required Lenders, which report and opinion shall be prepared in accordance with GAAP and shall not be subject to any qualifications or exceptions as to the scope of the audit nor to any qualifications and exceptions not reasonably acceptable to the Required Lenders; and

(b) as soon as available, but in any event within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the MLP, a consolidated balance sheet of the MLP and its Subsidiaries as at the end of such fiscal quarter, and the related statements of income and cash flows for such fiscal quarter and for the portion of the MLP's fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and certified by a Responsible Officer of the MLP as fairly presenting the financial condition, results of operations and cash flows of the MLP and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes;

provided that, if any financial statement referred to in ***Section 6.01(a)*** or ***(b)*** is readily available on-line through EDGAR, in lieu of furnishing copies of such financial statement, the Borrower may notify the Administrative Agent of the availability of such financial statements on EDGAR, and the Administrative Agent shall make such notice available to the Lenders.

6.02 Certificates; Other Information. Deliver to the Administrative Agent and each Lender, in form and detail satisfactory to the Administrative Agent and the Required Lenders:

(a) concurrently with the delivery of the financial statements referred to in ***Sections 6.01(a)*** and ***(b)*** (or, if the Borrower's obligation to deliver such financial statements is fulfilled by making them available on-line through EDGAR, then at the time or promptly after the time that such financial statements are made available on-line through EDGAR, but in any event not later than the 90-day and 45-day time periods set forth in ***Sections 6.01(a)*** and ***(b)***), a duly completed Compliance Certificate in form of ***Exhibit C*** signed by a Responsible Officer of the Borrower and a Responsible Officer of the MLP;

(b) promptly after the same are available, copies of each annual report, proxy or financial statement or other report or written communication sent to the equity owners of the MLP, and copies of all annual, regular, periodic and special reports and registration statements which the MLP may file or be required to file with the Securities and Exchange Commission under *Section 13* or *15(d)* of the Securities Exchange Act of 1934, and not otherwise required to be delivered to the Administrative Agent pursuant hereto;

(c) promptly after execution thereof, copies of Material Agreements and any material amendment thereto; *provided that* if any such agreement or amendment is available on-line through EDGAR, the Borrower shall not be obligated to furnish copies thereof; and

(d) promptly, such additional information regarding the business, financial or corporate affairs of any Loan Party as the Administrative Agent, at the request of any Lender, may from time to time reasonably request.

6.03 Notices. Promptly notify the Administrative Agent and each Lender:

(a) of the occurrence of any Default or Event of Default, as soon as possible but in any event within ten days after the occurrence thereof;

(b) of any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect, including any of the following events if such has resulted or could reasonably be expected to result in a Material Adverse Effect: (i) breach or non-performance of, or any default under, a Contractual Obligation of any Loan Party; (ii) any litigation, investigation by or required by a Governmental Authority or proceeding between any Loan Party and any Governmental Authority; or (iii) any litigation, investigation or proceeding involving any Loan Party related to any Environmental Law;

(c) of any litigation, investigation or proceeding known to and affecting the Borrower or any Borrower Affiliate in which (i) the amount involved exceeds (individually or collectively) $15,000,000, or (ii) injunctive relief or similar relief is sought, which could be reasonably expected to have a Material Adverse Effect; and

(d) of any announcement by Moody's or S&P of any change or possible change in a Debt Rating of the Borrower.

In addition, the Borrower and the MLP shall exercise reasonable efforts to promptly notify the Administrative Agent of any material change in accounting policies or financial reporting practices by the Borrower or the MLP.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower has taken and proposes to take with respect thereto. Each notice pursuant to ***Section 6.03(a)*** shall describe with particularity any and all provisions of this Agreement or other Loan Document that have been breached.

6.04 Payment of Obligations. Pay and discharge as the same shall become due and payable, all its obligations and liabilities, including (a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets and (b) all lawful claims which, if unpaid, would by law become a Lien upon its property, except, in the case of ***clause (a)*** or ***(b)***, where (x) the validity thereof is being contested in good faith by appropriate proceedings, (y) adequate reserves in accordance with GAAP are being maintained by the appropriate Loan Party, and (z) the failure to make such payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

6.05 Preservation of Existence, Etc. (a) Preserve, renew and maintain in full force and effect its legal existence and good standing under the Laws of the jurisdiction of its organization, except in a transaction permitted by ***Sections 7.05*** and ***7.06***, and (b) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises material to the conduct of its business, except in a transaction permitted by ***Sections 7.05*** and ***7.06***.

6.06 Maintenance of Assets and Business. (a) Maintain all material licenses, permits, and franchises necessary for the normal business; (b) keep all of its assets which are useful in and necessary to its business in good working order and condition (ordinary wear and tear excepted) and make all necessary repairs thereto and replacements thereof; and (c) do all things necessary to obtain, renew, extend, and continue in effect all Authorizations which may at any time and from time to time be necessary for the Borrower and its Subsidiaries to operate their businesses in compliance with applicable Law; except where the failure to so maintain, renew, extend, or continue in effect could not reasonably be expected to have a Material Adverse Effect.

6.07 Maintenance of Insurance. Maintain insurance with respect to its properties and business as described in ***Section 5.09***.

6.08 Compliance with Laws. Comply in all material respects with the requirements of all Laws (including Environmental Laws) applicable to it or to its business or property, except in such instances in which (i) such requirement of Law is being contested in good faith or a bona fide dispute exists with respect thereto; or (ii) the failure to comply therewith could not be reasonably expected to have a Material Adverse Effect.

6.09 Books and Records. Maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving its assets and business; and (b) maintain such books of record and account in material conformity with all applicable requirements of any Governmental Authority having regulatory jurisdiction over it.

6.10 Inspection Rights. Permit representatives and independent contractors of the Administrative Agent and each Lender to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs,

finances and accounts with its directors, officers, and independent public accountants, at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower; *provided*, *however*, that when an Event of Default exists the Administrative Agent or any Lender (or any of their respective representatives or independent contractors) may do any of the foregoing at the expense of the Borrower at any time during normal business hours and without advance notice.

6.11 Compliance with ERISA. With respect to each Plan maintained by a Company, do each of the following: (a) maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state Laws, (b) cause each Plan which is qualified under *Section 401(a)* of the Code to maintain such qualification, and (c) make all required contributions to any Plan subject to *Section 412* of the Code, except to the extent that noncompliance, with respect to each event listed above, could not be reasonably expected to have a Material Adverse Effect.

6.12 Use of Proceeds. Use the proceeds of the Credit Extensions only (a) to refinance loans under the Existing Credit Agreement, (b) for working capital requirements of the Borrower and its Subsidiaries, (c) to finance Permitted Acquisitions by the Borrower and its Subsidiaries of Persons or assets and to finance Investments in Permitted Joint Ventures subject in each case to compliance with this Agreement, including ***Sections 7.02*** and ***7.09***, (d) to fund Quarterly Distributions to the extent permitted by ***Section 7.07***, ***Section 6.15***, and ***Section 2.01(b)***, and (e) for other general company purposes.

6.13 Guaranties; JV Holding Subsidiaries. (a) As an inducement to the Administrative Agent and Lenders to enter into this Agreement, cause each Subsidiary (other than a Canadian Subsidiary) and the MLP to execute and deliver to Administrative Agent a Guaranty executed by the Borrower's Subsidiaries (other than Canadian Subsidiaries) and a Guaranty executed by the MLP, each substantially in the form and upon the terms of ***Exhibit E-1*** and ***Exhibit E-2***, respectively, providing for the guaranty of payment and performance of the Obligations. In addition, promptly after the formation or acquisition of any new entity that is (or becomes) a Subsidiary (other than a Canadian Subsidiary), cause such new entity to execute and deliver to Administrative Agent a Guaranty substantially in the form and upon the terms of ***Exhibit E-1***, providing for the guaranty of payment and performance of the Obligations, together with certified copies of such Subsidiary's Organization Documents and opinions of counsel with respect to such Subsidiary and such Guaranty, in substantially the forms of ***Exhibit F-1***, ***F-2*** and ***F-3*** hereto.

(b) Notwithstanding the terms of ***Section 6.13(a)***, the JV Holding Subsidiaries shall not be required to execute a Guaranty until the day that is 180 days after the Closing Date, *provided however* that if an Event of Default occurs prior to such date then each JV Holding Subsidiary shall be required to execute and deliver to the Administrative Agent a Guaranty within five Business Days after the occurrence of such Event of Default.

6.14 Material Agreements. Perform its obligations under the Material Agreements except where failure to do so could not reasonably be expected to have a Material Adverse Effect; enforce the obligations of Sunoco contained in the indemnification provisions of the Omnibus Agreement, and enforce the other obligations of the Sunoco Contract Parties under the Borrower Operating Agreements to the same extent as they would enforce similar obligations of unrelated third parties.

6.15 Clean Down Period. During each fiscal year in which Distribution Loans are made, there shall be a period of fifteen (15) consecutive days (the "***Clean Down Period***") during which (a) there are no Distribution Loans outstanding, and (b) no Distribution Loans will be made. The Clean Down Period for a fiscal year may begin on any date that is after the first Distribution Loan is made in such fiscal year.

6.16 Maintenance of Separateness.

(a) (i) Maintain books and records separate from those of any other Person, including any Sunoco, Inc. Affiliate;

(ii) maintain its assets in such a manner that it is not more costly or difficult to segregate, identify or ascertain such assets;

(iii) observe all organizational formalities;

(b) (i) hold itself out to creditors and the public as separate and distinct from any other Person, including Sunoco, Inc. Affiliates;

(ii) conduct its business in its name or in business names or trade names of the Companies, and use stationary, invoices and checks separate from those of Sunoco, Inc. Affiliates;

(iii) not hold itself out as being available to satisfy the obligations of any other Person, including any Sunoco, Inc. Affiliate;

(c) To the extent that any Company shares the same officers or other employees as any of its Affiliates (other than another Company), the salaries of and expenses relating to providing benefits to such officers and employees shall be fairly allocated among such entities, and each such entity shall bear its fair share of the salary and benefit costs associated with all such common officers and employees;

(d) To the extent that any Company jointly contracts with any of its Affiliates (other than another Company) to do business with vendors or service providers or to share overhead expenses, the costs incurred in doing so shall be allocated fairly among such entities and each such entity shall bear its fair share of such costs. To the extent that any Company contracts or does business with vendors or service providers where the goods and services are partially for the benefit of an Affiliate (other than another Company), the costs incurred in doing so shall be fairly allocated to or among such entities for whose benefit the goods and services are provided, and each such entity shall bear its fair share of such costs; and

(e) To the extent that any Company has officers in the same location as any of its Affiliates (other than another Company), there shall be a fair and appropriate allocation of overhead costs among them, and each such entity shall bear its fair share of such expenses.

ARTICLE VII.
NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, or any Loan or other Obligations shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, each of the MLP and the Borrower agree that they shall not, nor shall they permit any of their respective Subsidiaries to, directly or indirectly:

7.01 Liens. Create, incur, assume or suffer to exist, any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, other than the following:

(a) Liens pursuant to any Loan Document;

(b) Liens existing on the Closing Date and listed on ***Schedule 7.01*** and any renewals or extensions thereof, *provided that* the property covered thereby is not increased, the amount of the Indebtedness secured thereby is not increased, and any renewal or extension of the obligations secured or benefited thereby is permitted under this Agreement;

(c) Liens for taxes not yet due or which are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the applicable Person;

(e) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation, other than any Lien imposed by ERISA;

(f) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case incurred in the ordinary course of business;

(g) easements, rights-of-way, restrictions and other similar encumbrances affecting real property which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person;

(h) judgment Liens not giving rise to an Event of Default;

(i) any Lien existing on any property or asset of any Person that becomes a Subsidiary of the Borrower after the Closing Date prior to the time such Person becomes a Subsidiary; *provided that* (i) such Lien is not created in contemplation of or in connection with such Person becoming a Subsidiary, (ii) such Lien shall not apply to any other property or assets of the Borrower or any Subsidiary, (iii) such Lien shall secure only those obligations which it secures on the date such Person becomes a Subsidiary and any renewals, extensions and modifications (but not increases) thereof, (iv) the aggregate amount of indebtedness secured by Liens permitted by this subsection shall not at any time exceed the Incremental EBITDA of the acquired entity, and (v) the Borrower shall demonstrate pro forma compliance with this ***Section 7.01(i)*** at the closing of such acquisition; and

(j) other Liens on assets of the Borrower or its Subsidiaries, not to exceed at any time $20,000,000 in the aggregate.

7.02 Investments. Make or own any Investments, except:

(a) Permitted Investments;

(b) Permitted Acquisitions by the Borrower and its Subsidiaries; and

(c) Investments in the dollar amount outstanding on the Closing Date in the JV Holding Subsidiaries and in the entities listed in Section (c) of ***Schedule 5.12*** *provided that* such entities satisfy the requirements set forth in the definition of Permitted Joint Ventures;

(d) (i) Investments in Permitted Joint Ventures by the Borrower or a Subsidiary of the Borrower made during the 90-day period prior the issuance of equity by the MLP, in an amount equal to the net proceeds of such equity issuance, to the extent that the stated purpose of such equity issuance in the relevant prospectus is the making of such specifically identified Investments in such amounts, *provided that* until such equity is issued and such net proceeds are received, such Investments shall not be permitted Investments under this ***clause (d(i))*** (but may be permitted under ***clause (f)*** below, subject to the terms of such ***clause (f)***), and

(ii) Investments in Permitted Joint Ventures by the Borrower or a Subsidiary of the Borrower made during the 120-day period after the issuance of equity by the MLP, in an amount equal to the net proceeds of such equity issuance, to the extent that the stated purpose of such equity issuance in the relevant prospectus is the making of such specifically identified Investments in such amounts,

provided that in the case of ***clauses (d)(i)*** and ***(ii)***, such issuance of equity is done after the Closing Date;

(e) Purchase by the Borrower or a Subsidiary of the Borrower of equity interests in Mid-Valley Pipeline Company, *provided that* such entity satisfies the requirements set forth in the definition of Permitted Joint Venture;

(f) Investments by the Borrower or a Subsidiary of the Borrower in Permitted Joint Ventures, *provided that* the aggregate outstanding amount of Investments permitted by this ***clause (f)*** shall not exceed $150,000,000 at any time, and *provided further* that in the event that the purchase permitted by the preceding ***clause (e)*** is consummated and the amount of the purchase price exceeds $75,000,000 (any such excess amount being herein referred to as the "***Mid-Valley Excess Amount***"), then the dollar amount of Investments permitted by this ***clause (f)*** shall be reduced by an amount equal to the Mid-Valley Excess Amount;

(g) Investments by the MLP in the Borrower and the General Partner;

(h) Investments by the Borrower and Subsidiary Guarantors in the Borrower and in any Subsidiary Guarantor;

(i) Investments by the Borrower and its Subsidiaries in Canadian Subsidiaries, *provided that* the aggregate outstanding amount of the Investments permitted by this ***clause (i)*** shall not at any time exceed $50,000,000;

(j) Trade accounts receivable which are for goods furnished or services rendered in the ordinary course of business; and

(k) Deposits of net cash receipts and cash disbursements pursuant to the Treasury Services Agreement;

provided that at the time of any Investment permitted by ***clauses (d), (e)*** or ***(f)*** of this ***Section 7.02***, prior to and after giving effect to the making of such Investment (A) no Default or Event of Default shall have occurred and be continuing, (B) all representations and warranties set forth in ***Article V*** of this Agreement (excluding ***Section 5.05(c)***) shall be true and correct, and (C) the Borrower shall be in pro forma compliance with this ***Section 7.02*** and ***Sections 7.01, 7.04*** and ***7.14***; and at the time of acquisition of any equity interests in any Permitted Joint Venture, Borrower shall deliver to the Administrative Agent a certificate as to the matters in the foregoing ***clauses (A), (B)*** and ***(C)***.

7.03 Hedging Agreements. Enter into any Swap Contracts other than in the ordinary course of business for the purpose of directly mitigating risks to which the Borrower or its Subsidiaries are exposed in the conduct of their business and not for purposes of speculation.

7.04 Indebtedness of Subsidiaries.

Permit any Subsidiary of the Borrower to create**,** incur or assume any Indebtedness except:

(a) Guaranty Obligations under a Guaranty executed pursuant to this Agreement;

(b) Guaranty Obligations of Subsidiary Guarantors in respect of Indebtedness of the Borrower to the extent such Indebtedness of the Borrower is permitted by this Agreement;

(c) Indebtedness owed to the Borrower or the MLP;

(d) Indebtedness owed to a Subsidiary Guarantor;

(e) Excluded Affiliate Debt; and

(f) additional Indebtedness of Subsidiary Guarantors *provided that*, (i) both before and after such Indebtedness is created, incurred or assumed, no Default or Event of Default shall exist, and (ii) the principal amount of such Indebtedness shall not exceed at any time an amount equal to 0.5 times Consolidated EBITDA for the most recent four fiscal quarters.

7.05 Fundamental Changes. Merge, consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except that, so long as no Default or Event of Default exists or would result therefrom:

(a) mergers and consolidations constituting Permitted Acquisitions are permitted, *provided that* in any merger or consolidation involving the Borrower, the Borrower is the surviving entity;

(b) any Subsidiary may merge with (i) the Borrower, *provided that* the Borrower shall be the continuing or surviving Person, or (ii) any one or more Subsidiaries, *provided that* when any Wholly-Owned Subsidiary is merging with another Subsidiary, a Wholly-Owned Subsidiary shall be the continuing or surviving Person; and

(c) any Subsidiary may sell or otherwise transfer all or substantially all of its assets (upon voluntary liquidation, dissolution or otherwise), to the Borrower or to a Subsidiary Guarantor; *provided that* if the seller in such a transaction is a Wholly-Owned Subsidiary, then the purchaser must also be a Wholly-Owned Subsidiary.

7.06 Dispositions.

(a) Make any Disposition or enter into any agreement to make any Disposition, except:

(i) Dispositions by the Borrower or its Subsidiaries of inventory in the ordinary course of business;

(ii) Dispositions of property by any Subsidiary to the Borrower or to a Wholly-Owned Subsidiary Guarantor;

(iii) Dispositions by the General Partner to the MLP; and

(iv) if no Default or Event of Default then exists or arises as a result thereof, other Dispositions for fair market value for cash, *provided that* if a prepayment is required by ***Section 2.04(b)(i)***, the Borrower shall make such prepayment in accordance with such Section.

(b) Make any Dispositions or take any other action if after such Disposition or other action Borrower fails to own, directly or indirectly, all of the ownership interests in, and to control the management of, Sunoco Partners Marketing & Terminals and Sunoco Pipeline.

7.07 Restricted Payments; Distributions and Redemptions; Payments on Excluded Affiliate Debt. (a) Declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except that:

(i) each Subsidiary may make Restricted Payments to the Borrower and to Wholly-Owned Subsidiaries of the Borrower;

(ii) the Borrower may declare and make Quarterly Distributions of Available Cash as defined in the Partnership Agreement (Borrower) and the Borrower may redeem or repurchase its partner interests to the extent such Quarterly Distributions, redemptions and repurchases in any fiscal quarter do not exceed in the aggregate Available Cash as defined in the Partnership Agreement (Borrower) for the immediately preceding fiscal quarter and are made in accordance with the Partnership Agreement (Borrower); *provided*, *that* at the time each such Quarterly Distribution, redemption or repurchase is made no Default or Event of Default exists or would result therefrom; and

(iii) the MLP may (A) declare and make Quarterly Distributions of Available Cash as defined in the Partnership Agreement (MLP) and the MLP may redeem or repurchase its limited partnership units to the extent such Quarterly Distributions, redemptions and repurchases in any fiscal quarter do not exceed, in the aggregate Available Cash as defined in the Partnership Agreement (MLP) for the immediately preceding fiscal quarter and are made in accordance with the Partnership Agreement (MLP), *provided*, *that* at the time each such Quarterly Distribution, redemption or repurchase is made no Default or Event of Default exists or would result therefrom; and (B) redeem Common Units with the proceeds received from a substantially concurrent issuance of new Common Units or other Parity Units, so long as each such redemption complies with the terms of the Partnership Agreement (MLP). As used in this paragraph, "*Common Units*" and "*Parity Units*" have the meaning given to them in the Partnership Agreement (MLP).

(b) Make or permit to be made by the Borrower or any Subsidiary of the Borrower any payments of principal or interest in respect of Excluded Affiliate Debt (i) if a Default or Event of Default exists at the time of such payment or would occur as a result of such payment, or (ii) if such payment would otherwise be prohibited by the terms of the subordination agreement applicable to such Excluded Affiliate Debt.

7.08 ERISA. At any time engage in a transaction which could be subject to *Section 4069* or *4212(c)* of ERISA, or permit any Plan maintained by a Company to (a) engage in any non-exempt "*prohibited transaction*" (as defined in *Section 4975* of the Code); (b) fail to comply with ERISA or any other applicable Laws; or (c) incur any material "*accumulated funding deficiency*" (as defined in *Section 302* of ERISA), which, with respect to each event listed above, could be reasonably expected to have a Material Adverse Effect.

7.09 Nature of Business; Capital Expenditures. Engage in any line of business other than Present and Related Businesses, or make any Capital Expenditures except in connection with Present and Related Businesses.

7.10 Transactions with Affiliates. Sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) in the ordinary course of business at prices and on terms and conditions not less favorable to the MLP, the Borrower or such Subsidiary, as applicable, than could be obtained on an arm's length basis from unrelated third parties, (b) transactions between or among the Borrower and its wholly owned Subsidiaries not involving any other Affiliate, and (c) any Restricted Payment permitted by ***Section 7.07***.

7.11 Burdensome Agreements. Enter into any Contractual Obligation that limits the ability of any Subsidiary to make Restricted Payments to the Borrower or to otherwise transfer property to the Borrower.

7.12 Use of Proceeds. Use the proceeds of any Loan for purposes other than those permitted by ***Section 6.12***, or use the proceeds of any Loan, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the Board) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

7.13 Material Agreements. Permit any amendment to any Material Agreement or the Partnership Agreement (MLP) if such amendment could reasonably be expected to materially adversely affect the Lenders; permit any assignment of any Material Agreement if such assignment could reasonably be expected to materially adversely affect the Lenders; or permit any Unauthorized Assignment of any Borrower Operating Agreement.

7.14 Financial Covenants.

(a) **Interest Coverage Ratio**. Permit the Interest Coverage Ratio as of the end of any fiscal quarter to be less than the ratio of 3.0 to 1.0.

(b) **Leverage Ratio**. Permit the Leverage Ratio to be greater than the ratio set forth below at any time during the applicable period set forth below:

(i) During an Acquisition Period: 5.0 to 1.0

(ii) Other than during an Acquisition Period: 4.5 to 1.0

(c) **Pro Forma Adjustments for Asset Acquisitions**. For purposes of determining compliance with this ***Section 7.14***:

(i) Consolidated EBITDA shall be calculated after giving effect, on a pro forma basis for the four consecutive fiscal quarters most recently completed, to any asset acquisitions (an "***Asset Acquisition***") occurring during the period commencing on the first day of such period to and including the date of determination (herein called the "***Reference Period***"), as if such Asset Acquisition occurred on the first day of the Reference Period (an Asset Acquisition includes an asset acquisition that gives rise to the need to calculate compliance hereunder as a result of a Company incurring or assuming Indebtedness in connection with such asset acquisition); and

(ii) If, in connection with an Asset Acquisition during any Reference Period, any Indebtedness is incurred or assumed by the MLP or any Subsidiary, then Consolidated Interest Charges shall be calculated, on a pro forma basis for the four quarters most recently completed, as if such Indebtedness had been incurred on the first day of the Reference Period.

7.15 JV Holding Subsidiaries.

(a) Permit any JV Holding Subsidiary that is not a Subsidiary Guarantor (i) to engage in any business other than ownership of the Permitted Joint Ventures named on ***Schedule 5.12***, or (ii) to acquire or own any Investment in any Person other than a Permitted Joint Venture named on ***Schedule 5.12***;

(b) Incur or suffer to exist any Indebtedness owed by the Borrower or a Subsidiary of the Borrower to a JV Holding Subsidiary that is not a Subsidiary Guarantor; or

(c) Permit any JV Holding Subsidiary that is not a Subsidiary Guarantor to incur, assume or be obligated in respect of any Indebtedness.

ARTICLE VIII.
EVENTS OF DEFAULT AND REMEDIES

8.01 Events of Default. Any of the following shall constitute an Event of Default:

(a) Non-Payment. The Borrower fails to pay (i) when and as required to be paid herein, any amount of principal of any Loan or any L/C Obligation or (ii) within three Business Days after the same becomes due, any interest on any Loan, any L/C Obligation, any commitment or other fee due hereunder, or any other amount payable hereunder or under any other Loan Document; or

(b) Specific Covenants. The Borrower fails to perform or observe any term, covenant or agreement contained in any of ***Section 6.03(a), 6.05*** (with respect to the Borrower's existence)***, 6.12,6.13 or Article VII;***

(c) Other Defaults. Any Loan Party fails to perform or observe any other covenant or agreement (not specified in ***subsection (a)*** or ***(b)*** above) contained in any Loan Document on its part to be performed or observed and such failure continues for 30 calendar days after the earlier of the date notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender or the date the Borrower has knowledge of such failure; or

(d) Representations and Warranties. Any representation or warranty made or deemed made by the Borrower or any other Loan Party herein, in any other Loan Document, or in any document delivered in connection herewith or therewith proves to have been incorrect in any material respect when made or deemed made; or

(e) Cross-Default. (i) The Borrower or any Borrower Affiliate (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness, Guaranty Obligation or Synthetic Lease Obligation having an aggregate principal amount (or, in the case of a Synthetic Lease Obligation, Attributable Principal) (including undrawn or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than (individually or collectively) $10,000,000, or (B) fails to observe or perform any other agreement or condition relating to any such Indebtedness, Guaranty Obligation or Synthetic Lease Obligation or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other

event is to cause, or to permit the holder or holders of such Indebtedness, the lessor under such Synthetic Lease Obligation or the beneficiary or beneficiaries of such Guaranty Obligation (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness or Synthetic Lease Obligation to be demanded or to become due or to be repurchased or redeemed (automatically or otherwise) prior to its stated maturity, or such Guaranty Obligation to become payable or cash collateral in respect thereof to be demanded; or (ii) (A) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from any event of default under such Swap Contract as to which the Borrower or any Borrower Affiliate is the Defaulting Party (as defined in such Swap Contract) and the Swap Termination Value owed by the Borrower or any Borrower Affiliate as a result thereof is greater than (individually or collectively) $10,000,000, or (B) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from any Termination Event (as so defined) under such Swap Contract as to which the Borrower or any Borrower Affiliate is an Affected Party (as so defined) and the Swap Termination Value owed by the Borrower and Borrower Affiliate as a result thereof is greater than (individually or collectively) $10,000,000 and such amount is not paid when due under such Swap Contract; or

(f) Insolvency Proceedings, Etc. (i) The Borrower or any Borrower Affiliate institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property or takes any action to effect any of the foregoing; or (ii) any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for 60 calendar days; or (iii) any proceeding under any Debtor Relief Law relating to any such Person or to all or any part of its property is instituted without the consent of such Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(g) Inability to Pay Debts; Attachment. (i) The Borrower or any Borrower Affiliate becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against property which is a material part of the property of the Borrower and its Subsidiaries taken as a whole, and is not released, vacated or fully bonded within 45 days after its issue or levy; or

(h) Judgments. There is entered against the Borrower, any other Loan Party, any Subsidiary of a Loan Party or the General Partner (i) a final judgment or order for the payment of money in an aggregate amount exceeding (individually or collectively) $20,000,000 (to the extent not covered by third-party insurance as to which the insurer does not dispute coverage), or (ii) any non-monetary final judgment that has a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of 30 consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; or

(i) ERISA. (i) If the Borrower or any ERISA Affiliate maintains any Pension Plan or any Multiemployer Plan, an ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Borrower or any Subsidiary under *Title IV* of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of $15,000,000, or (ii) if there is any Multiemployer Plan, the Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under *Section 4201* of ERISA under a Multiemployer Plan in an aggregate amount in excess of $15,000,000; or

(j) Invalidity of Loan Documents. Any Loan Document, at any time after its execution and delivery and for any reason other than the agreement of all the Lenders or termination of all Commitments and all Letters of Credit and satisfaction in full of all the Obligations, ceases to be in full force and effect, or is declared by a court of competent jurisdiction to be null and void, invalid or unenforceable in any material respect; or any Loan Party denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document; or

(k) Change of Control. There occurs any Change of Control;

(l) Dissolution. Any Loan Party shall dissolve, liquidate, or otherwise terminate its existence, except as permitted in ***Section 7.05***;

(m) Material Agreements. (i) Termination or Unauthorized Assignment of any Borrower Operating Agreement; (ii) termination of any other Material Agreement if such termination could reasonably be expected to have a Material Adverse Effect; (iii) termination by Sunoco of *Article II* of the Omnibus Agreement pursuant to *Section 8.4* (or any other Section) of the Omnibus Agreement; (iv) default by the Borrower or any of its Subsidiaries or by any Sunoco Contract Party under any Material Agreement if such default could reasonably be expected to have a Material Adverse Effect; or

(n) Sale of Certain Assets by Sunoco. The sale by a Sunoco Contract Party of a material portion of its Refinery Assets or other assets related to any of the Material Agreements between such Sunoco Contract Party and the Borrower or the Borrower's Subsidiaries, unless the purchaser thereof has an Investment Grade Rating and has fully assumed the rights and obligations of such Sunoco Contract Party under such agreements in respect of the assets sold.

8.02 Remedies Upon Event of Default. If any Event of Default occurs, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders:

(a) declare the commitment of each Lender to make Loans and any obligation of the L/C Issuer to make L/C Credit Extensions to be terminated, whereupon such commitments and obligations shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other notice of any kind, all of which are hereby expressly waived by the Borrower;

(c) declare that an amount equal to the then Outstanding Amount of all L/C Obligations be immediately due and payable by the Borrower, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other notice of any kind, all of which are hereby expressly waived by the Borrower, and require that the Borrower deliver such payments to the Administrative Agent to Cash Collateralize the L/C Obligations (in an amount equal to the then Outstanding Amount thereof); and

(d) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents or applicable law;

provided, *however*, that upon the occurrence of any event specified in ***subsection (f)*** of ***Section 8.01***, the obligation of each Lender to make Loans and any obligation of the L/C Issuer to make L/C Credit Extensions shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, and an amount equal

to the then Outstanding Amount of all L/C Obligations shall be deemed to be forthwith due and owing by the Borrower to the L/C Issuer and the Lenders as of the date of such occurrence and the Borrower's obligation to pay such amounts shall be absolute and unconditional, without regard to whether any beneficiary of any such Letter of Credit has attempted to draw down all or a portion of such amount under the terms of a Letter of Credit and, to the fullest extent permitted by applicable law, shall not be subject to any defense or be affected by a right of set-off, counterclaim or recoupment which the Borrower may now or hereafter have against any such beneficiary, the Issuing Bank, the Administrative Agent, the Lenders or any other Person for any reason whatsoever. Such payments shall be delivered to and held by the Administrative Agent as Cash Collateral securing the L/C Obligations.

ARTICLE IX.
ADMINISTRATIVE AGENT

9.01 Appointment and Authorization of Administrative Agent. (a) Each Lender hereby irrevocably (subject to ***Section 9.09***) appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere herein or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term "*agent*" herein and in the other Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties. Without limiting the generality of the foregoing, the Administrative Agent: (a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default or Event of Default has occurred and is continuing; (b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), *provided that* the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law; and (c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in ***Article IV*** or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

(b) The L/C Issuer shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith until such time (and except for so long) as the Administrative Agent may agree at the request of the Required Lenders to act for the L/C Issuer with respect thereto; *provided*, *however*, that the L/C Issuer shall have all of the benefits and immunities (i) provided to the Administrative Agent in this ***Article IX*** with respect to any acts taken or omissions suffered by the L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and the application and agreements for letters of credit pertaining to the Letters of Credit as fully as if the term "***Administrative Agent***" as used in this ***Article IX*** included the L/C Issuer with respect to such acts or omissions, and (ii) as additionally provided herein with respect to the L/C Issuer.

9.02 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct.

9.03 Liability of Administrative Agent. No Agent-Related Person shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct in connection with its duties expressly set forth herein), or (b) be responsible in any manner to any Lender or participant for any recital, statement, representation or warranty made by any Loan Party or any officer thereof, contained herein or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of any Loan Party or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender or participant to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of any Loan Party or any Affiliate thereof.

9.04 Reliance by Administrative Agent. (a) The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to any Loan Party), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under any Loan Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Lenders or all the Lenders, if required hereunder, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and participants. Where this Agreement expressly permits or prohibits an action unless the Required Lenders otherwise determine, the Administrative Agent shall, and in all other instances, the Administrative Agent may, but shall not be required to, initiate any solicitation for the consent or a vote of the Lenders.

(b) For purposes of determining compliance with the conditions specified in ***Section 4.01***, each Lender that has funded its Pro Rata Share of the Borrowing(s) on the Closing Date (or, if there is no

Borrowing made on such date, each Lender other than Lenders who gave written objection to the Administrative Agent prior to such date) shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by the Administrative Agent to such Lender for consent, approval, acceptance or satisfaction, or required hereunder to be consented to or approved by or acceptable or satisfactory to a Lender.

9.05 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Lenders, unless the Administrative Agent shall have received written notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "*notice of default*." The Administrative Agent will notify the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Default or Event of Default as may be directed by the Required Lenders in accordance with ***Article VIII***; *provided*, *however*, that unless and until the Administrative Agent has received any such direction, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Lenders.

9.06 Credit Decision; Disclosure of Information by Administrative Agent. Each Lender acknowledges that no Agent-Related Person has made any representation or warranty to it, and that no act by the Administrative Agent hereinafter taken, including any consent to and acceptance of any assignment or review of the affairs of any Loan Party or any Affiliate thereof, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender as to any matter, including whether Agent-Related Persons have disclosed material information in their possession. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Loan Parties and their respective Subsidiaries, and all applicable bank or other regulatory Laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Borrower hereunder. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower and the other Loan Parties. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent herein, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of any of the Loan Parties or any of their respective Affiliates which may come into the possession of any Agent-Related Person.

9.07 Indemnification of Administrative Agent. Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand each Agent-Related Person (to the extent not reimbursed by or on behalf of any Loan Party and without limiting the obligation of any Loan Party to do so), pro rata, and hold harmless each Agent-Related Person from and against any and all Indemnified Liabilities incurred by it; *provided*, *however*, that no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities resulting from such Person's gross negligence or willful misconduct; *provided*, *however*, that no action taken in accordance with the directions of the Required Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section. Without limitation of the foregoing, each Lender shall reimburse

the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Borrower. The undertaking in this Section shall survive termination of the Commitments, the payment of all Obligations hereunder and the resignation or replacement of the Administrative Agent.

9.08 Administrative Agent in its Individual Capacity. Citibank and its Affiliates may make loans to, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with each of the Loan Parties and their respective Affiliates as though Citibank were not the Administrative Agent or the L/C Issuer hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, Citibank or its Affiliates may receive information regarding any Loan Party or its Affiliates (including information that may be subject to confidentiality obligations in favor of such Loan Party or such Affiliate) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to its Loans, Citibank shall have the same rights and powers under this Agreement as any other Lender and may exercise such rights and powers as though it were not the Administrative Agent or the L/C Issuer, and the terms "***Lender***" and "***Lenders***" include Citibank in its individual capacity.

9.09 Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders and the Borrower. If the Administrative Agent resigns under this Agreement, the Required Lenders shall appoint from among the Lenders a successor administrative agent for the Lenders which successor administrative agent shall be consented to by the Borrower at all times other than during the existence of an Event of Default (which consent of the Borrower shall not be unreasonably withheld or delayed). If no successor administrative agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and the Borrower, a successor administrative agent from among the Lenders. Upon the acceptance of its appointment as successor administrative agent hereunder, such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "***Administrative Agent***" shall mean such successor administrative agent and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this ***Article IX*** and ***Sections 10.03*** and ***10.13*** shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor administrative agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above.

9.10 Other Agents; Lead Managers. None of the Lenders or other Persons identified on the facing page or signature pages of this Agreement as a "*syndication agent*," as a "*co-documentation agent*," any other type of agent (other than the Administrative Agent), "*lead arranger*," or "*bookrunner*" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

ARTICLE X.
MISCELLANEOUS

10.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower or any other Loan Party therefrom, shall be effective unless in writing signed by the Required Lenders and the Borrower or the applicable Loan Party, as the case may be, and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; *provided*, *however*, that no such amendment, waiver or consent shall, unless in writing and signed by each of the Lenders directly affected thereby and by the Borrower, and acknowledged by the Administrative Agent, do any of the following:

(a) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to ***Section 8.02***);

(b) postpone any date fixed by this Agreement or any other Loan Document for any payment or mandatory prepayment of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document;

(c) reduce the principal of, or the rate of interest specified herein on, any Loan or L/C Borrowing or (subject to ***clause (iii)*** of the proviso below) any fees or other amounts payable hereunder or under any other Loan Document, *provided*, *however*, that only the consent of the Required Lenders shall be necessary to amend the definition of "***Default Rate***" or to waive any obligation of the Borrower to pay interest at the Default Rate;

(d) change the percentage of the Aggregate Commitments or of the aggregate unpaid principal amount of the Loans and L/C Obligations which is required for the Lenders or any of them to take any action hereunder;

(e) change the Pro Rata Share of any Lender;

(f) Release any Guarantor from a Guaranty except in connection with a sale of all of the equity of such Guarantor permitted pursuant to ***Section 7.06***; or

(g) amend this Section, or ***Section 2.12***, or any provision herein providing for unanimous consent or other action by all the Lenders;

and, *provided further*, that (i) no amendment, waiver or consent shall, unless in writing and signed by the L/C Issuer in addition to the Required Lenders or all the Lenders, as the case may be, affect the rights or duties of the L/C Issuer under this Agreement or any Letter of Credit Application relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Required Lenders or all the Lenders, as the case may be, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and (iii) the Agent/Arranger Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, any Lender that has failed to fund any portion of the Loans or participations in L/C Obligations required to be funded by it hereunder shall not have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitments of such Lender may not be increased or extended without the consent of such Lender.

10.02 Notices and Other Communications; Facsimile Copies.

(a) General. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in ***Subsections (b)*** and ***(e)*** below), all notices and other communications provided for hereunder and under the other Loan Documents shall be in writing (including by facsimile transmission) and mailed, faxed or delivered by hand or overnight courier service, to the address or facsimile number, or delivered by electronic mail to the electronic mail address, specified for notices on ***Schedule 10.02*** (for the Borrower, any Guarantor, the L/C Issuer and the Administrative Agent) or on the Administrative Details Form (for the Lenders); or, in the case of the Borrower, the Guarantors the Administrative Agent, or the L/C Issuer, to such other address as shall be designated by such party in a notice to the other parties, and in the case of any other party, to such other address as shall be designated by such party in a notice to the Borrower, the Administrative Agent, and the L/C Issuer. All such notices and other communications shall be deemed to be given or made upon actual receipt by the intended recipient if delivered by hand or by courier or by mail. If delivered by facsimile, such notices and other communications shall be deemed to be given or made when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in ***Subsections (b)*** and ***(e)*** below, shall be effective as provided in said ***Subsections (b)*** and ***(e)***.

(b) Electronic Communications. Notices and other communications to the Lenders and the L/C Issuer hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to ***Subsection (e)*** below and pursuant to any other procedures approved by the Administrative Agent, *provided that* the foregoing shall not apply to notices to any Lender or the L/C Issuer pursuant to ***Article II*** if such Lender or the Issuing Bank, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, *provided that* approval of such procedures may be limited to particular notices or communications.

Except as otherwise provided in ***Subsection (e)*** below, unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "*return receipt requested*" function, as available, return e-mail or other written acknowledgement), *provided that* if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing ***clause (i)*** of notification that such notice or communication is available and identifying the website address therefor.

(c) Change of Address, Etc. Any party hereto may change its address or telecopier number for notices and other communications hereunder by notice to the other parties hereto.

(d) Effectiveness of Facsimile Documents and Signatures. Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable Law, have the same force and effect as manually-signed originals and shall be binding on all Loan Parties, the Administrative Agent and the Lenders. The Administrative Agent may also require that any such documents and signatures be confirmed by a manually-signed original thereof; *provided*, *however*, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(e) Electronic Platform. So long as Citibank is the Administrative Agent, all information, documents and other materials that the Borrower is obligated to furnish to the Administrative Agent pursuant to the Loan Documents, including all notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding any such communication that (i) relates to a request for a new, or a conversion of an existing, Borrowing or other extension of credit (including any election of an interest rate or interest period relating thereto), (ii) relates to the payment of any principal or other amount due under the Credit Agreement prior to the scheduled date therefor, (iii) provides notice of any Default or Event of Default under the Credit Agreement or (iv) is required to be delivered to satisfy any condition precedent to the effectiveness of the Credit Agreement and/or any Borrowing or other extension of credit thereunder (all such non-excluded communications being referred to herein collectively as "***Communications***"), may be delivered to the Administrative Agent in an electronic medium in a format acceptable to the Administrative Agent and the Lenders by e-mail at oploanswebadmin@citigroup.com. The Borrower agrees that the Administrative Agent may make the Communications, as well as any other written information, documents, instruments and other material relating to the Borrower, any of its Subsidiaries or any other materials or matters relating to the Loan Documents or any transactions contemplated thereby available to the Lenders by posting such notices on Intralinks or a substantially similar electronic transmission system (the "***Platform***"). The Borrower acknowledges that (i) the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution, (ii) the Platform is provided "as is" and "as available" and (iii) neither the Administrative Agent nor any of its Affiliates warrants the accuracy, adequacy or completeness of the Communications or the Platform and each expressly disclaims liability for errors or omissions in the Communications or the Platform. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by the Administrative Agent or any of its Affiliates in connection with the Platform.

Each Lender agrees that notice to it (as provided in the next sentence) under any of the Loan Documents (a "***Notice***") specifying that any Communications hereunder and thereunder have been posted to the Platform shall constitute effective delivery of such information, documents or other materials to such Lender for the purposes of this Agreement and the other Loan Documents; *provided that*, if requested by any Lender, the Administrative Agent shall deliver a copy of the Communications hereunder and thereunder to such Lender by e-mail or telecopier. Each Lender agrees (i) to notify the Administrative Agent in writing of such Lender's e-mail address to which a Notice may be sent by electronic transmission (including by electronic communication) on or before the date such Lender becomes a party to this Agreement (and from time to time thereafter to ensure that the Administrative Agent has on record an effective e-mail address for such Lender) and (ii) that any Notice may be sent to such e-mail address.

(f) Reliance by Administrative Agent and Lenders. The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic Borrowing Notices) purportedly given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify each Agent-Related Person and each Lender from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower. All telephonic notices to and other communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

10.03 No Waiver; Cumulative Remedies. No failure by any Lender or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy,

power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein or therein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.04 Attorney Costs; Expenses and Taxes. The Borrower agrees (a) to pay or reimburse the Administrative Agent for all reasonable costs and expenses incurred in connection with the preparation, negotiation, syndication, administration and execution of this Agreement and the other Loan Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby, including all Attorney Costs, and (b) to pay or reimburse the Administrative Agent and each Lender for all costs and expenses incurred in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or the other Loan Documents (including all such costs and expenses incurred during any workout or restructuring in respect of the Obligations and during any legal proceeding, including any proceeding under any Debtor Relief Law), including all Attorney Costs. The foregoing costs and expenses shall include all other out-of-pocket expenses incurred by the Administrative Agent and the cost of independent public accountants and other outside experts retained by the Administrative Agent or any Lender. The agreements in this Section shall survive the termination of the Commitments and repayment of all the other Obligations.

10.05 Indemnification. Whether or not the transactions contemplated hereby are consummated, each of the Borrower, the MLP and each other Guarantor (by execution of a Guaranty), jointly and severally, agrees to indemnify, save and hold harmless each Agent-Related Person, each Syndication Agent-Related Person, each Documentation Agent-Related Person, each Arranger, each Lender, the L/C Issuer and their respective Affiliates, directors, officers, employees, counsel, agents and attorneys-in-fact (collectively the "***Indemnitees***") from and against: (a) any and all claims, demands, actions or causes of action that are asserted against any Indemnitee by any Person (other than the Administrative Agent or any Lender) relating directly or indirectly to a claim, demand, action or cause of action that such Person asserts or may assert against any Loan Party, any Affiliate of any Loan Party or any of their respective officers or directors, arising out of or relating to, the Loan Documents, the Commitments, the use or contemplated use of the proceeds of any Loans, or the relationship of any Loan Party, the Administrative Agent, the Lenders and the L/C Issuer under this Agreement or any other Loan Document; (b) any and all claims, demands, actions or causes of action that may at any time (including at any time following repayment of the Obligations and the resignation of the Administrative Agent or the replacement of any Lender) be asserted or imposed against any Indemnitee, arising out of or relating to, the Loan Documents, the Commitments, the use or contemplated use of the proceeds of any Loans, or the relationship of any Loan Party, the Administrative Agent, the Lenders and the L/C Issuer under this Agreement or any other Loan Document; (c) without limiting the foregoing, any and all claims, demands, actions or causes of action that are asserted or imposed against any Indemnitee, (i) under the application of any Environmental Law applicable to the Borrower or any of its Subsidiaries or any of their properties or assets, including the treatment or disposal of Hazardous Substances on any of their properties or assets, (ii) as a result of the breach or non-compliance by the Borrower or any Subsidiary with any Environmental Law applicable to the Borrower or any Subsidiary, (iii) due to past ownership by the Borrower or any Subsidiary of any of their properties or assets or past activity on any of their properties or assets which, though lawful and fully permissible at the time, could result in present liability, (iv) due to the presence, use, storage, treatment or disposal of Hazardous Substances on or under, or the escape, seepage, leakage, spillage, discharge, emission or release from, any of the properties owned or operated by the Borrower or any Subsidiary (including any liability asserted or arising under any Environmental Law), regardless of whether caused by, or within the control of, the Borrower or such Subsidiary, or (v) due to any other environmental, health or safety condition in connection with the Loan Documents; (d) any administrative or investigative proceeding by any Governmental Authority arising out of or

related to a claim, demand, action or cause of action described in ***subsection (a), (b)*** or ***(c)*** above; and (e) any and all liabilities (including liabilities under indemnities), losses, costs or expenses (including Attorney Costs) that any Indemnitee suffers or incurs as a result of the assertion of any foregoing claim, demand, action, cause of action or proceeding, or as a result of the preparation of any defense in connection with any foregoing claim, demand, action, cause of action or proceeding, in all cases, ***WHETHER OR NOT ARISING OUT OF THE STRICT LIABILITY OR NEGLIGENCE OF AN INDEMNITEE***, and whether or not an Indemnitee is a party to such claim, demand, action, cause of action or proceeding (all the foregoing, collectively, the "***Indemnified Liabilities***"); *provided that* no Indemnitee shall be entitled to indemnification for any claim to the extent caused by its own gross negligence or willful misconduct. The agreements in this Section shall survive the termination of the Commitments and repayment of all the other Obligations.

10.06 Payments Set Aside. To the extent that the Borrower makes a payment to the Administrative Agent or any Lender, or the Administrative Agent or any Lender exercises its right of set-off, and such payment or the proceeds of such set-off or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect.

10.07 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans (including for purposes of this ***subsection (b)***, participations in L/C Obligations) at the time owing to it); *provided that* (i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent or, if "***Trade Date***" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than $1,000,000, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed), (ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned, (iii) any assignment of a Commitment must be approved by the Administrative

Agent and each L/C Issuer unless the Person that is the proposed assignee is itself a Lender (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee), and (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of $3,500 (such fee to be paid by the assignor or the assignee, as may be agreed between them), and the Eligible Assignee, if not a Lender, shall deliver to the Administrative Agent an Administrative Details Form. Subject to acceptance and recording thereof by the Administrative Agent pursuant to ***subsection (c)*** of this Section, from and after the effective date specified in each Assignment and Acceptance, the Eligible Assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of ***Sections 3.07***, ***10.04*** and ***10.05***). Upon request, the Borrower (at its expense) shall execute and deliver new or replacement Notes to the assigning Lender and the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with ***subsection (d)*** of this Section.

(c) The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Administrative Agent's Office a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "***Register***"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Any Lender may, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to one or more banks or other entities (a "***Participant***") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in L/C Obligations) owing to it); *provided that* (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided that* such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification that would (i) postpone any date upon which any payment of money is scheduled to be paid to such Participant, (ii) reduce the principal, interest, fees or other amounts payable to such Participant, or (iii) release any Guarantor from the Guaranty. Subject to ***subsection (e)*** of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of ***Sections 3.01, 3.04*** and ***3.05*** to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to ***subsection (b)*** of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of ***Section 10.09*** as though it were a Lender, *provided* such Participant agrees to be subject to ***Section 2.12*** as though it were a Lender.

(e) A Participant shall not be entitled to receive any greater payment under ***Section 3.01*** or ***3.04*** than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of ***Section 3.01*** unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with ***Section 10.15*** as though it were a Lender.

(f) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Notes, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; *provided that* no such pledge or assignment shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) If the consent of the Borrower to an assignment or to an Eligible Assignee is required hereunder (including a consent to an assignment which does not meet the minimum assignment threshold specified in ***clause (i)*** of the proviso to the first sentence of ***Section 10.07(b)***), the Borrower shall be deemed to have given its consent five Business Days after the date notice thereof has been delivered by the assigning Lender (through the Administrative Agent) unless such consent is expressly refused by the Borrower prior to such fifth Business Day.

(h) Notwithstanding anything to the contrary contained herein, if at any time a Lender that is also an L/C Issuer assigns all of its Commitment and Loans pursuant to ***subsection (b)*** above, such L/C Issuer may, (i) upon 30 days' notice to the Borrower and the Lenders, resign as L/C Issuer. In the event of any such resignation as L/C Issuer, the Borrower shall be entitled to appoint from among the Lenders a successor L/C Issuer hereunder; *provided*, *however*, that no failure by the Borrower to appoint any such successor shall affect the resignation of the resigning L/C Issuer. Such resigning L/C Issuer shall retain all the rights and obligations of an L/C Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as L/C Issuer and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Loans or fund participations in Unreimbursed Amounts pursuant to ***Section 2.02(c)***).

(i) Notwithstanding anything to the contrary contained herein, any Lender (a "***Granting Lender***") may grant to a special purpose funding vehicle (an "***SPC***"), identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan or L/C Advance that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to this Agreement; *provided that* (i) nothing herein shall constitute a commitment by any SPC to make any Loan or L/C Advance, (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan or L/C Advance in accordance with and at the times required by this Agreement, the Granting Lender shall be obligated to make such Loan or L/C Advance pursuant to the terms hereof, and (iii) each SPC that is a "*foreign corporation, partnership or trust*" within the meaning of the Code must comply with the provisions of ***Section 10.15***. The making of a Loan or L/C Advance by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan or L/C Advance were made by such Granting Lender. An SPC shall not be entitled to receive any greater payment under ***Article III*** than its Granting Lender would have been entitled to receive with respect to any Loan or L/C Advance made by such SPC. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Lender). All voting rights under this Agreement shall be exercised solely by the Granting Lender and each Granting Lender shall remain solely responsible to the other parties hereto for its obligations under this Agreement, including all obligations of a Lender in respect of Loans and L/C Advances made by its SPC.

Each Granting Lender shall act as administrative agent for its SPC and give and receive notices and other communications hereunder. Any payments for the account of any SPC shall be paid to its Granting Lender as administrative agent for such SPC and neither the Borrower nor the Administrative Agent shall be responsible for any Granting Lender's application of any such payments. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any state thereof. In addition, notwithstanding anything to the contrary contained in this Section, any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent, assign all or a portion of its interests in any Loan or L/C Advances to the Granting Lender or to any financial institutions (consented to by the Borrower and Administrative Agent) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans and L/C Advances and (ii) disclose on a confidential basis any non-public information relating to its Loans and L/C Advances to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This section may not be amended without the written consent of each SPC.

10.08 Confidentiality. Each Lender agrees that it will not disclose without the prior consent of the Borrower (other than to directors, officers, employees, auditors, accountants, counsel or other professional advisors of the Administrative Agent or any Lender) any information with respect to the Borrower or its Subsidiaries, which is furnished pursuant to this Agreement and which (i) the Borrower in good faith considers to be confidential and (ii) is either clearly marked confidential or is designated by the Borrower to the Administrative Agent or the Lenders in writing as confidential, *provided that* any Lender may disclose any such information (a) as has become generally available to the public, (b) as may be required or appropriate in any report, statement or testimony submitted to or required by any municipal, state or federal regulatory body having or claiming to have jurisdiction over such Lender or submitted to or required by the Board or the Federal Deposit Insurance Corporation or similar organizations (whether in the United States of America or elsewhere) or their successors, (c) as may be required or appropriate in response to any summons or subpoena in connection with any litigation, (d) in order to comply with any law, order, regulation or ruling applicable to such Lender, (e) to any Eligible Assignee of or Participant in, or any prospective Eligible Assignee of or Participant in, any of its rights or obligations under this Agreement, *provided that* such Eligible Assignee or Participant or prospective Eligible Assignee or Participant executes an agreement containing provisions substantially similar to those contained in this ***Section 10.08***, (f) in connection with the exercise of any remedy by such Lender following an Event of Default pertaining to the Loan Documents, (g) in connection with any litigation involving such Lender pertaining to the Loan Documents, (h) to any Lender or the Administrative Agent, or (i) to any Affiliate of any Lender (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such information and instructed to keep such information confidential).

10.09 Set-off. In addition to any rights and remedies of the Lenders provided by law, upon the occurrence and during the continuance of any Event of Default, each Lender is authorized at any time and from time to time, without prior notice to the Borrower or any other Loan Party, any such notice being waived by the Borrower (on its own behalf and on behalf of each Loan Party) to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Lender to or for the credit or the account of the respective Loan Parties against any and all Obligations owing to the Administrative Agent and the Lenders, now or hereafter existing, irrespective of whether or not the Administrative Agent or such Lender shall have made demand under this Agreement or any other Loan Document and although such Obligations may be contingent or unmatured. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such set-off and application made by such Lender; *provided, however*, that the failure to give such notice shall not affect the validity of such set-off and application.

10.10 Interest Rate Limitation. Regardless of any provision contained in any Loan Document, neither the Administrative Agent nor any Lender shall ever be entitled to contract for, charge, take, reserve, receive, or apply, as interest on all or any part of the Obligations, any amount in excess of the Maximum Rate, and, if any Lender ever does so, then such excess shall be deemed a partial prepayment of principal and treated hereunder as such and any remaining excess shall be refunded to the Borrower. In determining if the interest paid or payable exceeds the Maximum Rate, the Borrower and the Lenders shall, to the maximum extent permitted under applicable Law, (a) treat all Borrowings as but a single extension of credit (and the Lenders and the Borrower agree that such is the case and that provision herein for multiple Borrowings is for convenience only), (b) characterize any nonprincipal payment as an expense, fee, or premium rather than as interest, (c) exclude voluntary prepayments and the effects thereof, and (d) amortize, prorate, allocate, and spread the total amount of interest throughout the entire contemplated term of the Obligations. However, if the Obligations are paid and performed in full prior to the end of the full contemplated term thereof, and if the interest received for the actual period of existence thereof exceeds the Maximum Amount, the Lenders shall refund such excess, and, in such event, the Lenders shall not, to the extent permitted by Law, be subject to any penalties provided by any Laws for contracting for, charging, taking, reserving, or receiving interest in excess of the Maximum Amount. If, contrary to the parties' intent expressed in ***Section 10.16(a)***, the Laws of the State of Texas are applicable for purposes of determining the "***Maximum Rate***" or the "***Maximum Amount***," then those terms mean the "*weekly ceiling*" from time to time in effect under Texas Finance Code § 303.305, as amended. The Borrower agrees that Chapter 346 of the Texas Finance Code, as amended (which regulates certain revolving credit loan accounts and revolving tri-party accounts), does not apply to the Obligations.

10.11 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.12 Integration; Electronic Execution of Assignments. (a) This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control; *provided that* the inclusion of supplemental rights or remedies in favor of the Administrative Agent or the Lenders in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

(b) Electronic Execution of Assignments. The words "*execution*," "*signed*," "*signature*," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

10.13 Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or Event of Default at the time of any Borrowing, and shall continue in full force and effect as long as any Loan or any other Obligation shall remain unpaid or unsatisfied.

10.14 Severability. Any provision of this Agreement and the other Loan Documents to which the Borrower is a party that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.15 Foreign Lenders. Each Lender that is a "*foreign corporation, partnership or trust*" within the meaning of the Code (a "***Foreign Lender***") shall deliver to the Administrative Agent, prior to receipt of any payment subject to withholding under the Code (or after accepting an assignment of an interest herein), two duly signed completed copies of either IRS Form W-8BEN or any successor thereto (relating to such Person and entitling it to an exemption from withholding tax on all payments to be made to such Person by the Borrower pursuant to this Agreement) or IRS Form W-8ECI or any successor thereto (relating to all payments to be made to such Person by the Borrower pursuant to this Agreement) or such other evidence satisfactory to the Borrower and the Administrative Agent that such Person is entitled to an exemption from U.S. withholding tax. Thereafter and from time to time, each such Person shall (a) promptly submit to the Administrative Agent such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is satisfactory to the Borrower and the Administrative Agent of any available exemption from United States withholding taxes in respect of all payments to be made to such Person by the Borrower pursuant to this Agreement, (b) promptly notify the Agent of any change in circumstances which would modify or render invalid any claimed exemption, and (c) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender, and as may be reasonably necessary (including the re-designation of its Lending Office) to avoid any requirement of applicable Laws that the Borrower make any deduction or withholding for taxes from amounts payable to such Person. If such Person fails to deliver the above forms or other documentation, then the Administrative Agent may withhold from any interest payment to such Person an amount equivalent to the applicable withholding tax imposed by *Sections 1441 and 1442 of the Code*, without reduction. If any Governmental Authority asserts that the Administrative Agent did not properly withhold any tax or other amount from payments made in respect of such Person, such Person shall indemnify the Administrative Agent therefor, including all penalties and interest, any taxes imposed by any jurisdiction on the amounts payable to the Agent under this Section, and costs and expenses (including Attorney Costs) of the Administrative Agent. The obligation of the Lenders under this Section shall survive the payment of all Obligations and the resignation or replacement of the Administrative Agent.

10.16 Governing Law.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE; *PROVIDED THAT* THE ADMINISTRATIVE AGENT AND EACH LENDER SHALL RETAIN ALL RIGHTS ARISING UNDER UNITED STATES FEDERAL LAW.

(b) EACH COMPANY AND OTHER PARTY HERETO, AND EACH GUARANTOR, BY EXECUTION OF A GUARANTY, AGREES AS TO THIS ***SECTION 10.16(b)***. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK SITTING IN THE BOROUGH OF MANHATTAN OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF SUCH STATE, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER CONSENTS, AND BY EXECUTION OF A GUARANTY, EACH GUARANTOR CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. THE BORROWER, EACH GUARANTOR, THE ADMINISTRATIVE AGENT AND EACH LENDER (1) IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF ANY LOAN DOCUMENT OR OTHER DOCUMENT RELATED THERETO, AND (2) IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, POSTAGE PREPAID, AT ITS ADDRESS FOR NOTICES DESIGNATED HEREIN. THE BORROWER, EACH GUARANTOR, THE ADMINISTRATIVE AGENT AND EACH LENDER WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY THE LAW OF SUCH STATE. THE BORROWER AND EACH GUARANTOR, BY ITS EXECUTION OF A GUARANTY, AGREES TO DESIGNATE AND MAINTAIN AN AGENT FOR SERVICE OF PROCESS IN NEW YORK IN CONNECTION WITH ACTIONS AND PROCEEDINGS UNDER THE LOAN DOCUMENTS AND TO DELIVER TO THE ADMINISTRATIVE AGENT EVIDENCE THEREOF.

10.17 Waiver of Right to Trial by Jury, Etc. EACH PARTY TO THIS AGREEMENT AND EACH GUARANTOR, BY EXECUTION OF A GUARANTY, HEREBY (a) EXPRESSLY AND IRREVOCABLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES TO THE LOAN DOCUMENTS OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE COMPANIES TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY; AND (b) EXPRESSLY AND IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH ACTION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES, OR DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES, *PROVIDED THAT* THE WAIVER CONTAINED IN THIS ***SECTION 10.17(b)*** SHALL NOT APPLY TO THE EXTENT THAT THE PARTY AGAINST WHOM DAMAGES ARE SOUGHT HAS ENGAGED IN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

10.18 USA PATRIOT Act Notice. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001) (the "***Act***")), it is required to obtain, verify and record information that

identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Act.

10.19 Termination of Existing Credit Agreement. The Borrower has given, or contemporaneously with the execution and delivery of this Agreement is giving, to the administrative agent under the Existing Credit Agreement, notice of the termination of the lenders under the Existing Credit Agreement, so that such commitments terminate on the Closing Date. Execution of this Agreement by Lenders who are lenders under the Existing Credit Agreement shall constitute a waiver of the notice provisions in ***Section 2.05*** of the Existing Credit Agreement that would otherwise be applicable to such termination, and the administrative agent under the Existing Credit Agreement may rely on this ***Section 10.19***.

10.20 ENTIRE AGREEMENT. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[REMAINDER OF PAGE INTENTIONALLY BLANK; SIGNATURES
BEGIN ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto caused this Agreement to be duly executed as of the data first above written.

SUNOCO LOGISTICS PARTNERS OPERATIONS L.P., as Borrower

By: SUNOCO LOGISTICS PARTNERS GP LLC, its General Partner

By: /s/ PAUL MULHOLLAND

Name: PAUL MULHOLLAND
Title: TREASURER

SUNOCO LOGISTICS PARTNERS OPERATIONS L.P., a Dalaware limited partnership, as Guarantor

By: SUNOCO PARTNERS LLC, its General Partner

By: /s/ PAUL MULHOLLAND

Name: PAUL MULHOLLAND
Title: TREASURER

[THIS IS A SIGNATURE PAGE TO THE
SUNOCO LOGISTICS PARTNERS OPERATIONS L.P. CREDIT AGREEMENT]

CITIBANK, N.A., as Administrative Agent, a Lender and L/C Issuer

By: /s/ K. CLINTON GERST

Name: K. CLINTON GERST
Title: Attorney-in-Fact

[THIS IS A SIGNATURE PAGE TO THE
SUNOCO LOGISTICS PARTNERS OPERATIONS L.P. CREDIT AGREEMENT]

BARCLAYS BANK PLC, as a Lender and L/C Issuer

By: /s/ Nicholas A. Bell

Name: Nicholas A. Bell
Title: Director

[THIS IS A SIGNATURE PAGE TO THE
SUNOCO LOGISTICS PARTNERS OPERATIONS L.P. CREDIT AGREEMENT]

KEYBANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Keven D. Smith

Name: Keven D. Smith
Title: Vice President

[THIS IS A SIGNATURE PAGE TO THE
SUNOCO LOGISTICS PARTNERS OPERATIONS L.P. CREDIT AGREEMENT]

SUNTRUST BANK, as a Lender

By: /s/ David Edge

Name: David Edge
Title: Managing Director

[THIS IS A SIGNATURE PAGE TO THE
SUNOCO LOGISTICS PARTNERS OPERATIONS L.P. CREDIT AGREEMENT]

WACHOVIA BANK, NATIONAL ASSOCIATION, as
a Lender

By: /s/ Russell Clingman

Name: Russell Clingman
Title: Director

[THIS IS A SIGNATURE PAGE TO THE
SUNOCO LOGISTICS PARTNERS OPERATIONS L.P. CREDIT AGREEMENT]

BANK OF TOKYO-MITSUBISHI TRUST COMPANY, as a Lender

By: /s/ Karen Ossolinski

Name: Karen Ossolinski
Title: Vice President

[THIS IS A SIGNATURE PAGE TO THE
SUNOCO LOGISTICS PARTNERS OPERATIONS L.P. CREDIT AGREEMENT]

CREDIT SUISSE FIRST BOSTON, acting through
its Cayman Islands Branch, as a Lender

By: /s/ Jay Chall

Name: Jay Chall
Title: Director

By: /s/ Mikhail Faybusovich

Name: Mikhail Faybusovich
Title: Associate

[THIS IS A SIGNATURE PAGE TO THE
SUNOCO LOGISTICS PARTNERS OPERATIONS L.P. CREDIT AGREEMENT]

LEHMAN BROTHERS BANK, FSB, as a Lender

By: /s/ Gary T. Taylor

Name: Gary T. Taylor
Title: Vice President

[THIS IS A SIGNATURE PAGE TO THE
SUNOCO LOGISTICS PARTNERS OPERATIONS L.P. CREDIT AGREEMENT]

ROYAL BANK OF CANADA, as a Lender

By: /s/ Linda M. Stephens

Name: Linda M. Stephens
Title: Authorized Signatory

[THIS IS A SIGNATURE PAGE TO THE
SUNOCO LOGISTICS PARTNERS OPERATIONS L.P. CREDIT AGREEMENT]

UBS LOAN FINANCE LLC, as a Lender

By: /s/ Doris Mesa

Doris Mesa
Associate Director
Banking Products
Services, US

By: /s/ Winslowe Ogbourne

Winslowe Ogbourne
Associate Director
Banking Products
Services, US

[THIS IS A SIGNATURE PAGE TO THE
SUNOCO LOGISTICS PARTNERS OPERATIONS L.P. CREDIT AGREEMENT]

EXISTING LETTERS OF CREDIT

None

COMMITMENTS

Lender	Commitment
Citibank, N.A.	$ 28,500,000
Barclays Bank PLC	$ 28,500,000
KeyBank National Association	$ 26,000,000
SunTrust Bank	$ 26,000,000
Wachovia Bank, National Association	$ 26,000,000
Bank of Tokyo-Mitsubishi Trust Company	$ 23,000,000
Credit Suisse First Boston	$ 23,000,000
Lehman Brothers Bank, FSB	$ 23,000,000
Royal Bank of Canada	$ 23,000,000
UBS Loan Finance LLC	$ 23,000,000
Total:	$250,000,000

SUBSIDIARIES
AND OTHER EQUITY INVESTMENTS

(a) Subsidiaries as of the Closing Date:

Name	Jurisdiction of Organization	Ownership
1. Sunoco Logistics Partners Operations GP LLC	Delaware	100% owned by the Borrower
2. Sunoco Partners Marketing & Terminals L.P.	Texas	99.99% limited partner interest owned by the Borrower 0.01% general partner interest owned by Sunoco Logistics Partners Operations GP LLC
3. Sunoco Pipeline L.P.	Texas	99.99% limited partner interest owned by the Borrower 0.01% general partner interest owned by Sunoco Logistics Partners Operations GP LLC
4. PUT, LLC	Delaware	100% owned by Sunoco Pipeline, L.P.
5. Sunoco West Texas Gulf Pipe Line LLC	Delaware	100% owned by Sunoco Pipeline, L.P.

(b) Investments in Permitted Joint Ventures as of the Closing Date

1. Sunoco Pipeline L.P. has a 9.4% interest in Explorer Pipeline Company, a Delaware corporation.

2. Sunoco West Texas Gulf Pipe Line LLC has a 43.81% in West Texas Gulf Pipe Line Company, a Delaware limited liability company

3. PUT, LLC has (A) a 31.50% interest in Wolverine Pipeline Company, a Delaware limited liability company, (B) a 14.00% interest in Yellowstone Pipeline Company, a Delaware limited liability company, and (C) a 12.3% interest in West Shore Pipeline Company, a Delaware limited liability company.

EXISTING LIENS

None

ADDRESSES FOR NOTICES TO BORROWER,
GUARANTORS AND ADMINISTRATIVE AGENT

ADDRESS FOR NOTICES TO BORROWER

SUNOCO LOGISTICS PARTNERS OPERATIONS L.P.

Ten Penn Center
1801 Market Street
Philadelphia, PA 19103
Attn: Paul A. Mulholland
Telephone: (215) 246-8810
Facsimile: (215) 977-3559
Electronic Mail: *pamulholland@sunocoinc.com*

ADDRESS FOR NOTICES TO GUARANTORS

Ten Penn Center
1801 Market Street
Philadelphia, PA 19103
Attn: Paul A. Mulholland
Telephone: (215) 246-8810
Facsimile: (215) 977-3559
Electronic Mail: *pamulholland@sunocoinc.com*

ADDRESSES FOR ADMINISTRATIVE AGENT

Administrative Agent's Office:

Citibank, N.A.
Two Penns Way, 1st Floor
Newcastle, DE 19720
Attention: Dawayne Sims
Telephone: (302) 894-6011
Facsimile: (212) 994-0961
Electronic Mail: dawayne.sims@citigroup.com
Account No.: 36852248
Ref: Sunoco Logistics Partners
ABA# 021000089

L/C Issuer - Citibank:

Citibank, N.A.
Two Penns Way, 1st Floor
Newcastle, DE 19720
Attention: Dawayne Sims
Telephone: (302) 894-6011
Facsimile: (212) 994-0961
Electronic Mail: dawayne.sims@citigroup.com
Account No.: 36852248
Ref: Sunoco Logistics Partners
ABA# 021000089

L/C Issuer -– Barclays:

Barclays Bank PLC
200 Park Avenue
New York, NY 10166
Attention: Dawn Townsend
Telephone: (212) 412-5142
Facsimile: (212) 412-5111
Electronic Mail: dawn.townsend@barcap.com

FORM OF BORROWING NOTICE

Date: _____, ____

To: Citibank, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of November 22, 2004 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "***Agreement***;" the terms defined therein being used herein as therein defined), among Sunoco Logistics Partners Operations L.P., a Delaware limited partnership, Sunoco Logistics Partners L.P., a Delaware limited partnership, the Lenders from time to time party thereto, and Citibank, N.A., as Administrative Agent.

1. The undersigned hereby requests the following Type of Loan and applicable Dollar amount:
   - (a) Base Rate Loan for $_____.
   - (b) Eurodollar Rate Loan with Interest Period of:
     - (i) one month for $_____
     - (ii) two months for $_____
     - (iii) three months for $_____
     - (iv) six months for $_____
2. Requested date of Borrowing: _____, 200_.
3. Purpose of Loan:

   ____ To fund Quarterly Distributions (***Section 6.12(d)*** of the Agreement)
   ____ Other
4. If the Loan is for the purpose of funding Quarterly Distributions:
   - (a) Total outstanding amount of Distribution Loans: $_____
   - (b) Amount of Distribution Loan requested: $_____
   - (c) Total of lines ***4.(a)****plus****4.(b)*****:** $_____
   (must be not be greater than $20,000,000)

The undersigned hereby certifies that the following statements will be true on the date of the proposed Borrowing(s) after giving effect thereto and to the application of the proceeds therefrom:

(a) the representations and warranties of the Borrower contained in ***Article V*** (excluding ***Section 5.05(c)***) of the Agreement are true and correct as though made on and as of such date (except such representations and warranties which expressly refer to an earlier date, which are true and correct as of such earlier date); and

(b) no Default or Event of Default has occurred and is continuing, or would result from such proposed Borrowing(s).

The Borrowing requested herein complies with ***Sections 2.01***, and ***2.03*** of the Agreement, as applicable.

SUNOCO LOGISTICS PARTNERS OPERATIONS L.P.

By Sunoco Logistics Partners GP LLC, its General Partner

By: _____

Name: _____

Title: _____

FORM OF CONVERSION/CONTINUATION NOTICE

Date: _____, ____

TO: Citibank, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of November 22, 2004 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "***Agreement***"; the terms defined therein being used herein as herein defined), among Sunoco Logistics Partners Operations L.P., a Delaware limited partnership, Sunoco Logistics Partners L.P., a Delaware limited partnership, the Lenders from time to time party thereto, and Citibank, N.A., as Administrative Agent.

The undersigned hereby requests a [conversion] [continuation] of Loans as follows:

1. Amount of [conversion] [continuation]: $ _____
2. Existing rate: Check applicable blank
   (a) Base Rate
   (b) Eurodollar Rate Loan with Interest Period of:
      (i) one month
      (ii) two months
      (iii) three months
      (iv) six months
3. If a Eurodollar Rate Loan, date of the last day of the Interest Period for such Loan: _____, 200__.

The Loan described above is to be [converted] [continued] as follows:

4. Requested date of [conversion] [continuation]: _____, 200__.
5. Requested Type of Loan and applicable Dollar amount:
   (a) Base Rate Loan for $ _____
   (b) Eurodollar Rate Loan with Interest Period of:
      (i) one month for $ _____
      (ii) two months for $ _____
      (iii) three months for $ _____
      (iv) six months for $ _____

The [conversion] [continuation] requested herein complies with ***Sections 2.01*** and ***2.03*** of the Agreement, as applicable.

SUNOCO LOGISTICS PARTNERS OPERATIONS L.P.

By Sunoco Logistics Partners GP LLC, its General Partner

By: _____

Name: _____

Title: _____

EXHIBIT B

FORM OF NOTE

$_____ November 22, 2004

FOR VALUE RECEIVED, the undersigned (the "***Borrower***"), hereby promises to pay to the order of _____ (the "***Lender***"), on the Maturity Date (as defined in the Credit Agreement referred to below) the principal amount of _____Dollars_____ ($_____), or such lesser principal amount of Loans (as defined in such Credit Agreement) due and payable by the Borrower to the Lender on the Maturity Date under that certain Credit Agreement, dated as of even date herewith (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "***Agreement***;" the terms defined therein being used herein as therein defined), among the Borrower, Sunoco Logistics Partners L.P., a Delaware limited partnership, the Lenders from time to time party thereto, and Citibank, N.A., as Administrative Agent.

The Borrower promises to pay interest on the unpaid principal amount of each Loan from the date of such Loan until such principal amount is paid in full, at such interest rates, and at such times as are specified in the Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars in immediately available funds at the Administrative Agent's Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Note is one of the Notes referred to in the Agreement, is entitled to the benefits thereof and is subject to optional and mandatory prepayment in whole or in part as provided therein. This Note is also entitled to the benefits of each Guaranty. Upon the occurrence of one or more of the Events of Default specified in the Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable all as provided in the Agreement. Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

This Note is a Loan Document and is subject to ***Section 10.10*** of the Credit Agreement, which is incorporated herein by reference the same as if set forth herein verbatim.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, notice of intent to accelerate, notice of acceleration, demand, dishonor and non-payment of this Note.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SUNOCO LOGISTICS PARTNERS OPERATIONS L.P.

By: Sunoco Logistics Partners GP LLC, its General Partner

By: _____

Name: _____

Title: _____

LOANS AND PAYMENTS WITH RESPECT THERETO

Date	Type of Loan Made	Amount of Loan Made	End of Interest Period	Amount of Principal or Interest Paid This Date	Revolver Principal Debt This Date	Notation Made By

FORM OF COMPLIANCE CERTIFICATE
(Pursuant to ***Section 6.02*** of the Agreement)

Financial Statement Date: _____, _____

To: Citibank, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of November 22, 2004 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "***Agreement***;" the terms defined therein being used herein as therein defined), among Sunoco Logistics Partners Operations L.P., a Delaware limited partnership (the "***Borrower***"), Sunoco Logistics Partners L.P., a Delaware limited partnership (the "***MLP***"), the Lenders from time to time party thereto, and Citibank, N.A., as Administrative Agent. Capitalized terms used herein but not defined herein shall have the meaning set forth in the Agreement.

The undersigned Responsible Officers hereby certify as of the date hereof that they are the _____ of the MLP and the _____ of the Borrower, and that, as such, they are authorized to execute and deliver this Certificate to the Administrative Agent on the behalf of the MLP and the Borrower, and that:

[Use one of the following for fiscal year-end financial statements]

Attached hereto are the year-end audited financial statements required by ***Section 6.01(a)*** of the Agreement for the fiscal year of the MLP ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section. [or]

The year-end audited financial statements required by ***Section 6.01(a)*** of the Agreement for the fiscal year of the MLP ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section were filed on-line through EDGAR on _____.

[Use one of the following for fiscal quarter-end financial statements]

Attached hereto are the unaudited financial statements required by ***Section 6.01(b)*** of the Agreement for the fiscal quarter of the MLP ended as of the above date, together with a certificate of a Responsible Officer of the MLP stating that such financial statements fairly present the financial condition, results of operations and cash flows of the MLP and its Subsidiaries in accordance with GAAP as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes. [or]

Attached is a certificate of a Responsible Officer of the MLP stating that the unaudited financial statements required by ***Section 6.01(b)*** of the Agreement for the fiscal quarter of the MLP ended as of the above date, which were filed on-line through EDGAR on _____, fairly present the financial condition, results of operations and cash flows of the MLP and its Subsidiaries in accordance with GAAP as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes.

[Use the following for both fiscal year-end and quarter-end financial statements]

1. The undersigned has reviewed and is familiar with the terms of the Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and condition (financial or otherwise) of the Borrower during the accounting period covered by the attached financial statements.

2. A review of the activities of the MLP and the Borrower during such fiscal period has been made under the supervision of the undersigned with a view to determining whether during such fiscal period the MLP and the Borrower performed and observed all their respective Obligations under the Loan Documents, and no Default or Event of Default has occurred and is continuing *except* as follows (list of each such Default or Event of Default and include the information required by ***Section 6.03*** of the Credit Agreement):

3. The covenant analyses and information set forth on ***Schedule 1*** attached hereto are true and accurate on and as of the date of this Certificate.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of _____, _____.

SUNOCO LOGISTICS PARTNERS OPERATIONS L.P.

By: Sunoco Logistics Partners GP LLC,
its General Partner

By: _____

Name: _____

Title: _____

SUNOCO LOGISTICS PARTNERS L.P., a Delaware limited partnership

By: Sunoco Partners LLC, its General Partner

By: _____

Name: _____

Title: _____

For the Quarter/Year ended _____("***Statement Date***")

SCHEDULE 1
to the Compliance Certificate
($ in 000's)

I. ***Section 7.04(e)*** – Indebtedness of Subsidiaries

A. Consolidated EBITDA for the most recent four fiscal quarters: (Line II.A.8 below) $_____

B. Consolidated EBITDA shown in Line I.A, times 0.5: $_____

C. Actual Principal Amount of Indebtedness of Subsidiaries: (may not exceed the amount set forth in Line I.B above) $_____

II. ***Section 7.14(a)*** – Interest Coverage Ratio.

A. Consolidated EBITDA for four consecutive fiscal quarters ending on the Statement Date (" ***Subject Period*** ") (see Credit Agreement definition of ***"Consolidated EBITDA***"):

1. Consolidated Net Income for Subject Period: $_____
2. Consolidated Interest Charges for Subject Period: $_____
3. Provision for income taxes for Subject Period: $_____
4. Depreciation expenses for Subject Period: $_____
5. Amortization expenses for Subject Period: $_____
6. Consolidated EBITDA (prior to pro forma adjustments for Asset Acquisitions pursuant to ***Section 7.14(c)(i)***) (Lines II.A.1 + II.A.2 + II.A.3 + II.A.4 + II.A.5): $_____
7. Pro forma adjustments to EBITDA for Asset Acquisitions during the Subject Period (***Section 7.14(c)(i)***), giving effect to such Asset Acquisitions on a pro forma basis for the Subject Period as if such Asset Acquisitions occurred on the first day of the Subject Period: $_____

8. Consolidated EBITDA, including pro forma adjustments for Asset Acquisitions (Lines II.A.6 + II.A.7): $_____

B. Consolidated Interest Charges for Subject Period:

1. Consolidated Interest Charges for the four consecutive fiscal quarters ending on the Statement Date: $_____

2. Pro forma adjustment for Interest Charges during the four consecutive fiscal quarters ending on the Statement Date (***Section 7.14(c)(ii)***): $_____

3. Consolidated Interest Charges, including pro forma adjustments (Lines II.B.1 + II.B.2): $_____

C. Interest Coverage Ratio:

1. Consolidated EBITDA adjusted for Asset Acquisitions (Line II.A.8): $_____

2. Consolidated Interest Charges adjusted for Asset Acquisitions (Line II.B.3): $_____

3. Interest Coverage Ratio (Line II.C.1 ÷ Line II.C.2):

Minimum required: 3.0:1.0 ____ to 1.0

III. ***Section 7.14(b)*** – Leverage Ratio

A. Consolidated Total Debt: $_____

B. Minus Excluded Affiliate Debt $_____

C. Consolidated EBITDA (including pro forma adjustments for Asset Acquisitions) (Line II.A.8 above): $_____

D. Leverage Ratio ((Line III.A minus Line III.B÷ III.C): ____ to 1.0

Maximum permitted: 4.5:1.0*

*If ***Section 7.14(b)(i)*** is applicable (Acquisition Period), please attach separate sheet showing relevant calculations and compliance.

IV. Compliance with ***Sections 7.02(c), (d), (e)*** and ***(f)*** (Permitted Joint Ventures)

Amount of Investment permitted by ***Section 7.02(c)*** (note: fixed amount as of the Closing Date): $_____

Aggregate Investment in Permitted Joint Ventures as of the Statement Date permitted pursuant to ***Section 7.02(d)*** (equity issuances): $_____

Purchase price for equity interests in Mid-Valley joint venture **(*Section 7.02(e)*)**: $_____

Aggregate Investment in Permitted Joint Ventures as of the Statement Date permitted pursuant to ***Section 7.02(f)*** : (maximum: $ 150,000,000) $_____

V. Compliance with ***Section 7.02(g)*** (Canadian Subsidiaries)

Aggregate Investment in Canadian Subsidiaries as of the Statement Date: (maximum: $ 50,000,000) $_____

VI. Calculation of Compliance with ***Section 7.06(a)(iv)*** and ***Section 2.04(b)*** (Dispositions and Mandatory Prepayments)

A. ***Section 2.04(b)(i)*** and Section ***7.06(a)(iv):***

1. The aggregate Net Cash Proceeds realized from Triggering Sales during the fiscal quarter ending on the Statement Date (required to be deposited with the Administrative Agent pursuant to ***Section 2.04(b)(iii)):*** $_____

2. Amount of Loans to be prepaid and amount of Commitment reduction (Unreinvested proceeds of Dispositions – see ***Section 2.04(b)(iii)):*** $_____

VII. ***Distribution Loans – Section 2.01(b)*** –Date of prepayment and Commitment reduction

A. Total amount of Distribution Loans outstanding as of the Statement Date (may not exceed $20,000,000): $_____

B. Attach schedule showing each date on which a Distribution Loan was made and each repayment during the fiscal quarter ending on the Statement Date

VIII. ***Section 7.07*** – Calculation of Available Cash and Quarterly Distributions

A. Available Cash of the MLP for the fiscal quarter ending on the Statement Date: $ _____

B. Available Cash of the Borrower for the fiscal quarter ending on the Statement Date: $ _____

C. Borrower Distributions of Available Cash made during the fiscal quarter ending on the Statement Date (attach a schedule showing date(s) and amount(s))

D. MLP Distributions of Available Cash made during the fiscal quarter ending on the Statement Date (attach a schedule showing date(s) and amount(s))

IX. ***Section 6.15*** – Clean Down Period

[This section is required to be completed only at fiscal year end, and only if during any such fiscal year the Borrower requested Distribution Loans.] One Clean Down period of fifteen (15) consecutive days during the fiscal year is required in compliance with ***Section 6.15***. For the current fiscal year, describe the Clean Down period (period of consecutive days (and dates)):

# of Days Dates

FORM OF ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "***Assignment and Assumption***") is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the "***Assignor***") and [*Insert name of Assignee*] (the "***Assignee***"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "***Credit Agreement***"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including any letters of credit and guarantees included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as, the "***Assigned Interest***"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____

2. Assignee: _____
[and is an Affiliate of [*identify Lender*]

3. Borrower(s): Sunoco Logistics Partners Operations L.P.

4. Administrative Agent: Citibank, N.A., as the administrative agent under the Credit Agreement

5. Credit Agreement: The Credit Agreement dated as of November 22, 2004 among Sunoco Logistics Partners Operations L.P. , the Lenders parties thereto, and Citibank, N.A., as Administrative Agent

6. Assigned Interest:

Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/Loans Assigned[1]	Percentage Assigned of Commitment/Loans[2]	CUSIP Number
$	$	%	
$	$	%	
$	$	%	

[7. Trade Date:_____][3]

1 Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.
2 Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.
3 To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.

Effective Date: _____ ____, 20____ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By: _____

Title:

ASSIGNEE
[NAME OF ASSIGNEE]
By: _____

Title:

[Consented to and][1] Accepted:

CITIBANK, N.A., as
Administrative Agent

By _____

Title:

[Consented to:][2]

[NAME OF RELEVANT PARTY]

By _____

Title:

1 To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.
2 To be added only if the consent of the Borrower and/or L/C Issuer is required by the terms of the Credit Agreement.

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loans Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to ***Section 6.01*** thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) if it is a Foreign Lender, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations that by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts that have accrued to but excluding the Effective Date and to the Assignee for amounts that have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

FORM OF SUBSIDIARY GUARANTY

THIS GUARANTY is executed as of November 22, 2004, jointly and severally by the undersigned (each a "***Guarantor***" and collectively the "***Guarantors***"), for the benefit of CITIBANK, N.A., a national banking association (in its capacity as Administrative Agent for the benefit of Lenders).

RECITALS

A. Sunoco Logistics Partners Operations L.P., a Delaware limited partnership ("***Borrower***"), Sunoco Logistics Partners L.P., a Delaware limited partnership (the "***MLP***"), Citibank, N.A., as Administrative Agent (including its permitted successors and assigns in such capacity, "***Administrative Agent***"), and the Lenders now or hereafter party to the Credit Agreement (including their respective permitted successors and assigns, "***Lenders***") have entered into a Credit Agreement, dated as of November 22, 2004 (as amended, modified, supplemented, or restated from time to time, the "***Credit Agreement***");

B. Provisions of the Credit Agreement permit Guarantors to directly or indirectly receive proceeds of Borrowings made pursuant thereto; and

C. This Guaranty is integral to the transactions contemplated by the Loan Documents and the execution and delivery hereof, is a condition precedent to Lenders' obligations to extend credit under the Loan Documents.

ACCORDINGLY, for adequate and sufficient consideration, the receipt and adequacy of which are hereby acknowledged, each Guarantor, jointly and severally, guarantees to Administrative Agent and Lenders the prompt payment when due, whether at stated maturity, by required payment, upon acceleration, demand or otherwise, of the Guaranteed Debt (defined below) as follows:

1. DEFINITIONS. Terms defined in the Credit Agreement have the same meanings when used, *unless* otherwise defined, in this Guaranty. As used in this Guaranty:

Borrower means Borrower, Borrower as a debtor-in-possession, and any receiver, trustee, liquidator, conservator, custodian, or similar party appointed for Borrower or for all or substantially all of Borrower's assets under any Debtor Relief Law.

Credit Agreement is defined in the recitals to this Guaranty.

Guaranteed Debt means, collectively, (a) the Obligations and (b) all present and future costs, attorneys' fees, and expenses reasonably incurred by Administrative Agent or any Lender to enforce Borrower's, any Guarantor's, or any other obligor's payment of any of the Guaranteed Debt, including, without limitation (to the extent lawful), all present and future amounts that would become due but for the operation of *§§ 502* or *506* or any other provision of *Title 11* of the *United States Code* and all present and future accrued and unpaid interest (including, without limitation, all post-maturity interest and any post-petition interest in any proceeding under Debtor Relief Laws to which Borrower or any Guarantor becomes subject).

Guarantor and ***Guarantors*** is defined in the preamble to this Guaranty.

Lender means, individually, or ***Lenders*** means, collectively, on any date of determination, the Lenders and their permitted successors and assigns.

Subordinated Debt means, for each Guarantor, all present and future obligations of any Company to such Guarantor, whether those obligations are (a) direct, indirect, fixed, contingent, liquidated, unliquidated, joint, several, or joint and several, (b) due or to become due to such Guarantor, (c) held by or are to be held by such Guarantor, (d) created directly or acquired by assignment or otherwise, or (e) evidenced in writing.

2. GUARANTY. (a) This is an absolute, irrevocable, and continuing guaranty of payment, not collection, and the circumstance that at any time or from time to time the Guaranteed Debt may be paid in full does not affect the obligation of any Guarantor with respect to the Guaranteed Debt incurred after that. This Guaranty remains in effect until the Guaranteed Debt is fully paid and performed, all commitments to extend any credit under the Loan Documents have terminated and all Letters of Credit have terminated. No Guarantor may rescind or revoke its obligations with respect to the Guaranteed Debt. Notwithstanding any contrary provision, it is the intention of Guarantors, Lenders, and Administrative Agent that the amount of the Guaranteed Debt guaranteed by each Guarantor by this Guaranty shall be in, but not in excess of, the maximum amount permitted by fraudulent conveyance, fraudulent transfer, or similar Laws applicable to each such Guarantor. Accordingly, notwithstanding anything to the contrary contained in this Guaranty or any other agreement or instrument executed in connection with the payment of any of the Guaranteed Debt, the amount of the Guaranteed Debt guaranteed by any Guarantor under this Guaranty shall be limited to an aggregate amount equal to the largest amount that would not render such Guarantor's obligations hereunder subject to avoidance under *Section 548* of the *United States Bankruptcy Code* or any comparable provision of any applicable state Law.

(b) No Setoff or Deductions; Taxes; Payments. Each Guarantor represents and warrants that it is organized and resident in the United States of America. Each Guarantor shall make all payments hereunder (i) without setoff or counterclaim, and (ii) free and clear of and without deduction for any taxes, levies, imposts, duties, charges, fees, deductions, withholdings, restrictions or conditions of any nature now or hereafter imposed or levied by any jurisdiction or any political subdivision thereof or taxing or other authority therein unless such Guarantor is compelled by law to make such deduction or withholding. If any such obligation (other than one arising with respect to taxes based on or measured by the income or profits of the Lender) is imposed upon a Guarantor with respect to any amount payable by it hereunder, such Guarantor will pay to the Lender, on the date on which such amount is due and payable hereunder, such additional amount in Dollars as shall be necessary to enable the Lender to receive the same net amount which the Lender would have received on such due date had no such obligation been imposed upon such Guarantor. Each Guarantor will deliver promptly to the Lender certificates or other valid vouchers for all taxes or other charges deducted from or paid with respect to payments made by such Guarantor hereunder. The obligations of each Guarantor under this paragraph shall survive the payment in full of the Guaranteed Obligations and termination of this Guaranty.

(c) All payments made by a Guarantor under this Guaranty shall be made to the Administrative Agent at the Administrative Agent's Office in Dollars.

3. **CONSIDERATION**. Each Guarantor represents and warrants that its liability under this

Guaranty may reasonably be expected to directly or indirectly benefit it.

4. CUMULATIVE RIGHTS. If any Guarantor becomes liable for any indebtedness owing by Borrower to Administrative Agent or any Lender, *other than* under this Guaranty, that liability may

not be in any manner impaired or affected by this Guaranty. The Rights of Administrative Agent or Lenders under this Guaranty are cumulative of any and all other Rights that Administrative Agent or Lenders may ever have against any Guarantor. The exercise by Administrative Agent or Lenders of any Right under this Guaranty or otherwise does not preclude the concurrent or subsequent exercise of any other Right.

5. PAYMENT UPON DEMAND; OBLIGATIONS INDEPENDENT. (a) If an Event of Default exists, each Guarantor shall, on demand and without further notice of dishonor and without any notice having been given to any Guarantor previous to that demand of either the acceptance by Administrative Agent or Lenders of this Guaranty or the creation or incurrence of any Guaranteed Debt, pay the amount of the Guaranteed Debt then due and payable to Administrative Agent and Lenders; *provided that*, if an Event of Default exists and Administrative Agent or Lenders cannot, for any reason, accelerate the Obligations, then the Guaranteed Debt shall be, as among Guarantors, Administrative Agent, and Lenders, a fully matured, due, and payable obligation of Guarantors to Administrative Agent and Lenders.

(b) The obligations of each Guarantor hereunder are those of primary obligor, and not merely as surety, and are independent of the Guaranteed Obligations and the obligations of any other guarantor, and it is not necessary for Administrative Agent or Lenders, in order to enforce this Guaranty against any Guarantor, first or contemporaneously to institute suit or exhaust remedies against Borrower or others liable on any Guaranteed Debt.

6. SUBORDINATION. The Subordinated Debt is expressly subordinated to the full and final payment of the Obligations. Upon the occurrence and during the continuation of a Default or an Event of Default, each Guarantor agrees not to accept any payment of any Subordinated Debt from any Company. In the event of (i) any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to any Company, its creditors as such or its property, (ii) any proceeding for the liquidation, dissolution or other winding-up of any Company, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings, (iii) any assignment by any Company for the benefit of creditors, or (iv) any other marshalling of the assets of a Company, the Obligations (including any interest thereon accruing at the legal rate after the commencement of any such proceedings and any additional interest that would have accrued thereon but for the commencement of such proceedings) shall first be paid in full before any payment or distribution, whether in cash, securities or other property, shall be made to any holder of any Subordinated Debt. If any Guarantor receives any payment of any Subordinated Debt in violation of the terms of this Section, such Guarantor shall hold that payment in trust for Administrative Agent and Lenders and promptly turn it over to Administrative Agent, in the form received (with any necessary endorsements), to be applied to the Obligations.

7. SUBROGATION AND CONTRIBUTION. Until payment in full of the Guaranteed Debt, the termination of the Obligations of Lenders to extend credit under the Loan Documents, and the termination of all Letters of Credit, (a) no Guarantor may assert, enforce, or otherwise exercise any Right of subrogation to any of the Rights or Liens of Administrative Agent or Lenders or any other beneficiary against Borrower or any other obligor on the Guaranteed Debt or any collateral or other security or any Right of recourse, reimbursement, subrogation, contribution, indemnification, or similar Right against Borrower or any other obligor on any Guaranteed Debt or any Guarantor of it, and (b) each Guarantor defers all of the foregoing Rights (whether they arise in equity, under contract, by statute, under common Law, or otherwise). Upon payment in full of the Guaranteed Debt and the termination of the obligations of Lenders to extend credit under the Loan Documents, each Guarantor shall be subrogated to the rights of the Administrative Agent and Lenders against Borrower and the other obligors.

8. NO RELEASE. Each Guarantor agrees that its obligations under this Guaranty may not be released, diminished, or affected by the occurrence of any one or more of the following events: (a) any taking or accepting of any additional guaranty or any other security or assurance for any Guaranteed Debt; (b) any release, surrender, exchange, subordination, impairment, or loss of any collateral securing any Guaranteed Debt; (c) any full or partial release of the liability of any other obligor on the Obligations, *except* for any final release resulting from payment in full of such Obligations; (d) the modification of, or waiver of compliance with, any terms of any other Loan Document; (e) the insolvency, bankruptcy, or lack of corporate or partnership power of any other obligor at any time liable for any Guaranteed Debt, whether now existing or occurring in the future; (f) any renewal, extension, or rearrangement of any Guaranteed Debt or any adjustment, indulgence, forbearance, or compromise that may be granted or given by Administrative Agent or any Lender to any other obligor on the Obligations; (g) any neglect, delay, omission, failure, or refusal of Administrative Agent or any Lender to take or prosecute any action in connection with the Guaranteed Debt or to foreclose, take, or prosecute any action in connection with any Loan Document; (h) any failure of Administrative Agent or any Lender to notify any Guarantor of any renewal, extension, or assignment of any Guaranteed Debt, or the release of any security or of any other action taken or refrained from being taken by Administrative Agent or any Lender against Borrower or any new agreement between Administrative Agent, any Lender, and Borrower; *it being understood that* neither Administrative Agent nor any Lender is required to give any Guarantor any notice of any kind under any circumstances whatsoever with respect to or in connection with any Guaranteed Debt, *other than* any notice required to be given in this Guaranty; (i) the unenforceability of any Guaranteed Debt against any other obligor or any security securing same because it exceeds the amount permitted by Law, the act of creating it is *ultra vires*, the officers creating it exceeded their authority or violated their fiduciary duties in connection with it, or otherwise; (j) any payment of the Obligations to Administrative Agent or any Lender is held to constitute a preference under any Debtor Relief Law or for any other reason Administrative Agent or any Lender is required to refund that payment or make payment to someone else (and in each such instance this Guaranty will be reinstated in an amount equal to that payment); or (k) any other circumstance which might otherwise constitute a defense available to, or a legal or equitable discharge of, Borrower or any Guarantor.

9. WAIVERS. By execution hereof, each Guarantor waives presentment and demand for payment, protest, notice of intention to accelerate, notice of acceleration, and notice of protest and nonpayment, and agrees that its liability with respect to the Guaranteed Debt (or any part thereof) shall not be affected by any renewal or extension in the time of payment of the Obligations (or any part thereof). To the maximum extent lawful, each Guarantor waives all Rights by which it might be entitled to require suit on an accrued Right of action in respect of any Guaranteed Debt or require suit against Borrower or others.

10. LOAN DOCUMENTS. By execution hereof, each Guarantor covenants and agrees that certain representations, warranties, terms, covenants, and conditions set forth in the Loan Documents are applicable to Guarantors by their terms and shall be imposed upon Guarantors, and each Guarantor reaffirms that each such representation and warranty is true and correct and covenants and agrees to promptly and properly perform, observe, and comply with each such term, covenant, or condition. Moreover, each Guarantor acknowledges and agrees that this Guaranty is subject to the offset provisions of the Loan Documents in favor of Administrative Agent and Lenders. In the event the Credit Agreement or any other Loan Document shall cease to remain in effect for any reason whatsoever during any period when any part of the Guaranteed Debt remains unpaid, the terms, covenants, and agreements of the Credit Agreement or such other Loan Document incorporated herein by reference shall nevertheless continue in full force and effect as obligations of Guarantors under this Guaranty.

11. RELIANCE AND DUTY TO REMAIN INFORMED. Each Guarantor confirms that it has executed and delivered this Guaranty after reviewing the terms and conditions of the Loan Documents and such other information as it has deemed appropriate in order to make its own credit analysis and decision to execute and deliver this Guaranty. Each Guarantor confirms that it has made its own independent investigation with respect to Borrower's creditworthiness and is not executing and delivering this Guaranty in reliance on any representation or warranty by Administrative Agent or any Lender as to that creditworthiness. Each Guarantor expressly assumes all responsibilities to remain informed of the financial condition of Borrower and any circumstances affecting Borrower's ability to perform under the Loan Documents to which it is a party.

12. LOAN DOCUMENT. This Guaranty is a Loan Document and is subject to the applicable provisions of ***Articles 1*** and ***10*** of the Credit Agreement, including, without limitation, the provisions relating to **GOVERNING LAW, AND WAIVER OF RIGHT TO JURY TRIAL**, both of which are incorporated into this Guaranty by reference the same as if set forth in this Guaranty verbatim.

13. NOTICES. All notices required or permitted under this Guaranty, if any, shall be given in the manner set forth in Section ***10.02*** of the Credit Agreement.

14. AMENDMENTS, ETC. No amendment, waiver, or discharge to or under this Guaranty is valid *unless* it is in writing and is signed by the party against whom it is sought to be enforced and is otherwise in conformity with the requirements of ***Section 10.01*** of the Credit Agreement. The unenforceability or invalidity of any provision of this Guaranty shall not affect the enforceability or validity of any other provision herein.

15. ADMINISTRATIVE AGENT AND LENDERS. Administrative Agent is Administrative Agent for each Lender under the Credit Agreement. All Rights granted to Administrative Agent under or in connection with this Guaranty are for each Lender's ratable benefit. Administrative Agent may, without the joinder of any Lender, exercise any Rights in Administrative Agent's or Lenders' favor under or in connection with this Guaranty. Administrative Agent's and each Lender's Rights and obligations *vis-a-vis* each other may be subject to one or more separate agreements between those parties. However, no Guarantor is required to inquire about any such agreement or is subject to any of its terms *unless* such Guarantor specifically joins such agreement. Therefore, neither Guarantor nor its successors or assigns is entitled to any benefits or provisions of any such separate agreement or is entitled to rely upon or raise as a defense any party's failure or refusal to comply with the provisions of such agreement.

16. ADDITIONAL GUARANTORS. Each Guarantor is aware that the MLP has executed and delivered a Guaranty to the Administrative Agent on the date hereof. Also, from time to time subsequent to the time hereof, additional Persons may execute and deliver guaranties to the Administrative Agent. Each Guarantor hereunder expressly agrees that its obligations arising hereunder shall not be affected or diminished by any such additional guaranties. Each Guarantor agrees that it shall not be necessary or required that the Administrative Agent or any Lender exercise any right, assert any claim or demand or enforce any remedy whatsoever against any Borrower, the other Guarantors, or any other Person who has guaranteed the Guaranteed Debt before or as a condition to the obligations of any Guarantor hereunder.

17. PARTIES. This Guaranty benefits Administrative Agent, Lenders, and their respective successors and assigns and binds Guarantors and their respective successors and assigns. Upon appointment of any successor Administrative Agent under the Credit Agreement, all of the Rights of Administrative Agent under this Guaranty automatically vest in that new Administrative Agent as successor Administrative Agent on behalf of Lenders without any further act, deed, conveyance, or other formality *other than* that appointment. The Rights of Administrative Agent and Lenders under this Guaranty may be transferred with any assignment of the Guaranteed Debt pursuant to and in accordance with the terms of the Credit Agreement. The Credit Agreement contains provisions governing assignments of the Guaranteed Debt and of Rights and obligations under this Guaranty.

Remainder of Page Intentionally Blank.
Signature Page(s) to Follow.

EXECUTED as of the date first stated in this Guaranty.

GUARANTORS:

SUNOCO LOGISTICS PARTNERS OPERATIONS GP LLC, a Delaware limited liability company

By: _____

Name: _____

Title: _____

SUNOCO PARTNERS MARKETING & TERMINALS L.P., a Texas limited partnership

By: SUNOCO LOGISTICS PARTNERS OPERATIONS GP LLC, a Delaware limited liability company, its General Partner

By: _____

Name: _____

Title: _____

SUNOCO PIPELINE L.P., a Texas limited partnership

By: SUNOCO LOGISTICS PARTNERS OPERATIONS GP LLC, a Delaware limited liability company, its General Partner

By: _____

Name: _____

Title: _____

FORM OF GUARANTY
(MLP)

THIS GUARANTY is executed as of November 22, 2004, by the undersigned ("***Guarantor***"), for the benefit of CITIBANK, N.A., a national banking association (in its capacity as Administrative Agent for the benefit of Lenders).

RECITALS

A. Sunoco Logistics Partners Operations L.P., a Delaware limited partnership ("***Borrower***"), Sunoco Logistics Partners L.P., a Delaware limited partnership (the "***MLP***"), Citibank, N.A., as Administrative Agent (including its permitted successors and assigns in such capacity, "***Administrative Agent***"), and the Lenders now or hereafter party to the Credit Agreement (including their respective permitted successors and assigns, "***Lenders***") have entered into a Credit Agreement, dated as of November 22, 2004 (as amended, modified, supplemented, or restated from time to time, the "***Credit Agreement***");

B. Borrower is a Subsidiary of Guarantor, and therefore, Guarantor will derive direct and substantial benefits from the extensions of credit under the Credit Agreement; and

C. This Guaranty is integral to the transactions contemplated by the Loan Documents and the execution and delivery hereof, is a condition precedent to Lenders' obligations to extend credit under the Loan Documents.

ACCORDINGLY, for adequate and sufficient consideration, the receipt and adequacy of which are hereby acknowledged, the Guarantor guarantees to Administrative Agent and Lenders the prompt payment when due, whether at stated maturity, by required payment, upon acceleration, demand or otherwise, of the Guaranteed Debt (defined below) as follows:

1. DEFINITIONS. Terms defined in the Credit Agreement have the same meanings when used, *unless* otherwise defined, in this Guaranty. As used in this Guaranty:

Borrower means Borrower, Borrower as a debtor-in-possession, and any receiver, trustee, liquidator, conservator, custodian, or similar party appointed for Borrower or for all or substantially all of Borrower's assets under any Debtor Relief Law.

Credit Agreement is defined in the recitals to this Guaranty.

Guaranteed Debt means, collectively, (a) the Obligations and (b) all present and future costs, attorneys' fees, and expenses reasonably incurred by Administrative Agent or any Lender to enforce Borrower's, the Guarantor's, or any other obligor's payment of any of the Guaranteed Debt, including, without limitation (to the extent lawful), all present and future amounts that would become due but for the operation of *§§ 502* or *506* or any other provision of *Title 11* of the *United States Code* and all present and future accrued and unpaid interest (including, without limitation, all post-maturity interest and any post-petition interest in any proceeding under Debtor Relief Laws to which Borrower or the Guarantor becomes subject).

Guarantor is defined in the preamble to this Guaranty.

Lender means, individually, or ***Lenders*** means, collectively, on any date of determination, the Lenders and their permitted successors and assigns.

Subordinated Debt means, all present and future obligations of any Company to the Guarantor, whether those obligations are (a) direct, indirect, fixed, contingent, liquidated, unliquidated, joint, several, or joint and several, (b) due or to become due to the Guarantor, (c) held by or are to be held by the Guarantor, (d) created directly or acquired by assignment or otherwise, or (e) evidenced in writing.

2. GUARANTY. (a) This is an absolute, irrevocable, and continuing guaranty of payment, not collection, and the circumstance that at any time or from time to time the Guaranteed Debt may be paid in full does not affect the obligation of the Guarantor with respect to the Guaranteed Debt incurred after that. This Guaranty remains in effect until the Guaranteed Debt is fully paid and performed, all commitments to extend any credit under the Loan Documents have terminated and all Letters of Credit have terminated. The Guarantor may not rescind or revoke its obligations with respect to the Guaranteed Debt.

(b) No Setoff or Deductions; Taxes; Payments. Guarantor represents and warrants that it is organized and resident in the United States of America. Guarantor shall make all payments hereunder (i) without setoff or counterclaim, and (ii) free and clear of and without deduction for any taxes, levies, imposts, duties, charges, fees, deductions, withholdings, restrictions or conditions of any nature now or hereafter imposed or levied by any jurisdiction or any political subdivision thereof or taxing or other authority therein unless Guarantor is compelled by law to make such deduction or withholding. If any such obligation (other than one arising with respect to taxes based on or measured by the income or profits of the Lender) is imposed upon Guarantor with respect to any amount payable by it hereunder, Guarantor will pay to the Lender, on the date on which such amount is due and payable hereunder, such additional amount in Dollars as shall be necessary to enable the Lender to receive the same net amount which the Lender would have received on such due date had no such obligation been imposed upon Guarantor. Guarantor will deliver promptly to the Lender certificates or other valid vouchers for all taxes or other charges deducted from or paid with respect to payments made by Guarantor hereunder. The obligations of Guarantor under this paragraph shall survive the payment in full of the Guaranteed Obligations and termination of this Guaranty.

(c) All payments made by Guarantor under this Guaranty shall be made to the Administrative Agent at the Administrative Agent's Office in Dollars.

3. CONSIDERATION. The Guarantor represents and warrants that its liability under this Guaranty will directly benefit it.

4. CUMULATIVE RIGHTS. If the Guarantor becomes liable for any indebtedness owing by Borrower to Administrative Agent or any Lender, *other than* under this Guaranty, that liability may not be in any manner impaired or affected by this Guaranty. The Rights of Administrative Agent or Lenders under this Guaranty are cumulative of any and all other Rights that Administrative Agent or Lenders may ever have against the Guarantor. The exercise by Administrative Agent or Lenders of any Right under this Guaranty or otherwise does not preclude the concurrent or subsequent exercise of any other Right.

5. PAYMENT UPON DEMAND. (a) If an Event of Default exists, the Guarantor shall, on demand and without further notice of dishonor and without any notice having been given to the Guarantor previous to that demand of either the acceptance by Administrative Agent or Lenders of this

Guaranty or the creation or incurrence of any Guaranteed Debt, pay the amount of the Guaranteed Debt then due and payable to Administrative Agent and Lenders; *provided that*, if an Event of Default exists and Administrative Agent or Lenders cannot, for any reason, accelerate the Obligations, then the Guaranteed Debt shall be, as among the Guarantor, Administrative Agent, and Lenders, a fully matured, due, and payable obligation of the Guarantor to Administrative Agent and Lenders.

(b) The obligations of the Guarantor hereunder are those of primary obligor, and not merely as surety, and are independent of the Guaranteed Obligations and the obligations of any other guarantor, and it is not necessary for Administrative Agent or Lenders, in order to enforce this Guaranty against the Guarantor, first or contemporaneously to institute suit or exhaust remedies against Borrower or others liable on any Guaranteed Debt.

6. SUBORDINATION. The Subordinated Debt is expressly subordinated to the full and final payment of the Obligations. Upon the occurrence and during the continuation of a Default or an Event of Default, the Guarantor agrees not to accept any payment of any Subordinated Debt from any Company. In the event of (i) any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to any Company, its creditors as such or its property, (ii) any proceeding for the liquidation, dissolution or other winding-up of any Company, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings, (iii) any assignment by any Company for the benefit of creditors, or (iv) any other marshalling of the assets of a Company, the Obligations (including any interest thereon accruing at the legal rate after the commencement of any such proceedings and any additional interest that would have accrued thereon but for the commencement of such proceedings) shall first be paid in full before any payment or distribution, whether in cash, securities or other property, shall be made to any holder of any Subordinated Debt. If the Guarantor receives any payment of any Subordinated Debt in violation of the terms of this Section, such Guarantor shall hold that payment in trust for Administrative Agent and Lenders and promptly turn it over to Administrative Agent, in the form received (with any necessary endorsements), to be applied to the Obligations.

7. SUBROGATION AND CONTRIBUTION. Until payment in full of the Guaranteed Debt and the termination of the Obligations of Lenders to extend credit under the Loan Documents and the termination of all Letters of Credit, (a) the Guarantor may not assert, enforce, or otherwise exercise any Right of subrogation to any of the Rights or Liens of Administrative Agent or Lenders or any other beneficiary against Borrower or any other obligor on the Guaranteed Debt or any collateral or other security or any Right of recourse, reimbursement, subrogation, contribution, indemnification, or similar Right against Borrower or any other obligor on any Guaranteed Debt or any other guarantor of it, and (b) the Guarantor defers all of the foregoing Rights (whether they arise in equity, under contract, by statute, under common Law, or otherwise). Upon payment in full of the Guaranteed Debt and the termination of the obligations of Lenders to extend credit under the Loan Documents, the Guarantor shall be subrogated to the rights of the Administrative Agent and Lenders against Borrower and the other obligors.

8. NO RELEASE. The Guarantor agrees that its obligations under this Guaranty may not be released, diminished, or affected by the occurrence of any one or more of the following events: (a) any taking or accepting of any additional guaranty or any other security or assurance for any Guaranteed Debt; (b) any release, surrender, exchange, subordination, impairment, or loss of any collateral securing any Guaranteed Debt; (c) any full or partial release of the liability of any other obligor on the Obligations, *except* for any final release resulting from payment in full of such Obligations; (d) the modification of, or waiver of compliance with, any terms of any other Loan Document; (e) the insolvency, bankruptcy, or lack of corporate or partnership power of any other obligor at any time liable for any Guaranteed Debt,

whether now existing or occurring in the future; (f) any renewal, extension, or rearrangement of any Guaranteed Debt or any adjustment, indulgence, forbearance, or compromise that may be granted or given by Administrative Agent or any Lender to any other obligor on the Obligations; (g) any neglect, delay, omission, failure, or refusal of Administrative Agent or any Lender to take or prosecute any action in connection with the Guaranteed Debt or to foreclose, take, or prosecute any action in connection with any Loan Document; (h) any failure of Administrative Agent or any Lender to notify the Guarantor of any renewal, extension, or assignment of any Guaranteed Debt, or the release of any security or of any other action taken or refrained from being taken by Administrative Agent or any Lender against Borrower or any new agreement between Administrative Agent, any Lender, and Borrower; *it being understood that* neither Administrative Agent nor any Lender is required to give the Guarantor any notice of any kind under any circumstances whatsoever with respect to or in connection with any Guaranteed Debt, *other than* any notice required to be given in this Guaranty; (i) the unenforceability of any Guaranteed Debt against any other obligor or any security securing same because it exceeds the amount permitted by Law, the act of creating it is *ultra vires*, the officers creating it exceeded their authority or violated their fiduciary duties in connection with it, or otherwise; (j) any payment of the Obligations to Administrative Agent or any Lender is held to constitute a preference under any Debtor Relief Law or for any other reason Administrative Agent or any Lender is required to refund that payment or make payment to someone else (and in each such instance this Guaranty will be reinstated in an amount equal to that payment); or (k) any other circumstance which might otherwise constitute a defense available to, or a legal or equitable discharge of, Borrower or the Guarantor.

9. WAIVERS. By execution hereof, the Guarantor waives presentment and demand for payment, protest, notice of intention to accelerate, notice of acceleration, and notice of protest and nonpayment, and agrees that its liability with respect to the Guaranteed Debt (or any part thereof) shall not be affected by any renewal or extension in the time of payment of the Obligations (or any part thereof). To the maximum extent lawful, the Guarantor waives all Rights by which it might be entitled to require suit on an accrued Right of action in respect of any Guaranteed Debt or require suit against Borrower or others.

10. LOAN DOCUMENTS. By execution hereof, the Guarantor covenants and agrees that certain representations, warranties, terms, covenants, and conditions set forth in the Loan Documents are applicable to the Guarantor by their terms and shall be imposed upon the Guarantor, and the Guarantor reaffirms that each such representation and warranty is true and correct and covenants and agrees to promptly and properly perform, observe, and comply with each such term, covenant, or condition. Moreover, the Guarantor acknowledges and agrees that this Guaranty is subject to the offset provisions of the Loan Documents in favor of Administrative Agent and Lenders. In the event the Credit Agreement or any other Loan Document shall cease to remain in effect for any reason whatsoever during any period when any part of the Guaranteed Debt remains unpaid, the terms, covenants, and agreements of the Credit Agreement or such other Loan Document incorporated herein by reference shall nevertheless continue in full force and effect as obligations of the Guarantor under this Guaranty.

11. RELIANCE AND DUTY TO REMAIN INFORMED. The Guarantor confirms that it has executed and delivered this Guaranty after reviewing the terms and conditions of the Loan Documents and such other information as it has deemed appropriate in order to make its own credit analysis and decision to execute and deliver this Guaranty. The Guarantor confirms that it has made its own independent investigation with respect to Borrower's creditworthiness and is not executing and delivering this Guaranty in reliance on any representation or warranty by Administrative Agent or any Lender as to that creditworthiness. The Guarantor expressly assumes all responsibilities to remain informed of the financial condition of Borrower and any circumstances affecting Borrower's ability to perform under the Loan Documents to which it is a party.

12. LOAN DOCUMENT. This Guaranty is a Loan Document and is subject to the applicable provisions of ***Articles 1*** and ***10*** of the Credit Agreement, including, without limitation, the provisions relating to **GOVERNING LAW, AND WAIVER OF RIGHT TO JURY TRIAL**, both of which are incorporated into this Guaranty by reference the same as if set forth in this Guaranty verbatim.

13. NOTICES. All notices required or permitted under this Guaranty, if any, shall be given in the manner set forth in Section ***10.02*** of the Credit Agreement.

14. AMENDMENTS, ETC. No amendment, waiver, or discharge to or under this Guaranty is valid *unless* it is in writing and is signed by the party against whom it is sought to be enforced and is otherwise in conformity with the requirements of ***Section 10.01*** of the Credit Agreement. The unenforceability or invalidity of any provision of this Guaranty shall not affect the enforceability or validity of any other provision herein.

15. ADMINISTRATIVE AGENT AND LENDERS. Administrative Agent is Administrative Agent for each Lender under the Credit Agreement. All Rights granted to Administrative Agent under or in connection with this Guaranty are for each Lender's ratable benefit. Administrative Agent may, without the joinder of any Lender, exercise any Rights in Administrative Agent's or Lenders' favor under or in connection with this Guaranty. Administrative Agent's and each Lender's Rights and obligations *vis-a-vis* each other may be subject to one or more separate agreements between those parties. However, the Guarantor is not required to inquire about any such agreement nor is it subject to any of its terms *unless* the Guarantor specifically joins such agreement. Therefore, neither Guarantor nor its successors or assigns is entitled to any benefits or provisions of any such separate agreement or is entitled to rely upon or raise as a defense any party's failure or refusal to comply with the provisions of such agreement.

16. ADDITIONAL GUARANTORS. The Guarantor is aware that certain Subsidiaries of the Borrower have executed and delivered guaranties to the Administrative Agent on the date hereof. Furthermore, from time to time subsequent to the time hereof, additional Persons may execute and deliver guaranties to the Administrative Agent. The Guarantor hereunder expressly agrees that its obligations arising hereunder shall not be affected or diminished by any such additional guaranties. The Guarantor agrees that it shall not be necessary or required that the Administrative Agent or any Lender exercise any right, assert any claim or demand or enforce any remedy whatsoever against the Borrower or any other Person who has guaranteed the Guaranteed Debt before or as a condition to the obligations of the Guarantor hereunder.

17. PARTIES. This Guaranty benefits Administrative Agent, Lenders, and their respective successors and assigns and binds the Guarantor and their respective successors and assigns. Upon appointment of any successor Administrative Agent under the Credit Agreement, all of the Rights of Administrative Agent under this Guaranty automatically vest in that new Administrative Agent as successor Administrative Agent on behalf of Lenders without any further act, deed, conveyance, or other formality *other than* that appointment. The Rights of Administrative Agent and Lenders under this Guaranty may be transferred with any assignment of the Guaranteed Debt pursuant to and in accordance with the terms of the Credit Agreement. The Credit Agreement contains provisions governing assignments of the Guaranteed Debt and of Rights and obligations under this Guaranty.

Remainder of Page Intentionally Blank.
Signature Page(s) to Follow.

EXECUTED as of the date first stated in this Guaranty.

GUARANTOR:

SUNOCO LOGISTICS PARTNERS L.P., a Delaware limited partnership

By: Sunoco Partners LLC, a Pennsylvania limited liability company, its General Partner

By: _____

Name: _____

Title: _____

FORM OF OPINION OF COUNSEL

November 22, 2004

To each of the Lenders parties to the Credit
Agreement referred to below, and
Citibank, N.A., as
Administrative Agent for the Lenders

Re: $250,000,000 Credit Agreement

Ladies and Gentlemen:

We have acted as counsel to (i) Sunoco Logistics Partners Operations L.P., a Delaware limited partnership (the "***Borrower***"), (ii) Sunoco Logistics Partners GP LLC, a Delaware limited liability company (the "***Borrower's GP***"), (iii) Sunoco Logistics Partners L.P., a Delaware limited partnership (the "***MLP***"), Sunoco Partners Marketing & Terminals L.P., a Texas limited partnership ("***Sunoco Partners M&T***"), Sunoco Pipeline L.P., a Texas limited partnership ("***Sunoco Partners Pipeline***", and together with Sunoco Partners M&T, the "***Borrower's Subsidiaries***"), and Sunoco Logistics Partners Operations GP LLC, a Delaware limited liability company (the "***Borrower's Subsidiaries' GP,***" and together with the MLP and the Borrower's Subsidiaries, the "***Guarantors***") and (iv) Sunoco Partners LLC, a Pennsylvania limited liability company (the "***MLP's GP,***" and together with the Borrower, the Borrower's GP, the MLP, the Borrower's Subsidiaries and the Borrower's Subsidiaries' GP, the "***Transaction Parties***") in connection with the Credit Agreement dated as of November 22, 2004, by and among the Borrower, the MLP, the Lenders party thereto, Citibank, N.A., as Administrative Agent for the Lenders, and the other agents and lenders therein named (the "***Credit Agreement***"). Unless defined in this opinion, capitalized terms are used herein as defined in the Credit Agreement. This opinion is furnished to you at the request of the Borrower pursuant to ***Section 4.01(a)(viii)*** of the Credit Agreement.

In so acting, we have examined executed originals or counterparts of the following documents, each dated the date hereof (the "***Loan Documents***"):

(a) the Credit Agreement;

(b) any Notes executed on the date hereof; and

(c) the Guaranties.

We have also examined, and relied upon the accuracy of factual matters contained in, originals or copies, certified or otherwise identified to our satisfaction, of such partnership and limited liability company records and certificates or comparable documents of public officials and of officers, partners and representatives of the Transaction Parties, and have made such examinations of law, as we have deemed necessary in connection with the opinions set forth below. We have made no independent factual investigation other than as described above, and as to other factual matters, we have relied exclusively on the facts stated in the representations and warranties contained in the Loan Documents and the Exhibits and Schedules to the Loan Documents (other than representations and warranties constituting conclusions of law on matters on which we opine). We have not examined any records of any court, administrative tribunal or other similar entity in connection with our opinion.

When an opinion or confirmation is given to our knowledge or to the best of our knowledge or with reference to matters of which we are aware or which are known to us, or with another similar qualification, the relevant knowledge or awareness is limited to the actual contemporaneous knowledge or awareness of facts, without investigation, by the lawyer who is the current primary contact for the Borrower and the individual lawyers in this firm who have participated in the specific transaction to which this opinion relates.

We have assumed the legal capacity and competence of natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to original documents of documents submitted to us as certified, conformed, photostatic, electronic or facsimile copies. We have also assumed, without verification, (i) the Borrower's Subsidiaries are duly formed and validly existing under the laws of the State of Texas, (ii) that the parties to the Loan Documents and the other agreements, instruments and documents executed in connection therewith, other than the Borrower, the Borrower's GP, the MLP, the Borrower's Subsidiaries' GP and the MLP's GP, have the power (including, without limitation, corporate and partnership power where applicable) and authority to enter into and perform the Loan Documents and such other agreements, instruments and documents, (iii) the due authorization, execution and delivery by such parties other than the Borrower, the Borrower's GP, the MLP, the Borrower's Subsidiaries' GP and the MLP's GP, of each Loan Document and such other agreements, instruments and documents, and (iv) that the Loan Documents and such other agreements, instruments and documents constitute legal, valid and binding obligations of each such party other than the Transaction Parties, enforceable against each such other party in accordance with their respective terms.

Based upon the foregoing and subject to the assumptions, exceptions, limitations and qualifications set forth herein, we are of the opinion that:

1. The Borrower is a limited partnership duly formed, validly existing and in good standing under the laws of the State of Delaware; the Borrower's GP is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware; the MLP's GP is a limited liability company duly formed and validly subsisting under the laws of the Commonwealth of Pennsylvania; the MLP is a limited partnership duly formed, validly existing and in good standing under the laws of the State of Delaware; and the Borrower's Subsidiaries' GP is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware.

2. Each of the Borrower, the Borrower's GP, the MLP's GP, the MLP and the Borrower's Subsidiaries' GP has the partnership or limited liability company power to own and lease its property and to conduct the business in which it is currently engaged as described in the 2003 Annual Report of the MLP.

3. Each of the Borrower, the MLP and the Borrower's Subsidiaries' GP has the partnership or limited liability company power to enter into and perform its obligations under the Loan Documents to which it is a party and to incur the obligations provided therein, and has taken all partnership or limited liability company action necessary to authorize the execution, delivery and performance of such Loan Documents.

4. The execution and delivery by each of the Borrower, the Borrower's GP, the MLP's GP, the MLP and the Borrower's Subsidiaries' GP of the Loan Documents to which it is a party, on its own behalf or in the case of the Borrower's GP and the MLP's GP as a partner, do not and the performance of the obligations thereunder will not violate such party's Organization Documents. The execution and

delivery by each of the Transaction Parties will not violate any present statute, rule or regulation promulgated by the United States or the State of New York which in our experience is normally applicable both to entities that are not engaged in regulated business activities and to transactions of the type contemplated by the Loan Documents or the Limited Partnership Law of the State of Delaware in the case of the Borrower or the MLP or the Limited Liability Company Act of the State of Delaware in the case of the Borrower's GP or the Borrower's Subsidiaries' GP or the Limited Liability Company Act of the Commonwealth of Pennsylvania in the case of the MLP's GP (the "***Applicable Law***").

5. Each Loan Document to which the Borrower, the MLP or the Borrower's Subsidiaries' GP is a party has been duly executed and delivered on behalf of the Borrower, the MLP or the Borrower's Subsidiaries' GP. Each Loan Document to which the Borrower or the Guarantors are a party constitutes the legal, valid and binding obligation of the Borrower or the Guarantors, as the case may be, enforceable in accordance with its respective terms.

6. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required under Applicable Law for the due execution, delivery and performance by any Transaction Party of the Credit Documents to which it is a party or the consummation of the transactions contemplated by the Credit Documents, except, in the case of such performance, for such authorizations, approvals, actions, notices and filings which have been made or obtained.

7. No Transaction Party is required to register as an "investment company" under the Investment Company Act of 1940, as amended.

8. No Transaction Party is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," or a "public utility" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

The foregoing opinions are subject to the following exceptions, limitations and qualifications:

a. Our opinion is subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, fraudulent transfer, marshalling or similar laws affecting creditors' rights and remedies generally; general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether such enforceability is considered in a proceeding in equity or at law); and limitations on enforceability of rights to indemnification or contribution by federal or state securities laws or regulations or by public policy.

b. We express no opinion as to the application or requirements of federal or state securities (except with respect to the opinion in paragraph 7), patent, trademark, copyright, antitrust and unfair competition, pension or employee benefit, labor, environmental, health and safety or tax laws or state or federal laws and regulations regarding the regulation of utilities in respect of the transactions contemplated by or referred to in the Loan Documents.

c. We express no opinion with respect to the legality, validity, binding nature or enforceability of any of the following provisions found in the Credit Documents: (i) provisions relating to waivers, precluding a party from asserting certain claims or defenses or from obtaining or exercising certain rights, releases and remedies, or excusing a party from damages, liability or obligations to the extent such provisions may violate public policy or otherwise violate applicable law; (ii) provisions relating to subrogation rights, delay or omission of enforcement of rights or remedies, severability or set

offs that violate applicable law; (iii) provisions obligating a party to submit to the jurisdiction or venue of any court; (iv) provisions purporting to establish evidentiary standards for suits or proceedings to enforce the Credit Documents; (v) provisions that decisions by a party are conclusive; (vi) provisions purporting to effect the automatic service of process on any person; and (vii) provisions purporting to indemnify or exculpate the Administrative Agent or the Lenders from the consequences of their own negligence, willful misconduct or strict liability.

d. With respect to our opinion set forth in paragraph 1 above as to the valid existence and good standing of the Borrower, the Borrower's GP, the MLP, the MLP's GP and the Borrowers' Subsidiaries' GP, we have relied solely on certificates dated November __, 2004, of the Secretary of State of the State of Delaware, and the certificate dated November __, 2004, of the Commonwealth of Pennsylvania and, with respect to the period from that date to the date of this opinion letter, a certificate of an officer of the Borrower.

We express no opinion as to the law of any jurisdiction other than the federal law of the United States and the law of the State of New York and the Limited Partnership Law of the State of Delaware in the case of the Borrower and the MLP, the Limited Liability Company Act of the State of Delaware in the case of the Borrower's GP and the Borrower's Subsidiaries' GP and the Limited Liability Company Act of the Commonwealth of Pennsylvania in the case of the MLP's GP.

A copy of this opinion may be delivered by you to each Eligible Assignee and such persons may rely on this opinion to the same extent as – but to no greater extent than – the addressee. This opinion may be relied upon by you and such persons to whom you may deliver copies as provided in the preceding sentence only in connection with the consummation of the transactions described herein and may not be used or relied upon by you or any other person for any other purpose, without in each instance our prior written consent.

This opinion is limited to the matters expressly stated herein. No implied opinion may be inferred to extend this opinion beyond the matters expressly stated herein. We do not undertake to advise you or anyone else of any changes in the opinions expressed herein resulting from changes in law, changes in facts or any other matters that hereafter might occur or be brought to our attention.

Very truly yours,

FORM OF OPINION OF INTERNAL COUNSEL

November 22, 2004

To each of the Lenders parties to the Credit
Agreement referred to below, and
Citibank, N.A., as
Administrative Agent for the Lenders

Ladies and Gentlemen:

I have acted as counsel to (i) Sunoco Logistics Partners Operations L.P., a Delaware limited partnership (the "***Borrower***"), (ii) Sunoco Logistics Partners GP LLC, a Delaware limited liability company (the "***Borrower's GP***"), (iii) Sunoco Logistics Partners L.P., a Delaware limited partnership (the "***MLP***"), Sunoco Partners Marketing & Terminals L.P., a Texas limited partnership ("***Sunoco Partners M&T***"), Sunoco Pipeline L.P., a Texas limited partnership ("***Sunoco Partners Pipeline***", and together with Sunoco Partners M&T, the "***Borrower's Subsidiaries***"), and Sunoco Logistics Partners Operations GP LLC, a Delaware limited liability company (the "***Borrower's Subsidiaries' GP***", and together with the MLP the Borrower's Subsidiaries, the "***Guarantors***") and (iv) Sunoco Partners LLC, a Pennsylvania limited liability company (the ***"MLP's GP")*** in connection with the Credit Agreement dated as of November 22, 2004, by and among the Borrower, the MLP, the Lenders party thereto, Citibank, N.A., as Administrative Agent for the Lenders, and the other agents and lenders therein named (the "***Credit Agreement***").

In connection with the opinions expressed herein, I, or attorneys reporting to me, have examined copies of the following documents:

(a) the Credit Agreement, including all exhibits, schedules, and attachments thereto, and any Notes issued pursuant thereto (the "***Notes***");

(b) the Guaranties dated as of even date with the Credit Agreement executed by each of the Guarantors (the "***Guaranties***");

(c) the Organization Documents of the Borrower, the MLP, the Borrower's GP, the Borrower's Subsidiaries, the Borrower's Subsidiaries' GP, and the MLP's GP (collectively, the "***Transaction Parties***")and all amendments thereto; and

(d) the Material Agreements.

Those documents identified in items (a) and (b) above are collectively referred to herein as the "***Credit Documents***."

In connection with this opinion, I or other attorneys acting under my supervision have (i) investigated such questions of law, (ii) examined such partnership and company documents and records of the Transaction Parties and certificates of public officials, and (iii) received such information from partners, officers and representatives of the Transaction Parties and made such investigations as I or other attorneys under my supervision have deemed necessary or appropriate for the purposes of this opinion. I have not, nor have other attorneys under my supervision, conducted independent investigations

or inquiries to determine the existence of matters, actions, proceedings, items, documents, facts, judgments, decrees, franchises, certificates, permits, or the like and have made no independent search of the records of any court, arbitrator, or governmental authority affecting any Person, and no inference as to my knowledge thereof shall be drawn from the fact of my representation of any party or otherwise.

In rendering the opinions herein, I have assumed without independent verification (i) the genuineness of all signatures, (ii) the capacity of all natural persons, and (iii) the authenticity of all documents submitted to me as originals and the conformity with the authentic originals of all documents submitted to me as copies.

Based upon and subject to the foregoing and the other qualifications, limitations, and assumptions set forth below and upon such other matters as I have deemed appropriate, I am of the opinion that:

1. The execution, delivery, and performance by the Transaction Parties of the Credit Documents to which each is a party and the consummation of the transactions contemplated by the Credit Documents will not breach or result in a default under any Material Agreement or result in or require the creation or imposition of any Lien prohibited by the Credit Documents.
2. To my knowledge there are no pending or overtly threatened actions or proceedings against the Transaction Parties before any court, governmental agency, or arbitrator that purport to affect the legality, validity, binding effect, or enforceability of the Credit Documents, or which seeks in excess of one million dollars, except to the extent the Transaction Parties are indemnified by Sunoco, Inc.

The opinions expressed in this letter are subject to the following additional qualifications and limitations:

1. Qualification of any statement or opinion herein by the use of the words “to my knowledge” means that during the course of the representation in connection with the transactions contemplated by the Credit Agreement, no information has come to my attention that would give me current knowledge of the existence of facts or matters so qualified. I have not undertaken any investigation to determine the existence of facts, and no inference as to my knowledge thereof shall be drawn from the fact of the representation by me of any party or otherwise.
2. This opinion letter is limited to the matters stated herein, and no opinions may be implied or inferred beyond the matters expressly stated herein
3. The opinion expressed herein is as of the date hereof, and I assume no obligation to update or supplement such opinion to reflect any facts or circumstances that may hereafter come to my attention or any changes in law that may hereafter occur.

4. This opinion is being furnished only to the addressees named above, and has been rendered solely for your benefit in connection with the Credit Agreement and the transactions contemplated thereby and may not be used, circulated, quoted, relied upon or otherwise referred to for any other purpose without our prior written consent; *provided*, *however*, that any Person that becomes a Lender or successor Administrative Agent pursuant to the terms of the Credit Agreement may rely on this opinion as if it were addressed to such Person and delivered on the date hereof.

Very truly yours,

FORM OF OPINION OF
SPECIAL TEXAS COUNSEL

November 22, 2004

To each of the Lenders parties to the Credit
Agreement referred to below, and
Citibank, N.A., as
Administrative Agent for the Lenders

Ladies and Gentlemen:

We have acted as special counsel to Sunoco Partners Marketing & Terminals L.P., a Texas limited partnership ("***Sunoco Partners M&T***"), and Sunoco Pipeline L.P., a Texas limited partnership ("***Sunoco Partners Pipeline***," and together with Sunoco Partners M&T, the "***Texas Subsidiaries***"), in connection with the Subsidiary Guaranty dated as of November 22, 2004, by the Texas Subsidiaries for the benefit of Citibank, N.A., as Administrative Agent for the Lenders (the "***Subsidiary Guaranty***").

This opinion is furnished to you at the request of the Borrower pursuant to Section 4.01(a)(viii) of the Credit Agreement dated as of November 22, 2004, by and among Sunoco Logistics Partners Operations L.P., a Delaware limited partnership (the "***Borrower***"), Sunoco Logistics Partners L.P., a Delaware limited partnership, the Lenders party thereto, Citibank, N.A., as Administrative Agent for the Lenders, and the other agents and lenders therein named (the "***Credit Agreement***"). Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

In rendering the opinions expressed below, we have examined originals or copies, certified or otherwise identified to our satisfaction, of the following:

(a) the Credit Agreement;

(b) the Subsidiary Guaranty;

(c) the Organization Documents of the Texas Subsidiaries;

(d) Certificates of the Secretary of State of Texas dated November __, 2004, attesting to the continued existence and good standing of the Texas Subsidiaries in Texas; and

(e) copies of such corporate documents and records of the Texas Subsidiaries, certificates of officers and representatives of the Texas Subsidiaries and such other agreements, documents, instruments and certificates of public officials and other Persons as we have deemed necessary or appropriate for the purposes of rendering the opinions expressed below.

The Credit Agreement and the Subsidiary Guaranty are referred to collectively herein as the "***Loan Documents***."

In rendering the opinions expressed below, we have assumed, with your permission, without independent investigation or inquiry: (a) the due authorization, execution and delivery of the Loan Documents by all parties to such documents (other than the Texas Subsidiaries) and that the Loan Documents are valid, binding and enforceable against the parties thereto (other than the Texas Subsidiaries); (b) the legal capacity of natural persons; (c) the genuineness of all signatures on all documents that we examined; (d) the authenticity of all documents submitted to us as originals; (e) the conformity to authentic originals of all documents submitted to us as certified, conformed or photostatic copies; and (f) that each certificate from a public official reviewed by us is accurate, complete and authentic.

As to matters of fact material to the opinions expressed below, we have relied without investigation or verification upon the representations and warranties of the Borrower and the Guarantors made in the Loan Documents and on such corporate records and certificates from officers and representatives of the Texas Subsidiaries and from public officials as we have deemed necessary and appropriate for these opinions.

Based on the foregoing, and subject to the qualifications and limitations set forth below, we are of the opinion that:

1. Each of the Texas Subsidiaries is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Texas.
2. Each Texas Subsidiary has the requisite partnership power and authority to own and lease its property and to conduct the business in which it is currently engaged. The execution, delivery and performance by each Texas Subsidiary of the Subsidiary Guaranty and the consummation of the transactions contemplated by the Subsidiary Guaranty: (a) are within its partnership powers; and (b) will not violate (i) its Organization Documents or (ii) any Applicable Laws.
3. The Subsidiary Guaranty has been duly authorized, executed and delivered to the Administrative Agent by each of the Texas Subsidiaries.
4. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance of the Subsidiary Guaranty by either Texas Subsidiary or the consummation by either Texas Subsidiary of the transactions contemplated by the Subsidiary Guaranty, except for such authorizations, approvals, actions, notices and filings that have been made or obtained.

The opinions expressed above are subject in all respects to the following qualifications and exceptions:

(A) With respect to our opinion set forth in paragraph 1 above as to the valid existence and good standing of the Texas Subsidiaries, we have relied solely on certificates dated November 17, 2004 and November 18, 2004 of the Secretary of State of the State of Texas and the Texas Comptroller of Public Accounts, respectively, and, with respect to the period from that date to the date hereof, a certificate of an officer of the general partner of each Texas Subsidiary.

(B) We express no opinion as to the laws of any jurisdiction other than Applicable Laws.

"Applicable Laws" means those laws, rules and regulations of the State of Texas and the United States of America and the rules and regulations adopted thereunder, which, in our experience, are normally applicable to transactions of the type contemplated by the Subsidiary Guaranty. However, the term "Applicable Laws" does not include, and we express no opinion with regard to any: (1) state or federal laws, rules or regulations relating to (a) pollution or protection of the environment, (b) zoning, land use, building or construction, (c) occupational, safety and health or other similar matters or (d) labor, employee rights and benefits, including the Employment Retirement Income Security Act of 1974, as amended; (2) state or federal laws and regulations regarding the regulation of utilities, the Public Utility Holding Company Act of 1935, as amended, and the Public Utility Regulatory Policy Act of 1978, as amended; (3) antitrust and trade regulation laws; (4) tax laws, rules or regulations; (5) copyright, patent and trademark laws, rules or regulations; (6) state or federal securities laws and the Investment Company Act of 1940, as amended; (7) laws, rules or regulations relating to or promulgated by the Federal Energy Regulatory Commission; and (8) any laws, rules or regulations of any county, municipality or similar political subdivision, or any agency or instrumentality thereof.

(C) We express no opinion as to the validity, binding nature or enforceability of any Loan Document or any other document referred to herein.

(D) This opinion letter is limited to the matters stated herein, and no opinions may be implied or inferred beyond the matters expressly stated herein.

(E) The opinions expressed herein are as of the date hereof, and we assume no (and hereby disclaim any) obligation to update or supplement such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

(F) This opinion is being furnished only to the addressees named above, and has been rendered solely for your benefit in connection with the Subsidiary Guaranty and the transactions contemplated thereby and may not be used, circulated, quoted, relied upon or otherwise referred to for any other purpose or filed with any governmental agency without our prior written consent; *provided*, *however*, that any Person that becomes a Lender or successor Administrative Agent pursuant to the terms of the Credit Agreement may rely on this opinion as if it were addressed to such Person and delivered on the date hereof.

Very truly yours,

AMENDMENT NO. 1 TO
OMNIBUS AGREEMENT

This AMENDMENT NO. 1, dated as of January 28, 2005 and effective January 1, 2005 (this "Amendment"), to the Omnibus Agreement, dated as of February 8, 2002, (the "Omnibus Agreement") is adopted, executed and agreed to by Sunoco, Inc., Sunoco, Inc. (R&M), Sun Pipe Line Company of Delaware, Atlantic Petroleum Corporation, Sun Pipe Line Company, Sun Pipe Line Services (Out) LLC, Sunoco Logistics Partners L.P., Sunoco Logistics Partners Operations L.P., and Sunoco Partners LLC (each a "Party" and, collectively, the "Parties").

Recitals

WHEREAS, except as otherwise provided herein, capitalized terms used herein have the meanings assigned to them in the Omnibus Agreement; and

WHEREAS, the Parties desire to amend the Omnibus Agreement to provide for the payment of a one-year fixed Administrative Fee for the 2005 calendar year.

NOW, THEREFORE, in consideration of the premises, and each intending to be legally bound, the Parties do hereby agree as follows:

SECTION 1. Amendment to Section 4.1. Section 4.1 of the Omnibus Agreement is amended to add a new subsection (d), as follows:

"(d) Effective January 1, 2005, and for a period of one year thereafter, the Administrative Fee paid by the Partnership to the General Partner will be $8.4 million per year. This Administrative Fee for the 2005 calendar year will be a fixed fee, and will not be subject to any increase by Sunoco, whether to reflect changes in the Consumer Price Index, or otherwise; *provided, however,* that the General Partner, with the approval and consent of its Conflicts Committee, may agree on behalf of the Partnership to increase such Administrative Fee in connection with expansions of the operations of the Partnership Group through the acquisition or construction of new assets or businesses."

SECTION 3. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania.

SECTION 4. Counterparts. This Amendment may be executed in any number of counterparts and by the different Members in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

[COUNTERPART SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the date first set forth above.

SUNOCO, INC.

By: /s/ THOMAS W. HOFMANN

Name: Thomas W. Hofmann
Title: Senior Vice President & Chief Financial Officer

SUNOCO, INC. (R&M)

By: /s/ THOMAS W. HOFMANN

Name: Thomas W. Hofmann
Title: Senior Vice President & Chief Financial Officer

SUN PIPE LINE COMPANY OF DELAWARE

By: /s/ DAVID A. JUSTIN

Name: David A. Justin
Title: President

ATLANTIC PETROLEUM CORPORATION

By: /s/ GEORGE J. SZILIER

Name: George J. Szilier
Title: President

SUN PIPE LINE COMPANY

By: /s/ DEBORAH M. FRETZ

Name: Deborah M. Fretz
Title: President

SUN PIPE LINE SERVICES (OUT) LLC

By: /s/ DEBORAH M. FRETZ

Name: Deborah M. Fretz
Title: President

SUNOCO LOGISTICS PARTNERS L.P.

By: SUNOCO PARTNERS LLC,
its General Partner

By: /s/ DEBORAH M. FRETZ

Name: Deborah M. Fretz and Chief Executive Officer
Title: President

SUNOCO LOGISTICS PARTNERS OPERATIONS L.P.

By: SUNOCO LOGISTICS PARTNERS GP LLC,
its General Partner

By: /s/ DEBORAH M. FRETZ

Name: Deborah M. Fretz
Title: President and Chief Executive Officer

SUNOCO PARTNERS LLC

By: /s/ DEBORAH M. FRETZ

Name: Deborah M. Fretz
Title: President and Chief Executive Officer

AMENDMENT NO. 1 TO
SUNOCO PARTNERS LLC
DIRECTORS' DEFERRED COMPENSATION PLAN

This Amendment No. 1 to the Sunoco Partners LLC Directors' Deferred Compensation Plan ("Amendment No. 1") is hereby adopted effective as of January 20, 2004. Capitalized terms used but not defined herein shall have the same meaning as in the Plan.

WHEREAS, the Board of Directors of Sunoco Partners LLC (the "Company") have determined that it is in the best interests of the Company to amend the Sunoco Partners LLC Directors' Deferred Compensation Plan (the "Plan") as provided herein.

NOW THEREFORE, the Company does hereby amend the Plan as follows:

Section 1. The current subsection 3.7(a) of the Plan is deleted in its entirety and replaced with the following text:

"3.7 Time of Payment.

(a) *Election of Benefit Commencement Date.* Except as provided in Section 2.2 hereinabove, and in Article VII hereof, all payments of a Participant's Voluntary Deferred Compensation Account shall be made at, or shall commence on, the date selected by the Participant in accordance with the terms of this Section 3.7. The date of payment or distribution must be irrevocably specified by the Participant in his or her most recently filed written Voluntary Deferred Payment Election Form. If the Participant fails to designate a time of payment, payment shall commence on the later of: (i) the first day of the calendar year following termination of Board membership; and (ii) the first day following the six-month anniversary of the termination of Board membership.

The Participant may elect to defer the receipt of his or her cash-based Compensation to:

(1) the first day of any calendar quarter, provided such date is at least six (6) months after the end of the calendar quarter in which the cash-based Compensation is earned; or

(2) the later of: (i) the first day of the calendar year following retirement as a Director or other termination of Board membership, and (ii) the first day following the six-month anniversary of retirement as a Director or other termination of Board membership; or

(3) the first day of the calendar year following the date of his or her death.

Upon the death of a Participant, prior to the final payment of all amounts credited to such Participant's Voluntary Deferred Compensation Account, the balance of such Voluntary Deferred Compensation Account shall be paid in accordance with Article V, commencing on the first day of the calendar year following the year of death.

Notwithstanding the foregoing provisions of this Section 3.7, and except as provided in Article VII, in no event shall any payment or distribution be made within

six (6) months of the cash-based Compensation being earned or awarded. The benefit commencement date may not be later than the third calendar year following the attainment of mandatory retirement age for Directors."

Section 2. The current subsection 4.5(a) of the Plan is deleted in its entirety and replaced with the following text:

"4.5 Time of Payment.

(a) *Election of Benefit Commencement Date for Mandatory Deferred Compensation Account.* All payments of a Participant's Mandatory Deferred Compensation Account shall be made at, or shall commence on, the date selected by the Participant in accordance with the terms of this Article IV. The date of payment or distribution must be specified by the Participant in his or her written Mandatory Form of Continuing Deferral unless such election is revoked. A Participant's revocation must be submitted in writing to the Secretary of the Company. If the Participant makes a new election with regard to the date of payment or distribution for mandatorily deferred Compensation, such new election will apply only prospectively to any additional Restricted Units to be credited to the Mandatory Deferred Compensation Account. If the Participant fails to designate a time of payment, payment shall commence on the later of: (i) the first day of the calendar year following termination of Board membership; and (ii) the first day following the six-month anniversary of the termination of Board membership.

The Participant may elect to defer the receipt of such Participant's Board Restricted Unit Retainer to:

(1) the later of (a) the first day of the calendar year following retirement as a Director or other termination of Board membership; and (b) the first day following the six-month anniversary of retirement as a Director or other termination of Board membership; or

(2) the first day of the calendar year following his or her death.

Upon the death of a Participant, prior to the final payment of all amounts credited to such Participant's Mandatory Deferred Compensation Account, the balance of such Mandatory Deferred Compensation Account shall be paid in accordance with Article V, commencing on the first day of the calendar year following the year of death.

Notwithstanding the foregoing provisions of this Section 4.5, in no event, however, shall any payment or distribution be made within the six (6) months of any quarterly installment of the Board Restricted Unit Retainer being earned. The benefit commencement date may not be later than the third calendar year following the attainment of mandatory retirement age for Directors."

Section 3. Except as expressly modified and amended herein, all of the terms and conditions of the Plan shall remain in full force and effect.

Section 4. This Amendment No. 1 shall be governed by, and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to the conflicts of law principles thereof.

Exhibit 10.15

Sunoco Partners LLC
Executive Compensation Summary Sheet
for 2005

The table below presents 2005 summary information for named executive officers of Sunoco Partners LLC, with regard to: base salary, annual guideline incentive bonus opportunity under the Sunoco Partners LLC Annual Incentive Plan, and long-term incentive awards (restricted units) under the Sunoco Partners LLC Long-Term Incentive Plan.

2005 EXECUTIVE COMPENSATION[1]

Name and Title	2005 Base Salary ($)	Annual Guideline Incentive Bonus Opportunity (%)	Restricted Units (#)
Deborah M. Fretz *President and Chief Executive Officer*	440,000	65%	19,708[2]
Colin A. Oerton *Vice President and Chief Financial Officer*	248,770	40%	5,335[2]
Christopher W. Keene *Vice President, Business Development*	235,000	40%	4,872[2] 2,436[3]
Bruce D. Davis, Jr. *Vice President, General Counsel & Secretary*	219,450	30%	3,898[2]
David A. Justin *Vice President, Eastern Operations*	208,500	30%	3,628[2]
Paul S. Broker *Vice President, Western Operations*	180,200	30%	3,106[2]

NOTE TO TABLE:

1. The base salaries, incentive bonus opportunities and restricted unit grants shown in the table were approved at the January 18, 2005 meeting of the Compensation Committee of the Board of Directors of Sunoco Partners LLC.

2. Awards of Restricted Units under the Sunoco Partners LLC Long-Term Incentive Plan. Vesting and payout of these awards will depend upon the Partnership achieving certain specified performance levels based upon objectives for growth in distributable cash and total unitholder return over a restriction period that runs from January 18, 2005 through December 31, 2007.

3. In connection with his hiring, Mr. Keene was granted a special award of 2,436 Restricted Units (with an aggregate value of $102,629 on the date of grant) under the Sunoco Partners LLC Long-Term Incentive Plan. The vesting and payout of these Restricted Units is subject only to Mr. Keene's continued employment with Sunoco Partners LLC during the period from January 18, 2005 through December 31, 2007.

Sunoco Partners LLC
Independent Director Compensation Summary Sheet
for 2005

The table below summarizes the 2005 compensation program for independent directors of Sunoco Partners LLC

2005 INDEPENDENT DIRECTOR COMPENSATION SUMMARY

Component	Amount ($)	Medium of Payment	Timing of Payment
Annual Retainer	17,500 per year	Restricted Units	$4,375 credited quarterly[1]
	17,500 per year	Cash	$4,375 paid quarterly
Board Meeting Fee	1,500 per meeting	Cash	Paid quarterly
Committee Meeting Fee	1,000 per meeting	Cash	Paid quarterly
Compensation Committee Chair Retainer	2,500 per year	Cash	$ 625 paid quarterly
Audit/Conflicts Committee Chair Retainer	6,500 per year	Cash	$1,625 paid quarterly

NOTE TO TABLE:

1. The portion of the annual retainer paid in the form of Restricted Units is required to be deferred, and is credited to each independent director's account in the Sunoco Partners LLC Directors' Deferred Compensation Plan.

In addition to the foregoing, each independent director is reimbursed for out-of-pocket expenses in connection with attending meetings of the board of directors or committees.

DIRECTORS' DEFERRED COMPENSATION PLAN:

In addition to the mandatory deferral of the Restricted Unit portion of the annual retainer, the Sunoco Partners LLC Directors' Deferred Compensation Plan also permits directors voluntarily to defer all or a portion of their cash compensation. Voluntarily deferred amounts are credited in the form of Restricted Units, the value of which varies as though invested in Common Units of Sunoco Logistics Partners L.P. (the "Partnership"). All amounts deferred in the form of Restricted Units are credited with Distribution Equivalent Rights (in the form of additional Restricted Units), credited on the applicable date for the quarterly payment of Partnership cash distributions. Payments of compensation deferred under the Directors' Deferred Compensation Plan are restricted in terms of the earliest and latest dates that payments may begin. All deferrals, whether mandatory or voluntary, will be paid out in cash.

STATEMENT OF COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(UNAUDITED)
Sunoco Logistics Partners L.P.

	Year Ended December 31, 2004
	(in thousands, except ratio)
Fixed Charges:	
Interest cost and debt expense	$ 20,915
Interest allocable to rental expense (a)	1,504
Total	$ 22,419
Earnings:	
Income before income tax expense	$ 57,031
Equity in income of less than 50 percent owned affiliated companies (b)	(13,233)
Dividends received from less than 50 percent owned affiliated companies (b)	13,331
Fixed charges	22,419
Interest capitalized	—
Amortization of previously capitalized interest	142
Total	$ 79,690
Ratio of Earnings to Fixed Charges	3.55

(a) Represents one-third of the total operating lease rental expense which is that portion deemed to be interest.

(b) Reflects amounts attributable to interests in the following corporate joint ventures accounted for under the equity method: 9.4 percent in Explorer Pipeline Company, 31.5 percent in Wolverine Pipe Line Company, 12.3 percent in West Shore Pipe Line Company, 14.0 percent in Yellowstone Pipe Line Company, and 43.8 percent in West Texas Gulf Pipe Line Company.

Exhibit 21.1

December 31, 2004

Sunoco Logistics Partners L.P.

Subsidiaries of the Registrant
(50.1% or greater ownership)

Legal Entity Name	Inc./Org./Reg.
Sunoco Partners LLC	Pennsylvania
Sunoco Logistics Partners L.P.	Delaware
Sunoco Logistics Partners GP LLC	Delaware
Sunoco Logistics Partners Operations L.P.	Delaware
Sunoco Logistics Partners Operations GP LLC	Delaware
Sunoco Partners Marketing & Terminals L.P.	Texas
Sunoco Pipeline L.P.	Texas
PUT, LLC	Delaware
Sunoco West Texas Gulf Pipe Line LLC	Delaware
Sunoco Partners Lease Acquisition & Marketing LLC	Delaware

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-103710) and related Prospectus of Sunoco Logistics Partners L.P. pertaining to an aggregate $500,000,000 of equity securities of Sunoco Logistics Partners L.P. (as issuer of common units representing limited partnership interests) and debt of Sunoco Logistics Partners Operations L.P. (as issuer of debt securities) and in the Registration Statement (Form S-8 No. 333-96897) pertaining to the Sunoco Partners LLC Long-Term Incentive Plan of Sunoco Logistics Partners L.P. of our reports dated March 2, 2005, with respect to the financial statements of Sunoco Logistics Partners L.P., Sunoco Logistics Partners L.P. management's assessment of the effectiveness of internal control over financial reporting, the effectiveness of internal control over financial reporting of Sunoco Logistics Partners L.P. and the parent-company-only balance sheet of Sunoco Partners LLC included in Sunoco Logistics Partners L.P.'s Annual Report (Form 10-K) for the year ended December 31, 2004.

/S/ ERNST & YOUNG LLP
Ernst & Young LLP

Philadelphia, Pennsylvania
March 2, 2005

Exhibit 24.1

SUNOCO PARTNERS LLC

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS, that:

1. each of the undersigned individuals, in their capacity as a director or officer, or both, as hereinafter set forth below their signature, of SUNOCO PARTNERS LLC, a Pennsylvania limited liability company as the general partner of Sunoco Logistics Partners L.P. (the "Company"), does hereby constitute and appoint COLIN A. OERTON his or her true and lawful attorney-in-fact and agent, for him or her and in his or her name, place and stead in his or her respective capacity as a director or officer, or both, of the Company, as hereinafter set forth opposite his or her signature, to sign and to file the Sunoco Logistics Partners L.P. Annual Report to the Securities and Exchange Commission on Form 10-K for the fiscal year ended December 31, 2004, and any and all amendments, with all exhibits, thereto and any and all other documents or instruments necessary or incidental in connection therewith; and

2. the undersigned Company does hereby constitute and appoint COLIN A. OERTON its true and lawful attorney-in-fact and agent for it and in its name and on its behalf to sign and to file said Form 10-K and any and all amendments thereto and any and all instruments necessary or incidental in connection therewith.

Said attorney-in-fact shall have full power of substitution and re-substitution, and said attorney-in-fact or any substitute appointed by him hereunder shall have full power and authority to do and perform in the name and on behalf of each of the undersigned, in any and all capacities, every act whatsoever requisite or necessary to be done in the premises, as fully to all intents and purposes as each of the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys or any of them or of any such substitute pursuant hereto.

This Power of Attorney may be executed in one or more counterparts, each of which shall be an original and all of which, taken together, shall constitute but one and the same document.

[COUNTERPART SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the undersigned have executed this instrument, all as of the 28th day of February 2005.

/s/ DEBORAH M. FRETZ Deborah M. Fretz	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ CYNTHIA A. ARCHER Cynthia A. Archer	Director
/s/ L. WILSON BERRY, JR. L. Wilson Berry, Jr.	Director
/s/ STEPHEN L. CROPPER Stephen L. Cropper	Director
/s/ MICHAEL H. R. DINGUS Michael H. R. Dingus	Director
/s/ JOHN G. DROSDICK John G. Drosdick	Director
/s/ GARY W. EDWARDS Bruce G. Fischer	Director
/s/ BRUCE G. FISCHER Bruce G. Fischer	Director
/s/ THOMAS W. HOFMANN Thomas W. Hofmann	Director
/s/ SEAN P. McGRATH Sean P. McGrath	Comptroller (Principal Accounting Officer)
/s/ COLIN A. OERTON Colin A. Oerton	Vice President and Chief Financial Officer (Principal Financial Officer)

ATTEST:

/s/ BRUCE D. DAVIS. JR.

Bruce D. Davis, Jr.
Vice President,
General Counsel and Secretary

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Deborah M. Fretz, President and Chief Executive Officer of Sunoco Partners LLC, the general partner of the registrant Sunoco Logistics Partners L.P., hereby certify that:

1. I have reviewed this annual report on Form 10-K of Sunoco Logistics Partners L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated entities, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DEBORAH M. FRETZ

Name: Deborah M. Fretz
Title: President and Chief Executive Officer
Date: March 4, 2005

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Colin A. Oerton, Vice President and Chief Financial Officer of Sunoco Partners LLC, the general partner of the registrant Sunoco Logistics Partners L.P., hereby certify that:

1. I have reviewed this annual report on Form 10-K of Sunoco Logistics Partners L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated entities, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ COLIN A. OERTON

Name: Colin A. Oerton
Title: Vice President and Chief Financial Officer
Date: March 4, 2005

CERTIFICATION
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

We, the undersigned Deborah M. Fretz and Colin A. Oerton, being, respectively, the President and Chief Executive Officer and the Vice President and Chief Financial Officer, of Sunoco Partners LLC, the general partner of the registrant Sunoco Logistics Partners L.P., do each hereby certify that the registrant's Annual Report on Form 10-K for the year ended December 31, 2004 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this annual report fairly presents, in all material respects, the financial condition and results of operations of Sunoco Logistics Partners L.P.

Date: March 4, 2005

/s/ DEBORAH M. FRETZ

Name: Deborah M. Fretz
Title: President and Chief Executive Officer

/s/ COLIN A. OERTON

Name: Colin A. Oerton
Title: Vice President and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENT

To the Board of Directors of
Sunoco Partners LLC:

We have audited the accompanying parent-company-only balance sheet of Sunoco Partners LLC as of December 31, 2004. The parent-company-only balance sheet is the responsibility of Sunoco Partners LLC's management. Our responsibility is to express an opinion on the parent-company-only balance sheet based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the parent-company-only balance sheet is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the parent-company-only balance sheet, assessing the accounting principles used and significant estimates made by management, and evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the parent-company-only balance sheet referred to above presents fairly, in all material respects, the financial position of Sunoco Partners LLC at December 31, 2004, in conformity with U.S. generally accepted accounting principles.

ERNST & YOUNG LLP

Philadelphia, Pennsylvania
March 2, 2005

SUNOCO PARTNERS LLC
BALANCE SHEET

	December 31, 2004
Assets	
Current Assets	
Advances to affiliate	$ 92,502,032
Total Current Assets	92,502,032
Notes receivable from affiliates	329,774,725
Investment in Sunoco Logistics Partners L.P.	218,442,627
Total Assets	$ 640,719,384
Liabilities and Owners' Equity	
Current Liabilities	
Accrued liabilities	$ 2,569,480
Total Current Liabilities	2,569,480
Owners' equity	638,149,904
Total Liabilities and Owners' Equity	$ 640,719,384

(See Accompanying Notes)

SUNOCO PARTNERS LLC
NOTES TO BALANCE SHEET

1. Nature of Operations and Basis of Presentation

Sunoco Partners LLC (the "Company") is a Pennsylvania limited liability company formed on October 12, 2001 to become the general partner of Sunoco Logistics Partners L.P. (the "Partnership"). The Company is wholly-owned by subsidiaries of Sunoco, Inc.

The Partnership is a Delaware limited partnership formed by Sunoco, Inc. on October 15, 2001 to acquire, own and operate a substantial portion of Sunoco Inc.'s logistics business, consisting of refined product pipelines, terminalling and storage assets, crude oil pipelines, and crude oil acquisition and marketing assets located in the Northeast, Midwest and Southwest United States (the "Predecessor").

On February 8, 2002, Sunoco, Inc., through the Company, contributed the Predecessor to the Partnership in exchange for: (i) a 2 percent general partner interest in the Partnership; (ii) incentive distribution rights (as defined in the partnership agreement); (iii) 5,633,639 common units; (iv) 11,383,639 subordinated units; and (v) a special interest representing the right to receive from the Partnership on the closing of the initial public offering ("IPO") the net proceeds from the issuance of $250 million aggregate principal amount of ten-year senior notes by Sunoco Logistics Partners Operations L.P., a subsidiary of the Partnership. The Partnership guarantees these notes. The net proceeds distributed to the Company were $244.8 million. The Partnership concurrently issued 5.75 million common units (including 750,000 units issued pursuant to the underwriters' over-allotment option), representing a 24.8 percent limited partnership interest in the Partnership, in an IPO at a price of $20.25 per unit. Proceeds from the IPO, which totaled $96.5 million net of underwriting discounts and offering expenses, were used by the Partnership to establish working capital that was not contributed to the Partnership by Sunoco, Inc.

The Company, as general partner, manages the operations and activities of the Partnership and owes a fiduciary duty to the Partnership's unitholders. Most of the Partnership's operations personnel are employees of the Company. The Company is liable, as general partner, for all of the Partnership's debts (to the extent not paid from the Partnership's assets), except for indebtedness or other obligations that are made specifically nonrecourse to the general partners.

The Company does not receive any management fee or other compensation for its management of the Partnership. The Company and its affiliates are reimbursed for expenses incurred on the Partnership's behalf. These expenses include the costs of employee, officer, and director compensation and benefits properly allocable to the Partnership, and all other expenses necessary or appropriate to conduct the business of, and allocable to, the Partnership. The partnership agreement provides that the Company, as general partner, will determine the expenses that are allocable to the Partnership in any reasonable manner determined by the Company in its sole discretion.

The accompanying balance sheet of Sunoco Partners LLC is of the parent company only and does not include the accounts of Sunoco Logistics Partners L.P. or any of its subsidiaries. Sunoco Partners LLC's investment in the Partnership in the balance sheet is stated at cost plus equity in undistributed earnings of the Partnership since February 8, 2002, the date of the IPO. The parent-company-only balance sheet should be read in conjunction with the financial statements and accompanying notes of Sunoco Logistics Partners L.P. as of and for the year ended December 31, 2004, filed in this Form 10-K.

2. Partnership Equity Offering

On April 7, 2004, the Partnership sold 3.4 million common units in a public offering for total gross proceeds of $135.1 million. The units were issued under the Partnership's previously filed Form S-3 shelf registration statement. The sale of the units resulted in net proceeds of $128.7 million, after underwriters' commissions and legal, accounting, and other transaction expenses. Net proceeds from the sale were used

to (a) redeem approximately 2.2 million common units from the Company for $82.7 million, (b) replenish cash utilized to acquire the Eagle Point logistics assets for $20.0 million, (c) finance the acquisition of the two refined product terminals for $12.0 million, (d) finance the acquisition of an additional 33.3 percent undivided interest in the Harbor pipeline for $7.3 million, and (e) for general partnership purposes, including to replenish cash used for past acquisitions and capital improvements, and for other expansion, capital improvements or acquisition projects. As a result of this net issuance of 1.2 million common units, the Partnership also received $1.0 million from the company as a capital contribution to maintain its 2.0 percent general partner interest. After the redemption of its units, the Company's ownership interest in the Partnership decreased from 75.3 percent to 62.6 percent, including its 2.0 percent general partner interest.

3. Related Party Transactions

Advances to Affiliate

Advances to affiliate reflects the Company's participation in Sunoco, Inc.'s central cash management program, wherein all of the Company's cash receipts are remitted to Sunoco, Inc. and all cash disbursements are funded by Sunoco, Inc. There are no terms of settlement or interest charges attributable to this balance.

Notes receivable from Affiliates

Effective February 8, 2002, the Company loaned $246.7 million to another subsidiary of Sunoco, Inc. The loan, which is evidenced by a note due February 8, 2005, earns interest at an interest rate based on 115 percent of the short-term applicable federal rate established by the Internal Revenue Service. The interest rate on this note at December 31, 2004 was 2.72 percent. There are no restrictions on the Company's ability to distribute this note receivable to its owners. In February 2005, this note was renewed through February 8, 2008.

On April 7, 2004, the Company loaned $83.1 million to another subsidiary of Sunoco, Inc. The loan, which is evidenced by a note due April 1, 2007, earns interest at an interest rate of 1.47 percent. There are no restrictions on the Company's ability to distribute this note receivable to its owners.

License Agreement

The Partnership entered into a license agreement at the closing of the IPO with Sunoco and certain of its affiliates, including the Company, pursuant to which the Partnership granted to the Company a license to the Partnership's intellectual property so that the Company can manage the Partnership's operations and create intellectual property using the Partnership's intellectual property. The Company will assign to the Partnership the new intellectual property it creates in operating the Partnership's business. The Company has also licensed to the Partnership certain of its own intellectual property for use in the conduct of the Partnership's business and the Partnership licensed to the Company certain of the Partnership's intellectual property for use in the conduct of its business. The license agreement also grants to the Partnership a license to use the trademarks, trade names, and service marks of Sunoco in the conduct of the Partnership's business.