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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2011

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
(State or other jurisdiction of
incorporation or organization)

23-3096839
(I.R.S. Employer
Identification No.)

1818 Market Street, Suite 1500, Philadelphia, PA
(Address of principal executive offices)

19103
(Zip Code)

Registrant's telephone number, including area code: (866) 248-4344

Former name, former address and formal fiscal year, if changed since last report: Not Applicable

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At March 31, 2011, the number of the registrant's Limited Partnership Units outstanding was 33,128,767.

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SUNOCO LOGISTICS PARTNERS L.P.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

SUNOCO LOGISTICS PARTNERS L.P.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(in millions, except per unit amounts)

	Three Months Ended March 31,	
	2011	2010
Revenues		
Sales and other operating revenue:		
Affiliates (Note 2)	\$ 303	\$ 173
Unaffiliated customers	1,955	1,507
Other income	2	8
Total Revenues	<u>2,260</u>	<u>1,688</u>
Costs and Expenses		
Cost of products sold and operating expenses	2,145	1,594
Depreciation and amortization expense	18	15
Selling, general and administrative expenses	22	21
Total Costs and Expenses	<u>2,185</u>	<u>1,630</u>
Operating Income	75	58
Net interest cost to affiliates (Note 2)	1	-
Other interest cost and debt expense, net	20	16
Capitalized interest	(1)	(1)
Income Before Provision for Income Taxes	\$ 55	\$ 43
Provision for income taxes (Note 5)	5	-
Net Income	\$ 50	\$ 43
Net Income attributable to noncontrolling interests	2	-
Net Income attributable to Sunoco Logistics Partners L.P.	<u>\$ 48</u>	<u>\$ 43</u>
Calculation of Limited Partners' interest:		
Net Income attributable to Sunoco Logistics Partners L.P.	\$ 48	\$ 43
Less: General Partner's interest	(12)	(10)
Limited Partners' interest	<u>\$ 36</u>	<u>\$ 33</u>
Net Income attributable to Sunoco Logistics Partners L.P. per Limited Partner unit (Note 3):		
Basic	\$ 1.09	\$ 1.06
Diluted	\$ 1.08	\$ 1.06
Weighted average Limited Partners' units outstanding:		
Basic	33.1	31.0
Diluted	33.3	31.2

(See Accompanying Notes)

SUNOCO LOGISTICS PARTNERS L.P.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(in millions)

	<u>March 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2	\$ 2
Advances to affiliated companies (Note 2)	17	44
Accounts receivable, affiliated companies (Note 2)	2	154
Accounts receivable, net	1,945	1,536
Inventories (Note 4)	299	63
Total Current Assets	<u>2,265</u>	<u>1,799</u>
Properties, plants and equipment	2,827	2,799
Less accumulated depreciation and amortization	(687)	(671)
Properties, plants and equipment, net	2,140	2,128
Investment in affiliates (Note 6)	72	73
Goodwill	63	63
Intangible assets, net	107	109
Other assets	16	16
Total Assets	<u>\$ 4,663</u>	<u>\$ 4,188</u>
Liabilities and Equity		
Accounts payable	\$ 2,004	\$ 1,591
Accrued liabilities	90	76
Accrued taxes payable (Note 5)	43	44
Total Current Liabilities	<u>2,137</u>	<u>1,711</u>
Long-term debt, affiliated companies (Notes 2 and 7)	100	100
Long-term debt (Note 7)	1,180	1,129
Other deferred credits and liabilities	42	42
Deferred income taxes (Note 5)	163	164
Commitments and contingent liabilities (Note 8)		
Total Liabilities	<u>3,622</u>	<u>3,146</u>
Equity		
Sunoco Logistics Partners L.P. equity		
Limited Partners' interest	937	940
General Partner's interest	29	28
Accumulated other comprehensive loss	(3)	(3)
Total Sunoco Logistics Partners L.P. equity	963	965
Noncontrolling interests	78	77
Total Equity	<u>1,041</u>	<u>1,042</u>
Total Liabilities and Equity	<u>\$ 4,663</u>	<u>\$ 4,188</u>

(See Accompanying Notes)

SUNOCO LOGISTICS PARTNERS L.P.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in millions)

	Three Months Ended	
	March 31,	
	2011	2010
Cash Flows from Operating Activities:		
Net Income	\$ 50	\$ 43
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	18	15
Amortization of financing fees and bond discount	1	1
Restricted unit incentive plan expense	3	4
Changes in working capital pertaining to operating activities:		
Accounts receivable, affiliated companies	152	21
Accounts receivable, net	(409)	(67)
Inventories	(236)	(261)
Accounts payable and accrued liabilities	427	256
Accrued taxes payable	(1)	(2)
Other	1	(9)
Net cash provided by operating activities	<u>6</u>	<u>1</u>
Cash Flows from Investing Activities:		
Capital expenditures	(28)	(27)
Net cash used in investing activities	<u>(28)</u>	<u>(27)</u>
Cash Flows from Financing Activities:		
Distributions paid to limited and general partners	(51)	(48)
Distributions paid to noncontrolling interests	(1)	-
Payments of statutory withholding on net issuance of limited partner units under restricted unit incentive plan	(3)	(2)
Repayments under credit facility	(19)	(303)
Borrowings under credit facility	70	77
Net proceeds from issuance of long-term debt	-	494
Repayment of promissory note to general partner	-	(201)
Advances to affiliated companies, net	27	8
Other	(1)	1
Net cash provided by financing activities	<u>22</u>	<u>26</u>
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	2	2
Cash and cash equivalents at end of period	<u>\$ 2</u>	<u>\$ 2</u>

(See Accompanying Notes)

SUNOCO LOGISTICS PARTNERS L.P.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(UNAUDITED)
(in millions)

	Limited Partners	General Partner	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
Balance at January 1, 2010	\$ 837	\$ 27	\$ (2)	\$ -	\$ 862
Comprehensive Income:					
Net Income	33	10	-	-	43
Total comprehensive income	33	10	-	-	43
Units issued under incentive plans	4	-	-	-	4
Distribution equivalent rights	(1)	-	-	-	(1)
Payments of statutory withholding on issuance of restricted unit incentive plan	(2)	-	-	-	(2)
Distribution related to IDR transaction	(197)	(4)	-	-	(201)
Distributions paid to limited partners, general partner and noncontrolling interests	(34)	(14)	-	-	(48)
Balance at March 31, 2010	<u>\$ 640</u>	<u>\$ 19</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ 657</u>
	Limited Partners	General Partner	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
Balance at January 1, 2011	\$ 940	\$ 28	\$ (3)	\$ 77	\$ 1,042
Comprehensive Income:					
Net Income	36	12	-	2	50
Change in cash flow hedges	-	-	1	-	1
Total comprehensive income	36	12	1	2	51
Units issued under incentive plans	3	-	-	-	3
Distribution equivalent rights	-	-	-	-	-
Payments of statutory withholding on issuance of restricted unit incentive plan	(3)	-	-	-	(3)
Distributions paid to limited partners, general partner and noncontrolling interests	(39)	(12)	-	(1)	(52)
Other	-	1	(1)	-	-
Balance at March 31, 2011	<u>\$ 937</u>	<u>\$ 29</u>	<u>\$ (3)</u>	<u>\$ 78</u>	<u>\$ 1,041</u>

(See Accompanying Notes)

SUNOCO LOGISTICS PARTNERS L.P.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation

Sunoco Logistics Partners L.P. (“the Partnership”) is a publicly traded Delaware limited partnership that owns and operates a logistics business, consisting of refined products and crude oil pipelines, terminalling and storage assets, and refined products and crude oil acquisition and marketing assets. Sunoco, Inc. and its wholly-owned subsidiaries including Sunoco, Inc. (R&M) are collectively referred to as “Sunoco.” 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 in 17 states located in the northeast, midwest, southeast and southwest United States. Sunoco accounted for approximately 13 percent of the Partnership’s total revenues for the three months ended March 31, 2011.

The condensed consolidated financial statements reflect the results of Sunoco Logistics Partners L.P. and its wholly-owned subsidiaries, including Sunoco Logistics Partners Operations L.P. and include the accounts of entities in which the Partnership has a controlling financial interest. A controlling financial interest is evidenced by either a voting interest greater than 50 percent or a risk and rewards model that identifies the Partnership or one of its subsidiaries as the primary beneficiary of a variable interest entity (“VIE”). All significant intercompany accounts and transactions are eliminated in consolidation and noncontrolling interests in equity and net income are shown separately in the condensed consolidated balance sheets and statements of income. Equity ownership interests in corporate joint ventures, in which the Partnership does not have a controlling financial interest, are accounted for under the equity method of accounting.

The accompanying condensed consolidated financial statements are presented in accordance with the requirements of Form 10-Q and accounting principles generally accepted in the United States for interim financial reporting. They do not include all disclosures normally made in financial statements contained in Form 10-K. In management’s opinion, all adjustments necessary for a fair presentation of the results of operations, financial position and cash flows for the periods shown have been made. All such adjustments are of a normal recurring nature. The Partnership expects the interim increase in quantities of inventory to significantly decline by year end and therefore, has adjusted its interim LIFO calculation to produce a reasonable matching of the most recently incurred costs with current revenues. Results for the three months ended March 31, 2011 are not necessarily indicative of results for the full year 2011.

2. Related Party Transactions

Incentive Distribution Rights Exchange

In January 2010, the Partnership entered into a repurchase agreement with its general partner, whereby the Partnership agreed to the repurchase from the general partner the existing incentive distribution rights (“IDRs”) for \$201 million and issue new IDRs. Pursuant to this transaction, the Partnership executed the third amended and restated agreement of limited partnership. This new partnership agreement reflects the cancellation of the original IDRs and the authorization and issuance of the new IDRs.

The Partnership initially financed this arrangement with a promissory note to the general partner that was due December 31, 2010. A portion of the proceeds from the February 2010 issuance of \$500 million in Senior Notes were used to repay this promissory note in full in the first quarter 2010.

Promissory Note from Affiliate

In July 2010, the Partnership acquired a butane blending business from Texon L.P. The acquisition was partially funded by a three-year, subordinated, \$100 million note from Sunoco, which bears interest at three-month LIBOR plus 275 basis points per annum.

Advances to/from 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 Operating Partnership’s \$395 million Credit Facility.

Administrative Services

Under the Omnibus Agreement, the Partnership pays Sunoco an annual administrative fee that includes expenses incurred by Sunoco and its affiliates to perform certain 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 was \$5 million for the year ended December 31, 2010. The fee increased to \$13 million for 2011 to cover shared management costs, including senior executives, which were previously recorded as a direct expense by the Partnership. The increase was also driven by a higher allocation of fees associated with corporate functions which were previously outsourced to third parties. This fee does not include the salaries of pipeline and terminal personnel or other employees of the general partner or the cost of their employee benefits. The Partnership has no employees, and reimburses Sunoco and its affiliates for these costs and other direct expenses incurred on the Partnership's behalf. These costs may be increased if the acquisition or construction of new assets or businesses requires an increase in the level of general and administrative services received by the Partnership.

In addition to the annual administrative fee, selling, general and administrative expenses in the statements of income include the allocation of shared insurance costs. The Partnership's share of allocated Sunoco employee benefit plan expenses, including noncontributory 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 are reflected in cost of products sold and operating expenses and selling, general and administrative expenses in the statements of income.

Affiliated Revenues and Accounts Receivable, Affiliated Companies

The Partnership is party to various agreements with Sunoco to supply crude oil and refined products, as well as to provide pipeline and terminalling services. Affiliated revenues in the statements of income consist of sales of crude oil and refined products as well as the related provision, and services including pipeline transportation, terminalling, and storage and blending to Sunoco. Sales of crude oil are priced using market based rates under agreements which automatically renew on a monthly basis unless terminated by either party on 30 days written notice. Sales of refined product are priced using market based rates under agreements which are negotiated annually. Service revenues are recognized based on published tariffs or negotiated rates under agreements.

In March 2011, Sunoco completed the sale of its Toledo refinery to affiliates of PBF Holding Company LLC ("PBF"). Certain of the Partnership's agreements with Sunoco to supply or purchase crude oil and provide pipeline and terminalling services to support the Toledo refinery have been assigned to PBF or its agents in connection with the sale. The sale of the refinery is not expected to have a material impact on the Partnership's financial results.

Capital Contributions

In February 2011 and 2010 the Partnership issued less than 0.1 million limited partnership units to participants in the Sunoco Partners LLC Long-Term Incentive Plan ("LTIP") upon completion of award vesting requirements. As a result of these issuances of limited partnership units, the general partner contributed \$0.1 million during the first quarter 2011 and less than \$0.1 million during the first quarter 2010 to maintain its 2 percent general partner interest. The Partnership recorded these amounts as capital contributions within its condensed consolidated balance sheets.

3. Net Income Per Unit Data

The general partner's interest in net income attributable to Sunoco Logistics Partners L.P. ("net income attributable to the Partnership") consists of its 2 percent general partner 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 10). The general partner was allocated net income attributable to the Partnership of \$12 and \$10 million (representing 25 and 23 percent of total net income attributable to the Partnership) for the three months ended March 31, 2011 and 2010, respectively. Diluted net income attributable to the Partnership per limited partner unit is calculated by dividing limited partners' interest in net income by the sum of the weighted average number of limited partnership units outstanding and the dilutive effect of incentive unit awards (see Note 11), calculated using the treasury stock method.

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The following table sets forth the reconciliation of the weighted average number of limited partner units used to compute basic net income attributable to the Partnership per limited partner unit to those used to compute diluted net income attributable to the Partnership per limited partner unit for the three months ended March 31, 2011 and 2010:

	Three Months Ended	
	March 31,	
	2011	2010
	(in millions)	
Weighted average number of limited partner units outstanding - basic	33.1	31.0
Add effect of dilutive incentive awards	0.2	0.2
Weighted average number of limited partner units - diluted	33.3	31.2

4. Inventories

The components of inventories are as follows:

	March 31, 2011	December 31, 2010
	(in millions)	
Crude oil	\$ 276	\$ 39
Refined products	14	16
Refined products additives	2	2
Materials, supplies and other	7	6
	<u>\$ 299</u>	<u>\$ 63</u>

5. Income Taxes

The Partnership is not a taxable entity for U.S. federal income tax purposes, or for the majority of states that impose income taxes. However, there are some states in which the Partnership operates where it is subject to both state and local income taxes. Substantially all of the income tax expense and income tax accruals reflected in the condensed consolidated financial statements relate to the consolidation of Mid-Valley Pipeline Company ("Mid-Valley") and West Texas Gulf Pipe Line Company ("West Texas Gulf"), both of which are subject to income taxes for federal and state purposes. The Partnership also has deferred tax balances related to the difference between the book and tax bases of the assets and liabilities of Mid-Valley and West Texas Gulf.

6. Investment in Affiliates

The Partnership's corporate joint ventures own and operate refined products and crude oil pipeline systems. The Partnership's ownership percentages in and method of accounting for these corporate joint ventures as of and for the quarters ended March 31, 2011 and 2010 were as follows:

	As of and for the quarter ended			
	March 31, 2011		March 31, 2010	
	Ownership Percentage	Accounting Method	Ownership Percentage	Accounting Method
Explorer Pipeline Company	9.4%	Equity method	9.4%	Equity method
Yellowstone Pipe Line Company	14.0%	Equity method	14.0%	Equity method
West Shore Pipe Line Company	17.1%	Equity method	12.3%	Equity method
Wolverine Pipe Line Company	31.5%	Equity method	31.5%	Equity method
West Texas Gulf Pipe Line Company	60.3%	Consolidated	43.8%	Equity method
Mid-Valley Pipeline Company	91.0%	Consolidated	55.3%	Equity method

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The following table provides summarized, unaudited income statement information on a 100 percent basis for the Partnership's equity ownership interests for the three months ended March 31, 2011 and 2010:

	Three Months Ended March 31,	
	2011	2010
	(in millions)	
Income Statement Data:⁽¹⁾		
Total revenues	\$ 73	\$ 96
Income before income taxes	\$ 24	\$ 41
Net income	\$ 14	\$ 25

⁽¹⁾ The income statement data for the quarter ended March 31, 2011 excludes amounts related to Mid-Valley and West Texas Gulf. Such amounts are consolidated in the Partnership's condensed consolidated financial statements since the acquisition of additional interests in the third quarter 2010.

The following table provides summarized, unaudited balance sheet information on a 100 percent basis for the Partnership's equity ownership interests as of March 31, 2011 and December 31, 2010:

	March 31,	December 31,
	2011	2010
	(in millions)	
Balance Sheet Data:		
Current assets	\$ 127	\$ 122
Non-current assets	\$ 641	\$ 646
Current liabilities	\$ 130	\$ 122
Non-current liabilities	\$ 543	\$ 546
Net equity	\$ 95	\$ 100

7. Debt

The components of the Partnership's long-term debt balances are as follows:

	March 31, 2011	December 31, 2010
	(in millions)	
Affiliated Companies		
Promissory note (3.05% as of March 31, 2011), due May 2013	\$ 100	\$ 100
Credit Facilities		
\$63 million Credit Facility (2.75% as of March 31, 2011), due September 2011	31	31
\$395 million Credit Facility (0.56% as of March 31, 2011), due November 2012	51	—
	\$ 82	\$ 31
Senior Notes		
Senior Notes - 7.25%, due February 15, 2012	\$ 250	\$ 250
Senior Notes - 8.75%, due February 15, 2014	175	175
Senior Notes - 6.125%, due May 15, 2016	175	175
Senior Notes - 5.50%, due February 15, 2020	250	250
Senior Notes - 6.85%, due February 15, 2040	250	250
	1,100	1,100
Less:		
Unamortized bond discount	(2)	(2)
Total long-term debt	\$ 1,180	\$ 1,129

8. Commitments and Contingent Liabilities

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 can result in liabilities and loss contingencies for remediation at the Partnership's facilities and at third-party or formerly owned sites. At March 31, 2011 and December 31, 2010, there were accrued liabilities for environmental remediation in the condensed consolidated balance sheets of \$4 million for both periods. The accrued liabilities for environmental remediation do not include any amounts attributable to unasserted claims, nor have any recoveries from insurance been assumed. Charges against income for environmental remediation totaled \$2 and less than \$1 million for the three-month periods ended March 31, 2011 and 2010, 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.

Sunoco has indemnified the Partnership for 30 years from environmental and toxic tort liabilities related to the assets contributed to the Partnership that arose from the operation of such assets prior to the closing of the February 2002 initial public offering ("IPO"). Sunoco has indemnified the Partnership for 100 percent of all losses asserted within the first 21 years of closing of the IPO. Sunoco's share of liability for claims asserted thereafter will decrease by 10 percent per year. For example, for a claim asserted during the twenty-third year after closing of the 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 IPO and for environmental and toxic tort liabilities to the extent Sunoco is not required to indemnify the Partnership.

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

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 March 31, 2011. There are certain other pending legal proceedings related to matters arising after the 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 March 31, 2011.

9. Equity

The changes in the number of limited partnership units outstanding from January 1, 2010 through March 31, 2011 are as follows:

	<u>Units (in thousands)</u>
Balance at January 1, 2010	30,981
Issuance of Limited Partner units to the public in August 2010	2,013
Units issued under incentive plans	<u>72</u>
Balance at December 31, 2010	<u>33,066</u>
Units issued under incentive plans	<u>63</u>
Balance at March 31, 2011	<u><u>33,129</u></u>

10. Cash Distributions

Within 45 days after the end of each quarter, the Partnership distributes all cash on hand at the end of the quarter, less reserves established by the general partner at 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 the establishment of cash reserves and the payment of fees and expenses, including payments to the general partner.

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 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.

In January 2010, the Partnership repurchased, and its general partner transferred and assigned to the Partnership for cancellation, the IDRs held by the general partner under the Second Amended and Restated Agreement of Limited Partnership, as amended, as consideration for (i) the Partnership’s issuance to the general partner of new IDRs issued under the Third Amended and Restated Agreement of Limited Partnership and (ii) the issuance to the general partner of a promissory note in the amount of \$201 million. In February 2010, the Operating Partnership issued a total of \$500 million in senior notes which mature in February 2020 and February 2040. A portion of the net proceeds from this offering was used to repay in full this promissory note.

The following table shows the target distribution levels and distribution “splits” between the general partner and the holders of the Partnership’s limited partnership units under the new IDRs:

	<u>Total Quarterly Distribution Target Amount</u>	<u>Marginal Percentage Interest in Distributions</u>	
		<u>General Partner</u>	<u>Unitholders</u>
First Target Distribution	up to \$0.500	2%	98%
Second Target Distribution	above \$0.500 up to \$0.575	15%*	85%
Third Target Distribution	above \$0.575 up to \$1.5825	37%*	63%
Thereafter	above \$1.5825	50%*	50%

* Includes 2 percent general partner interest.

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The distributions paid by the Partnership for the period from January 1, 2010 through March 31, 2011 are summarized below. The distribution of \$201 million paid to the general partner in connection with the repurchase and exchange of the general partner's IDR's has been excluded.

<u>Date Cash Distribution Paid</u>	<u>Cash Distribution per Limited Partner Unit</u>	<u>Total Cash Distribution to the Limited Partners</u> (in millions)	<u>Total Cash Distribution to the General Partner</u> (in millions)
February 14, 2011	\$ 1.180	\$ 39	\$ 12
November 12, 2010	\$ 1.170	\$ 39	\$ 12
August 13, 2010	\$ 1.140	\$ 35	\$ 11
May 14, 2010	\$ 1.115	\$ 35	\$ 10
February 12, 2010	\$ 1.090	\$ 34	\$ 14

On April 26, 2011, Sunoco Partners LLC, the general partner of Sunoco Logistics Partners L.P., declared a cash distribution of \$1.195 per limited partnership unit (\$4.78 annualized), representing the distribution for the first quarter 2011. The \$52 million distribution, including \$12 million to the general partner, will be paid on May 13, 2011 to unitholders of record on May 9, 2011. The change in distribution "splits" resulted in a \$6 million reduction of the general partner's cash distribution as compared to the previous methodology for the first quarter of 2011.

11. Management Incentive Plan

Sunoco Partners LLC, the general partner of the Partnership, has adopted the Sunoco Partners LLC Long-Term Incentive Plan 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 with respect to employee awards, and by the non-independent members of the general partner's board of directors with respect to awards granted to the independent members. The LTIP currently permits the grant of restricted units and unit options covering an additional 0.4 million limited partnership units. Restricted unit awards may also include tandem distribution equivalent rights ("DERs") at the discretion of the Compensation Committee.

During the first quarter of 2011 and 2010, the Partnership issued 63 and 66 thousand units under the LTIP. The Partnership recognized share-based compensation expense of \$3 and \$4 million for the three-month periods ended March 31, 2011 and 2010, respectively. Each of the restricted unit grants also have tandem DERs which are recognized as a reduction of equity when earned.

12. Derivatives and Risk Management

The Partnership is exposed to various market risks, including volatility in crude oil and refined product prices, counterparty credit risk and interest rate risk.

Price Risk Management

The Partnership is exposed to risks associated with changes in the market price of crude oil and refined products as a result of the forecasted purchase or sale of these products. These risks are primarily associated with price volatility related to pre-existing or anticipated purchases and sales. Price changes are often caused by shifts in the supply and demand for these commodities, as well as their locations. In order to manage such exposure, the Partnership's policy is (i) to only purchase crude oil and refined products for which sales contracts have been executed or for which ready markets exist, (ii) to structure sales contracts so that price fluctuations do not materially impact the margins earned, and (iii) not to acquire and hold physical inventory, futures contracts or other derivative instruments for the purpose of speculating on commodity price changes. Although the Partnership seeks to maintain a balanced inventory position within its commodity inventories, net unbalances may occur for short periods of time due to production, transportation and delivery variances. When physical inventory builds or draws do occur, the Partnership continuously manages the variance to a balanced position over a period of time. Pursuant to the Partnership's approved risk management policy, derivative contracts may be used to hedge or reduce exposure to price risk associated with acquired inventory or forecasted physical transactions.

The physical contracts related to the Partnership's crude oil and refined products businesses that qualify as derivatives have been designated as normal purchases and sales and are accounted for using traditional accrual accounting. The Partnership accounts for derivatives that do not qualify as normal purchases and sales at fair value. The Partnership does not utilize derivative instruments to manage its exposure to prices related to crude oil purchase and sale activities. The Partnership does utilize derivatives such as swaps, futures and other derivative instruments to mitigate the risk associated with market movements in the price of refined products. These derivative contracts act as a hedging mechanism against the volatility of prices by allowing the Partnership to transfer this price risk to counterparties who are able and willing to bear it.

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While all derivative instruments utilized by the Partnership represent economic hedges, certain of these derivatives are not designated as hedges for accounting purposes. Such derivatives include certain contracts that were entered into and closed during the same accounting period and a limited number of contracts for which there is not sufficient correlation to the related items being economically hedged.

For refined product derivative contracts that are not designated as hedges for accounting purposes, all realized and unrealized gains and losses are recognized in the statement of income during the current period. For refined product derivative contracts that are designated and qualify as cash flow hedges pursuant to generally accepted accounting principles, the portion of the gain or loss on the derivative contract that is effective in offsetting the variable cash flows associated with the hedged forecasted transaction is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative contract in excess of the cumulative change in the present value of future cash flows of the hedged item, if any (i.e., the ineffective portion), is recognized in earnings during the current period.

As of and for the periods ended March 31, 2011 and 2010, the impact of the Partnership's hedging activities was not material to the condensed consolidated financial statements. The Partnership had open derivative positions of 1.1 and 0.1 million barrels of refined products at March 31, 2011 and 2010, respectively. The derivatives outstanding as of March 31, 2011 vary in duration but do not extend beyond March 2012. As of March 31, 2011 and December 31, 2010, the Partnership had the following derivative asset and liability balances:

	March 31, 2011	December 31, 2010
	(in millions)	
Derivative assets	\$ -	\$ 2
Derivative liabilities	(2)	(6)
	<u>\$ (2)</u>	<u>\$ (4)</u>

Credit Risk Management

The Partnership faces counterparty credit risk as a result of our use of financial derivative contracts. The Partnership's counterparties consist primarily of financial institutions and major integrated oil companies. This concentration of counterparties may impact the Partnership's overall exposure to credit risk, either positively or negatively, in that the counterparties may be similarly affected by changes in economic, regulatory or other conditions.

The Partnership maintains credit policies with regard to its counterparties that management believes minimize the overall credit risk. The Partnership's customers' credit positions are analyzed prior to the extension of credit and periodically after credit has been extended. The Partnership manages its exposure to derivative counterparty credit risk through credit analysis, credit approvals, credit limits, and monitoring procedures. The Partnership does not have over-the-counter derivatives that are entered into with counterparties outside of regulated exchanges.

Interest Rate Risk Management

The Partnership has interest rate risk exposure for changes in interest rates related to its outstanding borrowings. The Partnership manages its exposure to changes in interest rates through the use of a combination of fixed- and variable-rate debt. At March 31, 2011, the Partnership had \$182 million of variable-rate borrowings under the revolving credit facilities and promissory notes from affiliated companies.

13. Fair Value Measurements

The Partnership applies fair value accounting for all financial assets and liabilities that are required to be measured at fair value under current accounting rules. The assets and liabilities that are measured at fair value on a recurring basis are not material to the Partnership's condensed consolidated balance sheets.

The Partnership determines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Partnership utilizes valuation techniques that maximize the use of observable inputs (levels 1 and 2) and minimize the use of unobservable inputs (level 3) within the fair value hierarchy established by the Accounting Standards Codification.

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The Partnership generally applies the “market approach” to determine fair value. This method uses pricing and other information generated by market transactions for identical or comparable assets and liabilities. Assets and liabilities are classified within the fair value hierarchy based on the lowest level (least observable) input that is significant to the measurement in its entirety.

The estimated fair value of financial instruments has been determined based on the Partnership’s assessment of available market information and appropriate valuation methodologies. The Partnership’s current assets (other than derivatives and inventories) and current liabilities are financial instruments and most of these items are recorded at cost in the consolidated balance sheets. The estimated fair value of these financial instruments approximate their carrying value due to their short-term nature. The Partnership’s derivatives are measured and recorded at fair value, based on observable market prices and other valuation methodologies. At March 31, 2011, the fair values of the credit facilities and the promissory note to Sunoco approximate their carrying value, as these borrowings bear interest based upon short-term floating market interest rates. The estimated fair value of the Senior Notes is based on quoted market prices. The estimated aggregate fair value of the Senior Notes at March 31, 2011 is \$1.2 billion, compared to the carrying amount of \$1.1 billion. The estimated aggregate fair value of the Senior Notes at December 31, 2010 was \$1.2 billion, compared to the carrying amount of \$1.1 billion.

14. Business Segment Information

The Partnership operates in three principal business segments: Refined Products Pipeline System, Terminal Facilities, and Crude Oil Pipeline System.

The following tables set forth condensed statement of income information concerning the Partnership’s business segments and reconcile total segment operating income to net income attributable to Sunoco Logistics Partners L.P. for the three months ended March 31, 2011 and 2010, respectively.

	Three Months Ended	
	March 31,	
	2011	2010
	(in millions)	
Segment Operating Income		
Refined Products Pipeline System:		
Sales and other operating revenue:		
Affiliates	\$ 17	\$ 18
Unaffiliated customers	10	12
Operating Income	\$ 5	\$ 8
Terminal Facilities:		
Sales and other operating revenue:		
Affiliates	\$ 33	\$ 29
Unaffiliated customers	54	26
Operating Income	\$ 29	\$ 22
Crude Oil Pipeline System:		
Sales and other operating revenue:		
Affiliates	\$ 253	\$ 126
Unaffiliated customers	1,891	1,469
Operating Income	\$ 41	\$ 28

	Three Months Ended	
	March 31,	
	2011	2010
(in millions)		
Reconciliation of Segment Operating Income to Net Income		
Attributable to Sunoco Logistics Partners L.P.		
Operating Income:		
Refined Products Pipeline System	\$ 5	\$ 8
Terminal Facilities	29	22
Crude Oil Pipeline System	41	28
Total segment operating income	\$ 75	\$ 58
Net interest expense	20	15
Income before provision for income taxes	\$ 55	\$ 43
Provision for income taxes	5	-
Net Income	\$ 50	\$ 43
Net Income attributable to noncontrolling interests	2	-
Net Income Attributable to Sunoco Logistics Partners L.P.	<u>\$ 48</u>	<u>\$ 43</u>

The following table provides the identifiable assets for each segment as of March 31, 2011 and December 31, 2010:

	March 31,	December 31,
	2011	2010
(in millions)		
Refined Products Pipeline System	\$ 531	\$ 531
Terminal Facilities	858	857
Crude Oil Pipeline System	3,211	2,713
Corporate and other	63	87
Total identifiable assets	<u>\$ 4,663</u>	<u>\$ 4,188</u>

Corporate and other assets consist primarily of cash and cash equivalents, advances to affiliates and deferred charges.

15. Supplemental Condensed Consolidating Financial Information

The Partnership serves as guarantor of the Senior Notes and of any obligations under the \$395 million and \$63 million Credit Facilities. These guarantees are full and unconditional. For purposes of the following footnote, Sunoco Logistics Partners L.P. is referred to as “Parent Guarantor” and Sunoco Logistics Partners Operations L.P. is referred to as “Subsidiary Issuer.” All other consolidated subsidiaries of the Partnership are collectively referred to as “Non-Guarantor Subsidiaries.”

The following supplemental condensed consolidating financial information reflects the Parent Guarantor’s separate accounts, the Subsidiary Issuer’s separate accounts, the combined accounts of the Non-Guarantor Subsidiaries, the combined consolidating adjustments and eliminations and the Parent Guarantor’s consolidated accounts for the dates and periods indicated. For purposes of the following condensed consolidating information, the Parent Guarantor’s investments in its subsidiaries and the Subsidiary Issuer’s investments in its subsidiaries are accounted for under the equity method of accounting.

Condensed Consolidating Statement of Income
Three Months Ended March 31, 2011
(in millions, unaudited)

	<u>Parent Guarantor</u>	<u>Subsidiary Issuer</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
Revenues					
Sales and other operating revenue:					
Affiliates	\$ -	\$ -	\$ 303	\$ -	\$ 303
Unaffiliated customers	-	-	1,955	-	1,955
Equity in earnings of subsidiaries	48	67	-	(115)	-
Other income	-	-	2	-	2
Total Revenues	<u>48</u>	<u>67</u>	<u>2,260</u>	<u>(115)</u>	<u>2,260</u>
Costs and Expenses					
Cost of products sold and operating expenses	-	-	2,145	-	2,145
Depreciation and amortization expense	-	-	18	-	18
Selling, general and administrative expenses	-	-	22	-	22
Total Costs and Expenses	<u>-</u>	<u>-</u>	<u>2,185</u>	<u>-</u>	<u>2,185</u>
Operating Income	48	67	75	(115)	75
Net interest cost to affiliates	-	-	1	-	1
Other interest cost and debt expense, net	-	20	-	-	20
Capitalized interest	-	(1)	-	-	(1)
Income Before Provision for Income Taxes	48	48	74	(115)	55
Provision for income taxes	-	-	5	-	5
Net Income	48	48	69	(115)	50
Net income attributable to non controlling interests	-	-	2	-	2
Net Income attributable to Sunoco Logistics Partners L.P.	<u>\$ 48</u>	<u>\$ 48</u>	<u>\$ 67</u>	<u>\$ (115)</u>	<u>\$ 48</u>

Condensed Consolidating Statement of Income
Three Months Ended March 31, 2010
(in millions, unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue:					
Affiliates	\$ -	\$ -	\$ 173	\$ -	\$ 173
Unaffiliated customers	-	-	1,507	-	1,507
Equity in earnings of subsidiaries	43	57	-	(100)	-
Other income	-	-	8	-	8
Total Revenues	<u>43</u>	<u>57</u>	<u>1,688</u>	<u>(100)</u>	<u>1,688</u>
Costs and Expenses					
Cost of products sold and operating expenses	-	-	1,594	-	1,594
Depreciation and amortization expense	-	-	15	-	15
Selling, general and administrative expenses	-	-	21	-	21
Total Costs and Expenses	<u>-</u>	<u>-</u>	<u>1,630</u>	<u>-</u>	<u>1,630</u>
Operating Income	43	57	58	(100)	58
Net interest cost to affiliates	-	(1)	1	-	-
Other interest cost and debt expense, net	-	16	-	-	16
Capitalized interest	-	(1)	-	-	(1)
Income Before Provision for Income Taxes	<u>43</u>	<u>43</u>	<u>57</u>	<u>(100)</u>	<u>43</u>
Provision for income taxes	-	-	-	-	-
Net Income	<u>43</u>	<u>43</u>	<u>57</u>	<u>(100)</u>	<u>43</u>
Net income attributable to noncontrolling interests	-	-	-	-	-
Net Income attributable to Sunoco Logistics Partners L.P.	<u>\$ 43</u>	<u>\$ 43</u>	<u>\$ 57</u>	<u>\$ (100)</u>	<u>\$ 43</u>

Condensed Consolidating Balance Sheet
March 31, 2011
(in millions, unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets					
Current Assets					
Cash and cash equivalents	\$ -	\$ 2	\$ -	\$ -	\$ 2
Advances to affiliated companies	4	47	(34)	-	17
Accounts receivable, affiliated companies	-	-	2	-	2
Accounts receivable, net	-	-	1,945	-	1,945
Inventories	-	-	299	-	299
Total Current Assets	<u>4</u>	<u>49</u>	<u>2,212</u>	<u>-</u>	<u>2,265</u>
Properties, plants and equipment, net	-	-	2,140	-	2,140
Investment in affiliates	958	2,246	72	(3,204)	72
Goodwill	-	-	63	-	63
Intangible assets, net	-	-	107	-	107
Other assets	-	6	10	-	16
Total Assets	<u>\$ 962</u>	<u>\$ 2,301</u>	<u>\$ 4,604</u>	<u>\$ (3,204)</u>	<u>\$ 4,663</u>
Liabilities and Equity					
Current Liabilities					
Accounts payable	\$ -	\$ -	\$ 2,004	\$ -	\$ 2,004
Accrued liabilities	-	12	78	-	90
Accrued taxes payable	-	-	43	-	43
Total Current Liabilities	<u>-</u>	<u>12</u>	<u>2,125</u>	<u>-</u>	<u>2,137</u>
Long-term debt, affiliated companies	-	100	-	-	100
Long-term debt	-	1,180	-	-	1,180
Other deferred credits and liabilities	-	-	42	-	42
Deferred income taxes	-	-	163	-	163
Total Liabilities	<u>-</u>	<u>1,292</u>	<u>2,330</u>	<u>-</u>	<u>3,622</u>
Equity					
Total Sunoco Logistics Partners					
L.P. equity	962	1,009	2,196	(3,204)	963
Noncontrolling interests	-	-	78	-	78
Total Equity	<u>962</u>	<u>1,009</u>	<u>2,274</u>	<u>(3,204)</u>	<u>1,041</u>
Total Liabilities and Equity	<u>\$ 962</u>	<u>\$ 2,301</u>	<u>\$ 4,604</u>	<u>\$ (3,204)</u>	<u>\$ 4,663</u>

Condensed Consolidating Balance Sheet
December 31, 2010
(in millions)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets					
Current Assets					
Cash and cash equivalents	\$ -	\$ 2	\$ -	\$ -	\$ 2
Advances to affiliated companies	28	47	(31)	-	44
Accounts receivable, affiliated companies	-	-	154	-	154
Accounts receivable, net	-	-	1,536	-	1,536
Inventories	-	-	63	-	63
Total Current Assets	<u>28</u>	<u>49</u>	<u>1,722</u>	<u>-</u>	<u>1,799</u>
Properties, plants and equipment, net	-	-	2,128	-	2,128
Investment in affiliates	937	2,182	73	(3,119)	73
Goodwill	-	-	63	-	63
Intangible assets, net	-	-	109	-	109
Other assets	-	7	9	-	16
Total Assets	<u>\$ 965</u>	<u>\$ 2,238</u>	<u>\$ 4,104</u>	<u>\$ (3,119)</u>	<u>\$ 4,188</u>
Liabilities and Equity					
Current Liabilities					
Accounts payable	\$ -	\$ -	\$ 1,591	\$ -	\$ 1,591
Accrued liabilities	1	24	51	-	76
Accrued taxes payable	-	-	44	-	44
Total Current Liabilities	<u>1</u>	<u>24</u>	<u>1,686</u>	<u>-</u>	<u>1,711</u>
Long-term debt, affiliated companies	-	100	-	-	100
Long-term debt	-	1,129	-	-	1,129
Other deferred credits and liabilities	-	-	42	-	42
Deferred income taxes	-	-	164	-	164
Total Liabilities	<u>1</u>	<u>1,253</u>	<u>1,892</u>	<u>-</u>	<u>3,146</u>
Equity					
Total Sunoco Logistics Partners L.P. equity	964	985	2,135	(3,119)	965
Noncontrolling interests	-	-	77	-	77
Total Equity	<u>964</u>	<u>985</u>	<u>2,212</u>	<u>(3,119)</u>	<u>1,042</u>
Total Liabilities and Equity	<u>\$ 965</u>	<u>\$ 2,238</u>	<u>\$ 4,104</u>	<u>\$ (3,119)</u>	<u>\$ 4,188</u>

Condensed Consolidating Statement of Cash Flows
Three Months Ended March 31, 2011
(in millions, unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net Cash Flows from Operating Activities	\$ 48	\$ 36	\$ 37	\$ (115)	\$ 6
Cash Flows from Investing Activities:					
Capital expenditures	-	-	(28)	-	(28)
Intercompany	(20)	(87)	(8)	115	-
Net cash used in investing activities	(20)	(87)	(36)	115	(28)
Cash Flows from Financing Activities:					
Distributions paid to limited and general partners	(51)	-	-	-	(51)
Distributions paid to noncontrolling interests	(1)	-	-	-	(1)
Payments of statutory withholding on net issuance of limited partner units under restricted unit incentive plan	-	-	(3)	-	(3)
Repayments under credit facility	-	(19)	-	-	(19)
Borrowings under credit facility	-	70	-	-	70
Advances to affiliates, net	24	-	3	-	27
Other	-	-	(1)	-	(1)
Net cash provided by financing activities	(28)	51	(1)	-	22
Net change in cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents at beginning of period	-	2	-	-	2
Cash and cash equivalents at end of period	\$ -	\$ 2	\$ -	\$ -	\$ 2

Condensed Consolidating Statement of Cash Flows
Three Months Ended March 31, 2010
(in millions, unaudited)

	<u>Parent Guarantor</u>	<u>Subsidiary Issuer</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
Net Cash Flows from Operating Activities	\$ 43	\$ 36	\$ 23	\$ (101)	\$ 1
Cash Flows from Investing Activities:					
Capital expenditures	-	-	(27)	-	(27)
Intercompany	192	(305)	12	101	-
Net cash used in investing activities	192	(305)	(15)	101	(27)
Cash Flows from Financing Activities:					
Distributions paid to limited and general partners	(48)	-	-	-	(48)
Payments of statutory withholding on net issuance of limited partner units under restricted unit incentive plan	-	-	(2)	-	(2)
Repayments under credit facility	-	(303)	-	-	(303)
Borrowings under credit facility	-	77	-	-	77
Net proceeds from issuance of long term debt	-	494	-	-	494
Repayment of promissory note to general partner	(201)	-	-	-	(201)
Advances to affiliates, net	13	-	(5)	-	8
Other	1	1	(1)	-	1
Net cash provided by financing activities	(235)	269	(8)	-	26
Net change in cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents at beginning of period	-	2	-	-	2
Cash and cash equivalents at end of period	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Sunoco Logistics Partners L.P.
Operating Highlights
Three Months Ended March 31, 2011 and 2010

	Three Months Ended March 31,	
	2011	2010
Refined Products Pipeline System:		
Refined products pipeline throughput (thousands of barrels per day) ⁽¹⁾	410	456
Revenue per barrel (cents)	71.8	70.9
Terminal Facilities:		
Terminal throughput (thousands of barrels per day):		
Refined product terminals	478	459
Nederland terminal	696	726
Refinery terminals	389	498
Crude Oil Pipeline System:		
Crude oil pipeline throughput (thousands of barrels per day) ⁽²⁾	1,493	837
Crude oil purchases at wellhead (thousands of barrels per day)	189	184
Gross margin per barrel of pipeline throughput (cents) ⁽²⁾⁽³⁾	35.9	40.1
Average crude oil price (per barrel)	\$94.25	\$78.79

⁽¹⁾ Excludes amounts attributable to equity ownership interests which are not consolidated.

⁽²⁾ In July 2010, the Partnership acquired additional interests in the Mid-Valley and West Texas Gulf crude oil pipelines, which previously had been recorded as equity investments. The Partnership obtained a controlling financial interest as a result of these acquisitions and began accounting for these entities as consolidated subsidiaries from their respective acquisition dates. Volumes for the three months ended March 31, 2011 of 656 thousand bpd, and the related gross margin, have been included in the crude oil pipeline throughput and gross margin per barrel of throughput. The amounts presented for the three month period ended March 31, 2010 exclude amounts attributable to these systems.

⁽³⁾ 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.

Analysis of Consolidated Net Income

Net income for Sunoco Logistics Partners L.P. ("the Partnership") was \$50 million for the first quarter 2011 as compared with \$43 million for the first quarter 2010. The \$7 million increase is primarily related to an increase in operating income associated with the Partnership's acquisitions and organic growth capital in 2010 and 2011. These increases were partially offset by an increase in interest expense, related to the issuance of the \$500 million Senior Notes in the first quarter of 2010, along with higher depreciation expense and income tax expense related to acquisitions and organic growth capital.

Analysis of Segment Operating Income

The Partnership operates in three principal business segments: Refined Products Pipeline System, Terminal Facilities and Crude Oil Pipeline System.

Refined Products Pipeline System

Operating income for the first quarter 2011 decreased from the prior year period due to lower pipeline volumes on our refined product pipelines in the southwest and unplanned refinery outages in the northeast.

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Terminal Facilities

The improvement in operating income from the prior year period was primarily related to increased results from the butane blending business acquired in July 2010, higher volumes and fees at the refined products terminals and higher operating gains at the Nederland Terminal facility. These improvements were partially offset by lower throughput at the Partnership's refinery terminals related to unplanned refinery outages in the northeast.

Crude Oil Pipeline System

Operating income for the first quarter 2011 increased from the prior year period primarily due to incremental operating income associated with the Partnership's acquisitions of additional joint venture interests and higher lease acquisition results.

Liquidity and Capital Resources

Liquidity

Cash generated from operations and borrowings under our credit facilities are our primary sources of liquidity. At March 31, 2011, we had net working capital of \$128 million and available borrowing capacity under the credit facilities of \$376 million. Our working capital position reflects crude oil and refined products inventories based on historical costs under the LIFO method of accounting. If the inventories had been valued at their current replacement cost, we would have had working capital of \$369 million at March 31, 2011. We periodically supplement our cash flows from operations with proceeds from debt and equity financing activities.

Capital Resources

Credit Facilities

Sunoco Logistics Partners Operations L.P. ("the Operating Partnership") has a five-year \$395 million Credit Facility, which is available to fund the Partnership's working capital requirements, to finance future acquisitions and future capital projects and for general partnership purposes. The facility, which matures in November 2012, had \$51 million outstanding at March 31, 2011. This facility bears interest at the Operating Partnership's option, at either (i) LIBOR plus an applicable margin, (ii) the higher of the federal funds rate plus 0.50 percent or the Citibank prime rate (each plus the applicable margin), or (iii) the federal funds rate plus an applicable margin.

The Operating Partnership also has a \$63 million revolving credit facility, which is available to fund the Operating Partnership's working capital requirements, to finance future acquisitions and future capital projects and for general partnership purposes. The facility, which matures in September 2011 and may be repaid at any time, had \$31 million outstanding at March 31, 2011. This facility bears interest at the Operating Partnership's option, at either (i) LIBOR plus an applicable margin or (ii) the higher of (a) the federal funds rate plus 0.50 percent plus an applicable margin, (b) Toronto Dominion's prime rate plus an applicable margin, or (c) LIBOR plus 1.0 percent plus an applicable margin.

The \$395 million and \$63 million Credit Facilities contain various covenants limiting the Operating Partnership's ability to a) incur indebtedness, b) grant certain liens, c) make certain loans, acquisitions and investments, d) make any material change to the nature of its business, e) acquire another company, or f) enter into a merger or sale of assets, including the sale or transfer of interests in the Operating Partnership's subsidiaries. The \$395 million and \$63 million Credit Facilities also limit the Operating Partnership, on a rolling four-quarter basis, to a maximum total debt to EBITDA ratio of 4.75 to 1 and 4.5 to 1, respectively, which can generally be increased to 5.25 to 1 and 5.0 to 1 during an acquisition period. The Partnership's ratio of total debt to EBITDA was 3.1 to 1 at March 31, 2011, as calculated in accordance with the bank covenants.

Cash Flows and Capital Expenditures

Net cash provided by operating activities for the three months ended March 31, 2011 was \$6 million compared with \$1 million for the first three months of 2010. Net cash provided by operating activities in 2011 related primarily to net income of \$50 million, non-cash charges of depreciation and amortization of \$18 million offset by a \$67 million increase in working capital. The increase in working capital was primarily the result of the Partnership's contango inventory positions and the associated effect on accounts receivable and accounts payable. The net cash provided by operating activities in 2010 related to net income of \$43 million and non-cash charges of depreciation and amortization of \$15 million, offset by a \$52 million increase in working capital. The increase in working capital was the result of increases in accounts receivables related to contango inventory positions.

Net cash used in investing activities for the first three months of 2011 was \$28 million compared with \$27 million for the first three months of 2010. Net cash used in investing activities in 2011 consisted of capital expenditures to expand upon the Partnership's existing butane blending business, increase tankage at the Nederland facility and expand the Partnership's refined products platform in the southwest United States, as well as maintenance capital associated with the Partnership's existing assets. Net cash used in investing activities in 2010 included construction projects to expand services at the Partnership's refined products terminals, increase tankage at the Nederland facility and expand upon the Partnership's refined products platform in the southwest United States.

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Net cash provided by financing activities for the first three months of 2011 was \$22 million compared with \$26 million for the first three months of 2010. Net cash provided by financing activities for the first three months of 2011 resulted from \$51 million in net borrowings under the Partnership's revolving credit facility and a \$27 million decrease in advances to affiliates. These sources of cash were partially offset by \$51 million in quarterly distributions to limited and general partners. Net cash provided by financing activities for the first three months of 2010 resulted from \$494 million in net proceeds from an issuance of senior notes, partially offset by \$226 million net repayment of the Partnership's credit facilities, \$201 million in distributions to repay in full the promissory note issued in connection with the repurchase and exchange of the general partner's IDRs and \$48 million in quarterly distributions paid to limited partners and the general partner.

Capital Requirements

The pipeline, terminalling, and crude oil storage operations are capital intensive, requiring significant investment to maintain, upgrade and 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 and integrate complimentary assets to grow the business, to improve operational efficiencies or reduce costs 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 net cash paid for acquisitions, for the periods presented:

	Three Months Ended	
	March 31,	
	2011	2010
	(in millions)	
Maintenance	\$ 3	\$ 4
Expansion	25	23
Total	\$ 28	\$ 27

Maintenance capital expenditures for both periods presented include recurring expenditures 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.

Expansion capital expenditures for the three months ended March 31, 2011 were \$25 million compared to \$23 million for the first three months of 2010. Expansion capital for 2011 includes projects to expand upon the Partnership's butane blending business, increase tankage at the Nederland facility and expand upon the Partnership's refined products platform in the southwest United States. The Partnership expects to invest \$100 to \$150 million in expansion capital in 2011, excluding major acquisitions.

Additionally in the first quarter 2011, the Partnership announced the development of Project Mariner West as an expansion of Project Mariner to provide additional ethane takeaway capacity out of the Marcellus Shale. Also in March, West Texas Gulf Pipe Line Company, a consolidated joint venture, announced the development of a project to expand takeaway capacity out of the Permian Basin. Spending on these projects is not included in the estimated \$100 to \$150 million described above.

Expansion capital for the first three months of 2010 included construction projects to expand services at the Partnership's refined products terminals, increase tankage at the Nederland facility and expand upon the Partnership's refined products platform in the southwest United States.

We expect to fund capital expenditures, including any additional acquisitions, from cash provided by operations and, to the extent necessary, from the proceeds of borrowings under the credit facilities, other borrowings and the issuance of additional limited partnership units.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various market risks, including interest rates and volatility in crude oil and refined products commodity prices. To manage such exposure, interest rates and inventory levels and expectations of future commodity prices are monitored when making decisions with respect to risk management.

Interest Rate Risk

We have interest-rate risk exposure for changes in interest rates relating to our outstanding borrowings. We manage our exposure to changing interest rates through the use of a combination of fixed- and variable-rate debt. At March 31, 2011, we had \$182 million of variable-rate borrowings under our revolving credit facilities and promissory note to affiliates. The outstanding borrowings bear interest cost of LIBOR plus an applicable margin. An increase in short-term interest rates will have a negative impact on funds borrowed under variable debt arrangements. Our weighted average interest rate on our variable-rate borrowings was 2 percent at March 31, 2011. A one percent change in the weighted average rate would have impacted annual interest expense by approximately \$2 million.

At March 31, 2011, we had \$1.1 billion of fixed-rate senior notes, with a fair value of \$1.2 billion. A hypothetical one-percent decrease in interest rates would increase the fair value of our fixed-rate borrowings at March 31, 2011 by approximately \$77 million.

Commodity Market Risk

We are exposed to volatility in crude oil and refined products commodity prices. To manage such exposures, inventory levels and expectations of future commodity prices are monitored when making decisions with respect to risk management and inventory carried. Our policy is to purchase only commodity products for which we have a market and to structure our sales contracts so that price fluctuations for those products do not materially affect the margin we receive. We also seek to maintain a position that is substantially balanced within our various commodity purchase and sales activities. We may experience net unbalanced positions for short periods of time as a result of production, transportation and delivery variances, as well as logistical issues associated with inclement weather conditions. When unscheduled physical inventory builds or draws do occur, they are monitored and constantly managed to a balanced position over a reasonable period of time.

Pursuant to our approved risk management policy, derivative instruments may be used to hedge or reduce exposure to price risk associated with acquired inventory or forecasted physical transactions. These instruments are not used to speculate on crude oil or refined products prices, as these activities could expose us to significant losses. The physical contracts related to our crude oil and refined products businesses that qualify as derivatives have been designated as normal purchases and sales and are accounted for using traditional accrual accounting. We do not use derivative instruments to manage our exposure to prices related to crude oil purchase and sales activities. We do use derivative instruments as economic hedges against price changes related to our forecasted refined products purchase and sale activities. These derivative instruments are intended to have equal and opposite effects of the purchase and sale activities. At March 31, 2011, the fair market value of our open derivative positions was a net liability of \$2 million on 1.1 million barrels of refined products. These derivative positions vary in length but do not extend beyond March 2012.

For additional information concerning our commodity market risk activities, see Note 12 to the Condensed Consolidated Financial Statements.

Forward-Looking Statements

Some of the information included in this quarterly report on Form 10-Q contains “forward-looking” statements and information relating to Sunoco Logistics Partners L.P. that is based on the current beliefs of our management as well as assumptions made by, and information currently available to, our management.

Forward-looking statements discuss expected future results based on current and pending business operations, and may be identified by words such as “may,” “anticipates,” “believes,” “expects,” “estimates,” “planned,” “scheduled” or similar phrases or expressions. Although we believe these forward-looking statements are reasonable, they are based upon a number of assumptions, any or all of which may ultimately prove to be inaccurate. These statements are subject to numerous assumptions, uncertainties and risks that may cause future results to be materially different from the results projected, forecasted, estimated or budgeted, including, but not limited to the following:

- *Our ability to successfully consummate announced acquisitions or expansions and integrate them into its existing business operations;*
- *Delays related to construction of, or work on, new or existing facilities and the issuance of applicable permits;*
- *Changes in demand for, or supply of, crude oil and petroleum products that impact demand for our pipeline, terminalling and storage services;*
- *Changes in the short-term and long-term demand for crude oil, refined petroleum products and natural gas liquids we buy and sell;*
- *The loss of Sunoco as a customer or a significant reduction in its current level of throughput and storage with us;*

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- *An increase in the competition encountered by our terminals, pipelines and crude oil acquisition and marketing operations;*
- *Changes in the financial condition or operating results of joint ventures or other holdings in which we have an equity ownership interest;*
- *Changes in the general economic conditions in the United States;*
- *Changes in laws and regulations to which we are subject, including federal, state, and local tax, safety, environmental and employment laws;*
- *Changes in regulations governing composition of the products that we transport, terminal and store;*
- *Improvements in energy efficiency and technology resulting in reduced demand for petroleum products;*
- *Our ability to manage growth and/or control costs;*
- *The effect of changes in accounting principles and tax laws and interpretations of both;*
- *Global and domestic economic repercussions, including disruptions in the crude oil and petroleum products markets, from terrorist activities, international hostilities and other events, 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 we may not be adequately insured;*
- *The age of, and changes in the reliability and efficiency of our operating facilities;*
- *Changes in the expected level of capital, operating, or remediation spending related to environmental matters;*
- *Changes in insurance markets resulting in increased costs and reductions in the level and types of coverage available;*
- *Risks related to labor relations and workplace safety;*
- *Non-performance by or disputes with major customers, suppliers or other business partners;*
- *Changes in our tariff rates implemented by federal and/or state government regulators;*
- *The amount of our debt, which could make us vulnerable to adverse general economic and industry conditions, limit our ability to borrow additional funds, place us at competitive disadvantages compared to competitors that have less debt, or have other adverse consequences;*
- *Restrictive covenants in our credit agreements;*
- *Changes in our or Sunoco's credit ratings, as assigned by ratings agencies;*
- *The condition of the debt capital markets and equity capital markets in the United States, and our ability to raise capital in a cost-effective way;*
- *Performance of financial institutions impacting our liquidity, including those supporting our credit facilities;*
- *The effectiveness of our risk management activities, including the use of derivative financial instruments to hedge commodity risks ;*
- *Changes in interest rates on our outstanding debt, which could increase the costs of borrowing and;*
- *The costs and effects of legal and administrative claims and proceedings against us or any entity in which we have an ownership interest, and changes in the status of, or the initiation of new litigation, claims or proceedings, to which we, or any entity in which we have an ownership interest, are 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 our forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results. We undertake no obligation to update publicly any forward-looking statement whether as a result of new information or future events.

Item 4. 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 Chief Executive Officer and Vice President, Chief Financial Officer of Sunoco Partners LLC (the Partnership's general partner), as appropriate, to allow timely decisions regarding required disclosure.

As of March 31, 2011, the Partnership carried out an evaluation, under the supervision and with the participation of the management of the general partner (including the Chief Executive Officer and the Vice President, 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 Chief Executive Officer, and its Vice President, Chief Financial Officer, concluded that the Partnership's disclosure controls and procedures are effective.

No change in the Partnership's internal control over financial reporting has occurred during the fiscal quarter ended March 31, 2011 that has materially affected, or that is reasonably likely to materially affect, the Partnership's internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

There are certain legal and administrative proceedings arising prior to the February 2002 initial public offering (“IPO”) pending against our Sunoco-affiliated predecessors and us (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 has 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 our responsibility. In addition, Sunoco is obligated to indemnify us under certain other agreements executed after the IPO.

Additionally, we have received notices of violations and potential fines under various federal, state and local provisions relating to the discharge of materials into the environment or protection of the environment. While we believe that even if any one or more of the environmental proceedings listed below were decided against us, it would not be material to our financial position, we are required to report environmental proceedings if we reasonably believe that such proceedings will result in monetary sanctions in excess of \$0.1 million.

In December 2010, PHMSA proposed penalties totaling approximately \$0.1 million for alleged violations of various pipeline safety requirements relating to our rights of way and equipment within the Crude Oil Pipeline System. In January 2011, the Partnership paid the assessed fine.

The Partnership and the Environmental Protection Agency (“EPA”) are actively engaged in settlement negotiations related to an October 2008 crude oil release that occurred in Boone County, Kentucky and alleged violations of environmental statutes and regulations related to the release. The Partnership expects that the negotiations will be settled in an amount exceeding \$0.1 million.

There are certain other pending legal proceedings related to matters arising after the IPO that are not indemnified by Sunoco. Our management believes that any liabilities that may arise from these legal proceedings will not be material to our financial position at March 31, 2011.

Item 1A. Risk Factors

There have been no material changes from the risk factors described previously in Part I, Item IA of the Partnership’s Annual Report on Form 10-K for the year ended December 31, 2010, filed on February 23, 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Reserved

Item 5. Other Information

None.

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Item 6. Exhibits

- 10.1: Sunoco Partners LLC Long-Term Incentive Plan, as amended and restated as of April 25, 2011
- 10.2: Sunoco Partners LLC Annual Incentive Plan, as amended and restated as of April 25, 2011
- 12.1: Statement of Computation of Ratio of Earnings to Fixed Charges
- 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)
- 32.1: Chief Executive Officer Certification of Periodic Report Pursuant to Exchange Act Rule 13a-14(b) and U.S.C. §1350
- 32.2: Chief Financial Officer Certification of Periodic Report Pursuant to Exchange Act Rule 13a-14(b) and U.S.C. §1350
- 101.1: The following financial statements from Sunoco Logistics Partners L.P.'s Quarterly Report on Form 10-Q for the three months ended March 31, 2011 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations; (ii) the Condensed Consolidated Balance Sheets; (iii) the Condensed Consolidated Statement of Cash Flows; and, (iv) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.

We are pleased to furnish this Form 10-Q to unitholders who request it by writing to:

Sunoco Logistics Partners L.P.
Investor Relations
1818 Market Street
Suite 1500
Philadelphia, PA 19103
or through our website at www.sunocologistics.com.

SUNOCO PARTNERS LLC

LONG-TERM INCENTIVE PLAN

Amended and restated as of April 25, 2011

SUNOCO PARTNERS LLC

LONG-TERM INCENTIVE PLAN

SECTION 1. Purpose of the Plan.

The Sunoco Partners LLC Long-Term Incentive Plan (the “Plan”) is intended to promote the interests of Sunoco Logistics Partners L.P., a Delaware limited partnership (the “Partnership”), by providing employees and directors of Sunoco Partners LLC, a Pennsylvania limited liability company, (the “Company”) and its Affiliates, who perform services for the Partnership and its subsidiaries, incentive awards for superior performance. The Plan is also intended to enhance the ability of the Company and its Affiliates to attract and retain employees whose services are key to the growth and profitability of the Partnership, and to encourage them to devote their best efforts to the business of the Partnership, thereby advancing the Partnership’s interests.

SECTION 2. Definitions.

As used in the Plan, the following terms shall have the meanings set forth below:

2.1 “Affiliate” means, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, the Person in question. As used herein, the term “control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

2.2 “Award” means a grant of one or more Options or Restricted Units pursuant to the Plan, and shall include any tandem DERs granted with respect to such Award.

2.3 “Board” means the Board of Directors of the Company.

2.4 “Cash Units” shall have the meaning assigned to such term in Section 6.4 hereof.

2.5 “Cause” means:

(i) fraud or embezzlement on the part of the Participant;

(ii) conviction of or the entry of a plea of *nolo contendere* by the Participant to any felony;

(iii) the willful and continued failure or refusal by the Participant to perform substantially the Participant’s duties with the Company or an Affiliate thereof (other than any such failure resulting from incapacity due to physical or mental illness, or death, or following notice of employment termination by the Participant for Good Reason) within thirty (30) days following the delivery of a written demand for substantial performance to the Participant by the Board, or any employee of the Company or an Affiliate with supervisory authority over the Participant, that specifically identifies the manner in which the Board or such supervising employee believes that the Participant has not substantially performed the Participant’s duties; or

(iv) any act of willful misconduct by the Participant which:

(a) is intended to result in substantial personal enrichment of the Participant at the expense of the Partnership, the Company, or any of their Affiliates; or

(b) has a material adverse impact on the business or reputation of the Partnership, the Company, or any Affiliate thereof (such determination to be made by the Partnership, the Company or any such Affiliate in the good faith exercise of its reasonable judgment).

2.6 “Change of Control” means, and shall be deemed to have occurred upon the occurrence of one or more of the following events:

(i) the consolidation, reorganization, merger or other transaction pursuant to which more than 50% of the combined voting power of the outstanding equity interests in the Company cease to be owned by Sunoco, Inc. and its Affiliates;

(ii) a “Change in Control” of Sunoco, Inc., as defined from time to time in the Sunoco, Inc. stock plans; or

(iii) the general partner (whether the Company or any other Person) of the Partnership ceases to be an Affiliate of Sunoco, Inc.

2.7 “Code” shall have the meaning assigned to such term in Section 6.4 hereof.

2.8 “Committee” means the Compensation Committee of the Board, such subcommittee thereof, or such other committee of the Board as may be appointed from time to time to administer the Plan.

2.9 “Company” shall have the meaning assigned to such term in the preamble.

2.10 “DER” or “Distribution Equivalent Right” means the contingent right, granted in tandem with a specific Restricted Unit, to receive an amount in cash equal to the cash distributions made by the Partnership with respect to a Unit during the period such Restricted Unit is outstanding.

2.11 “Director” means a member of the Board who is not an Employee.

2.12 “Eligible Recipient” shall have the meaning assigned to such term in Section 5 hereof.

2.13 “Employee” means an employee of the Company or one or more of its Affiliates.

2.14 “Employment Termination Date” shall have the meaning assigned such term in Section 6.4 hereof.

2.15 “Exchange Act” means the Securities Exchange Act of 1934, as amended.

2.16 “Fair Market Value” means, as of any date and in respect of any Unit, the opening price of a Unit on such date (which price shall be the closing price of a Unit on the previous trading day, as reflected in the consolidated trading tables of The Wall Street Journal or any other publication selected by the Committee). If there is no sale of Units on the New York Stock Exchange for more than ten (10) days immediately preceding such date, or if deemed appropriate by the Committee for any other reason, the Fair Market Value of such Units shall be as determined in good faith by the Committee in such other manner as it may deem appropriate.

2.17 “Member” means, as of any date, any Person that has executed the limited liability company operating agreement of the Company (the “LLC Agreement”) as a member of the Company, and thereafter been admitted to the Company as a member as provided in the LLC Agreement, but such term does not include any Person who has ceased to be a member in the Company.

2.18 “Option” means an option to purchase Units granted under the Plan.

2.19 “Participant” means any individual granted an Award under the Plan.

2.20 “Partnership” shall have the meaning assigned to such term in the preamble.

2.21 “Person” means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

2.22 “Plan” shall have the meaning assigned to such term in the preamble.

2.23 “Qualifying Termination” means, with respect to the employment of a Participant, any of the following:

(a) a termination of employment by the Company or one of its Affiliates within two (2) years after a Change of Control, other than for Cause, death or disability; or

(b) a termination of employment by the Participant within two (2) years after a Change of Control for one or more of the following reasons:

(1) the material reduction of the Participant's authorities, duties, or responsibilities as an executive officer and/or officer of the Company or one of its Affiliates from those in effect as of ninety (90) calendar days prior to a Change in Control, other than (i) an insubstantial reduction, or (ii) an inadvertent reduction that is remedied by the Company or one of its Affiliates promptly after receipt of notice thereof given by the Participant; provided, however, that any reduction in the foregoing resulting from the acquisition of the Company or one of its Affiliates and its existence as a subsidiary or division of another entity shall not be sufficient to constitute a Qualifying Termination; or

(2) with respect to any Participant who is a member of the Company's board of directors immediately prior to the Change of Control, any failure of the members of the Company to elect or re-elect, or of the Company to appoint or re-appoint, the Participant as a member of such board of directors;

(3) a reduction by the Company or one of its Affiliates, in either the Participant's annual base salary or guideline (target) bonus as in effect immediately prior to the Change of Control; or

(4) the failure of the Company or one of its Affiliates to provide the Participant with employee benefits and incentive compensation opportunities that:

(i) are not less favorable than those provided to other executives who occupy the same grade level at the Company or one of its Affiliates, as the Participant, or if the grade levels of the Company or its Affiliates are no longer applicable, to a similar peer group of the executives of the Company; and

(ii) provide the Participant with benefits that are at least as favorable, measured separately for:

(A) incentive compensation opportunities,

(B) savings and retirement benefits,

(C) welfare benefits, and

(D) fringe benefits and vacation

as the most favorable of each such category of benefit in effect for the Participant at any time during the 120-day period immediately preceding the Change of Control; or

(5) the Company, or one of its Affiliates, requires the Participant to be based anywhere other than the Participant's present work location or a location within thirty-five (35) miles from the present location; or the Company, or one of its Affiliates, requires the Participant to travel on Company business to an extent substantially more burdensome than such Participant's travel obligations during the period of twelve (12) consecutive months immediately preceding the Change of Control;

provided, however, the Participant may not terminate under this subparagraph (b) unless he or she has given written notice delivered to the Partnership, the Company or their Affiliates, as appropriate, of the action or inaction giving rise to such termination, such notice to state with specificity the nature of the breach, failure or refusal, and such action or inaction is not corrected within thirty (30) days thereafter; *provided further* that such termination shall not be deemed to be a Qualifying Termination unless the termination occurs within 120 days after the occurrence of the event or events constituting the reason for the termination; or

(c) before a Change of Control, a termination of employment by the Company, or one of its Affiliates, other than a termination for Cause, or a termination of employment by the Participant for one of the reasons set forth in (b) above, if the affected Participant can demonstrate that such termination or circumstance in (b) above leading to the termination:

- (1) was at the request of a third party with which the Company had entered into negotiations or an agreement with regard to a Change of Control; or
- (2) otherwise occurred in connection with a Change of Control;

provided, however, that in either such case, a Change of Control actually occurs within one (1) year following the Employment Termination Date.

Any good faith determination made by the Participant that the Participant has experienced a Qualifying Termination pursuant to Section 2.23(b) shall be conclusive. A Participant's mental or physical incapacity following the occurrence of an event described above in (b) above shall not affect the Participant's ability to have a Qualifying Termination. As used in this Section 2.23, a "termination of employment" means a separation from service as defined in Code Section 409A and the regulations issued thereunder.

2.24 "Restricted Period" means the period established by the Committee with respect to an Award during which the Award either remains subject to forfeiture or is not exercisable by the Participant.

2.25 "Restricted Unit" means a phantom, or notional, unit granted under the Plan which is equivalent in value and in distribution rights to a Unit and which, upon vesting, entitles the Participant to receive a Unit or its Fair Market Value in cash, as determined in the sole discretion of the Committee.

2.26 "Rule 16b-3" means Rule 16b-3 promulgated by the SEC under the Exchange Act, or any successor rule or regulation thereto as in effect from time to time.

2.27 "SEC" means the Securities and Exchange Commission, or any successor thereto.

2.28 "Specified Employee" shall mean each of the following: the Chief Executive Officer; the President and Chief Operating Officer; the Chief Financial Officer; the Vice President, Operations; the Vice President, Business Development; the Vice President, Lease Acquisition and Marketing; the Vice President, General Counsel and Secretary; the Vice President, Human Resources and Administration; the Chief Information Officer; the Treasurer; and the Controller (designated pursuant to the election of an alternative method specified in Treasury Regulation Sections 1.409A-1(i)(5) and 1.409A-1(i)(8)).

2.29 "Sunoco" shall mean and refer to Sunoco, Inc., a Pennsylvania corporation.

2.30 "Termination of Employment" shall have the meaning assigned to such term in Section 6.4 hereof.

2.31 "Unit" means a common unit of the Partnership.

SECTION 3. Administration.

The Plan shall be administered by the Committee. Annual grant levels for Participants will be recommended to the Committee by the Chief Executive Officer. Subject to the terms of the Plan and applicable law, and in addition to other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have full power and authority to:

- (i) designate Participants;
- (ii) determine the type or types of Awards to be granted to a Participant;
- (iii) determine the number of Units to be covered by Awards;
- (iv) determine the terms and conditions of any Award;

- (v) determine whether, to what extent, and under what circumstances Awards may be settled, exercised, canceled, or forfeited;
- (vi) interpret and administer the Plan and any instrument or agreement relating to an Award made under the Plan;
- (vii) establish, amend, suspend, or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and
- (viii) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive, and binding upon all Persons, including the Company, the Partnership, any Affiliate, any Participant, and any beneficiary of any Award.

Subject to the following and any applicable law, the Committee, in its sole discretion, may delegate any or all of its powers and duties under the Plan to the Chief Executive Officer of the Company, including the power to grant Awards under the Plan, provided the Chief Executive Officer is also a member of the Board, subject to such limitations on such delegated powers and duties as the Committee may impose, if any. Upon any such delegation all references in the Plan to the "Committee", other than in Section 7 ("Amendment and Termination"), shall be deemed to include the Chief Executive Officer; provided, however, that such delegation shall not limit the Chief Executive Officer's right to receive Awards under the Plan. Notwithstanding the foregoing, the Chief Executive Officer may not grant Awards to, or take any action with respect to any Award previously granted to, a person who is an officer subject to Rule 16b-3 or a member of the Board.

SECTION 4. Units Available for Awards.

4.1 Units Available. Subject to adjustment as provided in Section 4.3 and this Section 4.1, the number of Units with respect to which Awards may be granted under the Plan is one million two hundred fifty thousand (1,250,000). If any Award is forfeited or otherwise terminates or is canceled without the delivery of Units, then the Units covered by such Award, to the extent of such forfeiture, termination, or cancellation, shall again be Units with respect to which Awards may be granted.

4.2 Sources of Units Deliverable Under Awards. Any Units delivered pursuant to an Award shall consist, in whole or in part, of Units acquired in the open market, from any Affiliate, the Partnership or any other Person, or any combination of the foregoing, as determined by the Committee in its discretion.

4.3 Adjustments. In the event of any change in the outstanding Units of the Partnership by reason of any distribution (whether in the form of cash, Units, other securities, or other property), split, reverse split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Units or other securities of the Partnership, issuance of warrants or other rights to purchase Units or other securities of the Partnership, or other similar transaction or event, an equitable and proportionate anti-dilution adjustment will be made to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, and to offset any resultant change in the price per Unit and preserve the intrinsic value of Options, Restricted Units and other awards theretofore granted under the Plan. Such mandatory adjustment may include a change in one or more of the following:

- (i) the number and type of Units (or other securities or property) with respect to which Awards may be granted;

- (ii) the number and type of Units (or other securities or property) subject to outstanding Awards;
- (iii) the purchase price per Unit purchasable under outstanding Options;
- (iv) the number of Restricted Units outstanding; and
- (v) other similar matters.

SECTION 5. Eligibility.

Persons who are eligible to be designated as a Participant and receive an Award under the Plan are (i) any Employee of the Company or one of its Affiliates who perform services for the benefit of the Partnership and/or one or more of its subsidiaries and (ii) any Director of the Company (each, an "Eligible Recipient").

SECTION 6. Awards.

6.1 Options. The Committee shall have the authority to determine Eligible Recipients to whom Options will be granted, the number of Units to be covered by each Option, the purchase price therefor and the conditions and limitations applicable to the exercise of the Option, including the following terms and conditions and such additional terms and conditions, as the Committee shall determine, that are not inconsistent with the provisions of the Plan.

(i) *Exercise Price*. The purchase price per Unit purchasable under an Option shall be determined by the Committee at the time the Option is granted but shall not be less than the closing price of a Unit on the date the Option is granted, as reflected in the consolidated trading tables of the Wall Street Journal under the caption 'New York Stock Exchange Composite Transactions' or any other publication selected by the Committee. If there is no sale of shares of Units on the New York Stock Exchange for more than ten (10) days immediately preceding such date, the applicable purchase price per Unit purchasable under an Option shall be as determined by the Committee in such other manner as it may deem appropriate.

(ii) *Time and Method of Exercise*. The Committee shall determine the Restricted Period, i.e., the time or times at which an Option may be exercised in whole or in part, and the method or methods by which payment of the exercise price with respect thereto may be made or deemed to have been made which may include, without limitation, cash, check acceptable to the Company, a "cashless-broker" exercise (through procedures approved by the Company), other securities or other property, a note from the Participant (in a form acceptable to the Company), or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price.

(iii) *Forfeiture*. Except as otherwise provided in the terms of the Option grant, upon termination of a Participant's employment with the Company or one of its Affiliates, or termination of a Participant's membership on the Board, whichever is applicable, for any reason (other than retirement, death, permanent disability, approved leave of absence, during the applicable Restricted Period, all Options shall be forfeited by the Participant, unless otherwise provided in a written employment agreement (if any) between the Participant and the Company or one or more of its Affiliates; provided, however, that the Committee may, in its discretion, waive in whole or in part such forfeiture with respect to a Participant's Options; and provided, that a Participant who is eligible to receive payment of retirement benefits under the Sunoco, Inc. Retirement Plan, and who terminates voluntarily his or her employment with the Company, or one of its Affiliates, during the applicable Restricted Period, shall not forfeit any of his then-outstanding Options, and such Participant shall be treated as though he or she had, in fact, retired during the applicable Restricted Period.

6.2 Restricted Units. The Committee shall have the authority to determine the Eligible Recipients to whom Restricted Units shall be granted, the number of Restricted Units to be granted to each such Eligible Recipient, the duration of the Restricted Period, the conditions under which the Restricted Units may become vested or forfeited, and such other terms and conditions as the Committee may establish respecting such Awards, including whether DERs are granted with respect to such Restricted Units. The Committee may establish, at the time of the grant of Restricted Units, other conditions that must be met for payout to occur. These conditions shall be set forth in the Committee's resolution granting the Restricted Units and in the applicable agreements with Participants.

(i) *DERs*. To the extent provided by the Committee, in its discretion, a grant of Restricted Units may include a tandem DER grant, which may provide that such DERs shall be paid directly to the Participant, be credited to a bookkeeping account (with or without interest in the discretion of the Committee) subject to the same restrictions as the tandem Award, or be subject to such other provisions or restrictions as determined by the Committee in its discretion. Notwithstanding the foregoing, payment of all DERs under a tandem DER grant made pursuant to this Section 6.2(i) shall be made within two and one-half (2-1/2) months following the calendar year in which such DERs become non-forfeitable.

(ii) *Forfeiture*. Except as otherwise provided in the terms of the Award agreement, upon termination of a Participant's employment with the Company, or one of its Affiliates, or termination of a Participant's membership on the Board, whichever is applicable, for any reason (other than retirement, death, permanent disability, or approved leave of absence, during the applicable Restricted Period, all Restricted Units shall be forfeited by the Participant, unless otherwise provided in a written employment agreement (if any) between the Participant and the Company or one or more of its Affiliates; *provided, however*, that the Committee may, in its discretion, waive in whole or in part such forfeiture with respect to a Participant's Restricted Units; *and further provided*, that a Participant who is eligible to receive payment of retirement benefits under the Sunoco, Inc. Retirement Plan, and who terminates voluntarily his or her employment with the Company during the applicable Restricted Period, shall not forfeit any of his then-outstanding Restricted Units, and such Participant shall be treated as though he or she had, in fact, retired during the applicable Restricted Period.

(iii) *Lapse of Restrictions*. Upon, or as soon as reasonably practicable following, the vesting of each Restricted Unit, but within two and one-half (2-1/2) months following the calendar year in which such Restricted Unit becomes non-forfeitable, the Participant shall be entitled to receive from the Company, and the Company shall pay to the Participant, one Unit or its Fair Market Value, in cash, as determined by the Committee, subject to the provisions of Section 8.2.

6.3 General.

(i) *Awards May Be Granted Separately or Together*. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution for any other Award granted under the Plan or any award granted under any other plan of the Company or any Affiliate. Awards granted in addition to or in tandem with other Awards or awards granted under any other plan of the Company or any Affiliate may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(ii) *Limits on Transfer of Awards*.

(a) Except as provided in (b) below:

(1) no Award and no right under any such Award may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate;

(2) each Option shall be exercisable only by the Participant during the Participant's lifetime, or by the person to whom the Participant's rights shall pass by will or the laws of descent and distribution; and

(b) To the extent specifically provided by the Committee with respect to an Option grant, an Option may be transferred by a Participant without consideration to immediate family members or related family trusts, limited partnerships or similar entities or on such terms and conditions as the Committee may from time to time establish. In addition, Awards may be transferred by will and the laws of descent and distribution.

(iii) *Term of Awards.* The term of each Award shall be for such period as may be determined by the Committee.

(iv) *Unit Certificates.* All certificates for Units or other securities of the Partnership delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the SEC, any stock exchange upon which such Units or other securities are then listed, and any applicable federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(v) *Consideration for Grants.* Awards may be granted for such consideration as the Committee determines including, without limitation, services or such minimal cash consideration as may be required by applicable law.

(vi) *Delivery of Units or other Securities and Payment by Participant of Consideration.* Notwithstanding anything in the Plan or any grant agreement to the contrary, delivery of Units pursuant to the exercise or vesting of an Award may be deferred for any period during which, in the good faith determination of the Committee, the Company is not reasonably able to obtain Units to deliver pursuant to such Award without violating the rules or regulations of any applicable law or securities exchange. No Units or other securities shall be delivered pursuant to any Award until payment in full of any amount required to be paid pursuant to the Plan or the applicable Award agreement (including, without limitation, any exercise price or any tax withholding) is received by the Company. Such payment may be made by such method or methods and in such form or forms as the Committee shall determine, including, without limitation, cash, other Awards, withholding of Units, cashless broker exercises with immediate sale, or any combination thereof; provided, however, that the combined value, as determined by the Committee, of all cash and cash equivalents and the Fair Market Value of any such Units or other property so tendered to the Company, as of the date of such tender, is at least equal to the full amount required to be paid to the Company pursuant to the Plan or the applicable Award agreement.

(vii) *Change of Control.*

(a) *Payment of Restricted Units.* In the event of a Qualifying Termination, Restricted Units will be paid to the Participant no later than the earlier of ninety (90) days following the date of occurrence of such Qualifying Termination or two and one-half (2-1/2) months following the end of the calendar year in which occurs the date of such Qualifying Termination, regardless of whether the applicable performance goals or targets have been met.

For a Qualifying Termination occurring within the first consecutive twelve-month period following the date of grant, the number of performance-based Restricted Units paid out with regard to such grant shall be equal to the total number of Restricted Units outstanding in such grant as of the Qualifying Termination, not adjusted for any performance factors.

For a Qualifying Termination occurring after the first consecutive twelve-month period following the date of grant, the number of performance-based Restricted Units paid out with regard to such grant shall be the greater of:

(a) the total number of Restricted Units outstanding in such grant as of the Qualifying Termination, not adjusted for any performance factors, or

(b) the total number of such Restricted Units outstanding in such grant, multiplied by the applicable performance factors related to the Partnership's actual performance immediately prior to the Qualifying Termination.

In the case of an award of Restricted Units conditioned upon the Participant's continued employment, the total number of Restricted Units outstanding in such grant as of the Qualifying Termination shall be paid to the Participant.

The Participant's Restricted Units shall be payable to the Participant in cash or Units, as determined by the Committee, as follows:

(a) if the Participant is to receive Units, the Participant will receive the total number of Units stated above in this Section 6.3(vii); or

(b) if the Participant is to receive cash, the Participant will be paid an amount in cash equal to the number of Units stated above in this Section 6.3(vii), multiplied by the Fair Market Value per Unit. Such amount will be reduced by the applicable federal, state and local withholding taxes due.

(b) *Payment of Distribution Equivalents.* On or before the earlier of the ninetieth (90th) day following the date of occurrence of such Qualifying Termination or the day that is two and one-half (2-1/2) months following the end of the calendar year in which occurs the date of such Qualifying Termination, the Participant will be paid an amount in cash equal to the value of the applicable DERs on the number of Units being paid pursuant to this Section 6.3(vii) for the time period immediately preceding the Qualifying Termination.

(c) *Options.* Notwithstanding any provisions to the contrary in agreements evidencing Options granted thereunder, or in this Plan, each outstanding Option shall become immediately and fully exercisable upon the occurrence of any Qualifying Termination.

6.4 Payment of Restricted Units on Termination of Employment. For purposes of this Section 6, termination of a Participant's employment, and any and all other references to a Participant's employment being terminated ("Termination of Employment"), shall mean with respect to a Participant such Participant's separation from service as defined in Internal Revenue Code ("Code") Section 409A and the regulations issued thereunder, from the Company or one of its Affiliates, and a Participant's "Employment Termination Date" shall mean the date that a Participant separates from service as defined in Code Section 409A and the regulations issued thereunder. Participants who are separated from service from the Company for the purpose of transferring employment to Sunoco, and Participants who are separated from service from Sunoco for the purpose of transferring employment to the Company, shall not be eligible for payment of Restricted Units (and related DERs) upon such transfer of employment.

Notwithstanding any other provisions of this Section 6, payment of any Restricted Units (and related DERs) to a Participant, who is a Specified Employee, on account of such Participant's Termination of Employment shall be made as follows: (i) Restricted Units scheduled to be paid for the period beginning on such Participant's Employment Termination Date and ending on the date six months from such Employment Termination Date, shall not be paid as scheduled, but shall be accumulated and paid in a lump sum on the date six months after the Participant's Employment Termination Date; (ii) In the case of payments thus delayed pursuant to this Section 6.4, at the election of the Participant, all or a portion of a Participant's Restricted Units may be converted to the cash equivalent Fair Market Value of such units ("Cash Units"), at the time of a Participant's Termination of Employment. Simple interest will be paid on Cash Units delayed hereunder from the date of such conversion to the date of actual payment, at a rate equal to the prime rate of Citibank, N.A. as in effect from time to time after such due date; and (iii) With respect to any Restricted Units not converted to Cash Units, and which include a tandem DER, the provisions of Section 6.2(i) will continue to apply to such Restricted Units during the

period that payment of Restricted Units is delayed pursuant to this Section 6.4, with payment of all such DERs made at the time of payment of the associated Restricted Unit hereunder.

SECTION 7. Amendment and Termination.

Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award agreement or in the Plan:

(i) Amendments to the Plan. Except as required by applicable law or the rules of the principal securities exchange on which the Units are traded and subject to Section 7(ii) below, the Board or the Committee may amend, alter, suspend, discontinue, or terminate the Plan in any manner; provided, however, that neither the Board nor the Committee may increase the number of Units available for Awards under the Plan, without the express prior written consent of the Members of the Company.

(ii) Amendments to Awards. The Committee may waive any conditions or rights under, amend any terms of, or alter any Award theretofore granted, provided no change, other than pursuant to Section 7(iii), in any Award shall materially reduce the benefit to Participant without the consent of such Participant.

(iii) Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. In order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, adjustments will be made in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4.3 of the Plan) affecting the Partnership or the financial statements of the Partnership, or of changes in applicable laws, regulations, or accounting principles.

SECTION 8. General Provisions.

8.1 No Rights to Awards. No Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants. The terms and conditions of Awards need not be the same with respect to each Participant.

8.2 Withholding. The Company or any Affiliate is authorized to withhold from any Award, from any payment due or transfer made under any Award or from any compensation or other amount owing to a Participant the amount (in cash, Units, other securities, Units that otherwise would be issued pursuant to such Award or other property) of any applicable taxes payable in respect of the grant of an Award, its exercise, the lapse of restrictions thereon, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy its withholding obligations for the payment of such taxes.

8.3 No Right to Employment. The grant of an Award shall not be construed as giving a Participant the right to be retained in the employment of the Partnership, the Company or any Affiliate thereof or to remain on the Board, as applicable. Further, the Partnership, the Company, or any Affiliate thereof may at any time dismiss a Participant from employment, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award agreement.

8.4 Governing Law. THE VALIDITY, CONSTRUCTION, AND EFFECT OF THE PLAN AND ANY RULES AND REGULATIONS RELATING TO THE PLAN SHALL BE DETERMINED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA AND APPLICABLE FEDERAL LAW.

8.5 Severability. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such

provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

8.6 Other Laws. The Committee may refuse to issue or transfer any Units or other consideration under an Award if, in its sole discretion, it determines that the issuance or transfer of such Units or such other consideration might violate any applicable law or regulation, the rules of the principal securities exchange on which the Units are then traded, or entitle the Partnership or an Affiliate to recover the entire then Fair Market Value thereof under Section 16(b) of the Exchange Act, and any payment tendered to the Company by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary.

8.7 No Trust or Fund Created. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any general unsecured creditor of the Company or any Affiliate.

8.8 No Fractional Units. No fractional Units shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Units or whether such fractional Units or any rights thereto shall be canceled, terminated, or otherwise eliminated.

8.9 Headings. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

8.10 Facility Payment. Any amounts payable hereunder to any person under legal disability or who, in the judgment of the Committee, is unable to properly manage his financial affairs, may be paid to the legal representative of such person, or may be applied for the benefit of such person in any manner which the Committee may select, and the Company shall be relieved of any further liability for payment of such amounts.

8.11 Gender and Number. Words in the masculine gender shall include the feminine and the neuter, the plural shall include the singular and the singular shall include the plural.

SECTION 9. Term of the Plan.

The Plan shall be effective on the date of its approval by the Board and shall continue until the date terminated by the Board or Units are no longer available for grants of Awards under the Plan, whichever occurs first. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted prior to such termination, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award or to waive any conditions or rights under such Award, shall extend beyond such termination date.

**SUNOCO PARTNERS LLC
ANNUAL INCENTIVE PLAN**

Amended and restated, effective as of April 25, 2011

**SUNOCO PARTNERS LLC
ANNUAL INCENTIVE PLAN**

1. Definitions. As used in this Plan, the following terms shall have the meanings herein specified:

1.1 Affiliate - means, with respect to any entity, any other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, the entity in question. For purposes of this definition, “control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise.

1.2 Board of Directors - means the Board of Directors of the Company.

1.3 Cause - means:

(a) fraud or embezzlement on the part of the Participant;

(b) conviction of or the entry of a plea of *nolo contendere* by the Participant to any felony;

(c) the willful and continued failure or refusal by the Participant to perform substantially the Participant’s duties with the Company or an Affiliate thereof (other than any such failure resulting from incapacity due to physical or mental illness, or death, or following notice of employment termination by the Participant pursuant to subsections 1.6(c)(1), (2), (3), (4) or (5)) within thirty (30) days following the delivery of a written demand for substantial performance to the Participant by the Board of Directors, or any employee of the Company or an Affiliate with supervisory authority over the Participant, that specifically identifies the manner in which the Board of Directors or such supervising employee believes that the Participant has not substantially performed the Participant’s duties; or

(d) any act of willful misconduct by the Participant which:

(1) is intended to result in substantial personal enrichment of the Participant at the expense of the Partnership, the Company, or any respective Affiliates thereof; or

(2) has a material adverse impact on the business or reputation of the Partnership, the Company, or any respective Affiliate thereof (such determination to be made by the Partnership, the Company, or any such Affiliate in the good faith exercise of its reasonable judgment).

1.4 Change of Control - means, and shall be deemed to have occurred upon the occurrence of one or more of the following events:

(a) the consolidation, reorganization, merger or other transaction pursuant to which more than fifty percent (50%) of the combined voting power of the outstanding equity interests in the Company cease to be owned by Sunoco, Inc. and its Affiliates;

(b) a “Change in Control” of Sunoco, Inc., as defined from time to time in the Sunoco, Inc. stock plans; or

(c) the general partner (whether the Company or any other Person) of the Partnership ceases to be an Affiliate of Sunoco, Inc.

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1.5 *CIC Incentive Award* - means the incentive award payable in cash following a Change of Control, as described herein at Section 8.4.

1.6 *CIC Participant* - means a Participant:

(a) whose employment was terminated by the Company (other than for Cause) on or following the Change of Control, but before payment of the CIC Incentive Award; or

(b) whose employment was terminated by the Company (other than for Cause) before the Change of Control, or

(c) who terminated employment for one of the following reasons:

(1) the assignment to such Participant of any duties inconsistent in a way significantly adverse to such Participant, with such Participant's positions, duties, responsibilities and status with the Company immediately prior to the Change of Control, or a significant reduction in the duties and responsibilities held by the Participant immediately prior to the Change of Control, in each case except in connection with such Participant's termination of employment by the Company for Cause; or

(2) with respect to any Participant who is a member of the Company's board of directors immediately prior to the Change of Control, any failure of the members of the Company to elect or re-elect, or of the Company to appoint or re-appoint, the Participant as a member of such board of directors; or

(3) a reduction by the Company in either the Participant's annual base salary or guideline (target) bonus as in effect immediately prior to the Change of Control; or

(4) the failure of the Company to provide the Participant with employee benefits and incentive compensation opportunities that:

(i) are not less favorable than those provided to other executives who occupy the same grade level at the Company as the Participant, or if the Company's grade levels are no longer applicable, to a similar peer group of the executives of the Company; and

(ii) provide the Participant with benefits that are at least as favorable, measured separately for:

(A) incentive compensation opportunities,

(B) savings and retirement benefits,

(C) welfare benefits, and

(D) fringe benefits and vacation,

as the most favorable of each such category of benefit in effect for the Participant at any time during the 120-day period immediately preceding the Change of Control; or

(5) the Company requires the Participant to be based anywhere other than the Participant's present work location or a location within thirty-five (35) miles from the present location; or the Company requires the Participant to travel on Company business to an extent substantially more burdensome than such Participant's travel obligations during the period of twelve (12) consecutive months immediately preceding the Change of Control;

provided, however, that in the case of a Participant whose employment terminates under either subsection 1.6(b) or (c), such Participant can demonstrate that such termination, or circumstance leading to the termination, was at the request of a third party with which the Company had entered into negotiations or an agreement regarding a Change of Control, or otherwise occurred in connection with a Change of Control; *and further provided*, that in either case, the Change of Control actually occurs within one (1) year

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following the employment termination and, in the event of a termination under 1.6(c), the termination occurs within 120 days after the occurrence of the event or events constituting the reason for such termination; or

(d) who was, immediately before the Change of Control, eligible for a prorated award under the provisions of Section 8.3; or

(e) who was employed by the Company on the date of the Change of Control and who does not incur a termination for Cause before payment of the CIC Incentive Award, in the event that, prior to the end of the calendar year in which the Change of Control occurred, either:

(1) the Plan is terminated; or

(2) the performance measures and/or performance targets for the applicable Plan Year are changed or modified, resulting in a decrease in the amount of any CIC Incentive Award otherwise payable.

1.7 CIC Short Period - means the portion of the Plan Year from January 1 to the date of the occurrence of a Change of Control.

1.8 Company - means Sunoco Partners LLC, a Pennsylvania limited liability company. The term "Company" shall include any successor to Sunoco Partners LLC, any subsidiary or Affiliate thereof that has adopted the Plan, or any entity succeeding to the business of Sunoco Partners LLC, or any subsidiary or Affiliate, by merger, consolidation, liquidation, or purchase of assets or equity, or similar transaction.

1.9 Compensation Committee - means the Compensation Committee of the Company's Board of Directors.

1.10 Incentive Award - means the award granted to a Participant.

1.11 Participant - means a person participating or eligible to participate in the Plan, as determined under Section 5.

1.12 Partnership - means Sunoco Logistics Partners L.P., a Delaware limited partnership, and its subsidiaries.

1.13 Person - means an individual, corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

1.14 Plan - means the Company's Annual Incentive Plan as set forth herein, and as the same may be amended from time to time.

1.15 Plan Year - means the performance (calendar) year.

1.16 Pro-Rated Incentive Award - For purposes of Section 8.3(a) and (b) means an amount equal to the Incentive Award otherwise payable to a Participant for the Plan Year in which the Participant's initiation of employment with the Company (new hires) or termination of employment with the Company (other than for Cause) is effective, multiplied by a fraction, the numerator of which is the number of full and partial months in the applicable Plan Year beginning on the date such Participant's employment with the Company began or through the date of termination of such Participant's employment, as applicable, and the denominator of which is twelve (12). For purposes of Section 8.3(c) means an Incentive Award equal to the sum of (i) the amount equal to the Incentive Award payable to the Participant for the Plan year based on the Participant's previous position, multiplied by a fraction, the numerator of which is the number of full and partial months of the applicable Plan year in which the Participant was in the previous position and the denominator of which is twelve (12), and (ii) the amount equal to the Incentive Award payable to the Participant for the Plan year based on the Participant's new position, multiplied by a fraction, the numerator of which is the number of full and partial months

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of the applicable Plan year in which the Participant has been in the new position and the denominator of which is twelve (12).

2. Purpose. The purpose of this Plan is to motivate management and the employees of the Company and its Affiliates who perform services for the Partnership to collectively produce outstanding results, encourage superior performance, increase productivity, and aid in attracting and retaining key employees.

3. Plan guidelines. The administration of the Plan and any potential awards granted pursuant to the Plan is subject to the determination by the Compensation Committee of the Company's Board of Directors that the performance goals for the applicable periods have been achieved. The Plan is an additional compensation program designed to encourage Participants to exceed specified objective performance targets for the designated period. The Compensation Committee will review the Partnership's performance results for the designated performance period, and thereafter will determine whether or not to approve awards under the Plan.

4. Performance Targets.

4.1 Designation of Performance Targets. The Company's Chief Executive Officer shall recommend, subject to approval by the Company's Compensation Committee, the performance measures and performance targets to be used for each Plan Year in determining the Incentive Awards to be paid under the Plan. Performance targets may be based on Partnership, business unit and/or individual achievements, or any combination of these, or on such other factors as the Company's Chief Executive Officer, subject to the approval of the Compensation Committee, may determine. Different performance targets may be established for different participants for any Plan Year. Satisfactory results, as determined by the Company's Compensation Committee in its sole discretion, must be achieved in order for an Incentive Award to be made pursuant to the Plan.

4.2 Equitable Adjustment to Performance Measure Results. At its discretion, the Compensation Committee may adjust actual performance measure results for extraordinary events or accounting adjustments resulting from significant asset purchases or dispositions or other events not contemplated or otherwise considered by the Compensation Committee when the performance measures and targets were set.

5. Participants. The Compensation Committee, in consultation with the Company's Chief Executive Officer, will designate members of management and employees of the Company and its Affiliates as eligible to participate in the Plan. Employees so designated shall be referred to as "Participants."

6. Participation Levels. A Participant's designated level of participation in the Plan, or target Incentive Award, will be determined under criteria established or approved by the Compensation Committee for that Plan Year or designated performance period. Levels of participation in the Plan may vary according to a Participant's position and the relative impact such Participant can have on the Company's and/or Affiliates' operations. Care will be used in communicating to any Participant his performance targets and potential performance amount for a Plan Year. The amount of target Incentive Award a participant may receive for any Plan Year, if any, will depend upon the performance level achieved (unless waived) for that Plan Year, as determined by the Compensation Committee. If a Participant's designated level of participation in the Plan, or target Incentive Award, changes during the Plan Year for any reason, the award for that Plan Year shall be prorated against each component of designated level of participation, or target Incentive Award, and the applicable portion of the Plan Year, as long as the Participant is employed at the end of the performance period and is otherwise eligible. No Participant shall have any claim to be granted any award under the Plan, and there is no obligation for uniformity of treatment of Participants. The terms and conditions of awards need not be the same respecting each Participant.

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7. Award Payout. Incentive Awards typically will be determined after the end of the Plan Year or designated performance period. Awards will be paid in cash annually, unless otherwise determined by the Compensation Committee. The Compensation Committee will have the discretion, by Participant or all Participants, to adjust some or all of the amount of any Incentive Award that otherwise would be payable by reason of the satisfaction of the applicable performance targets. In making any such determination, the Compensation Committee is authorized to take into account any such factor or factors it determines are appropriate, including but not limited to Company, business unit and individual performance. Notwithstanding the foregoing, payment of Incentive Awards will be made within two and one-half (2-1/2) months following the end of the Plan Year.

8. Termination of Employment.

8.1 Voluntary Termination. Except in the event of a Change of Control, if a Participant terminates his or her employment with the Company, or one of its Affiliates, for any reason (other than retirement, death, permanent disability, approved leave of absence or transfer of employment to Sunoco, Inc., or one of its Affiliates, prior to December 31 of any Plan Year, such Participant will not receive payment of the Incentive Award for such Plan Year, and will forfeit any right, title or interest in such Incentive Award, unless and to the extent waived by the Compensation Committee in its sole discretion; *provided, however,* that a Participant who is eligible to receive payment of retirement benefits under the Sunoco, Inc. Retirement Plan, and who terminates voluntarily his or her employment with the Company prior to December 31 of any Plan Year, will be paid a Pro-Rated Incentive Award, as provided in Section 8.3, hereof.

8.2 Termination for Cause. A Participant will not receive payment of any Incentive Award for a particular Plan Year if the Participant's employment with the Company is terminated for Cause prior to the payment of such Incentive Award.

8.3 Proration of Incentive Award.

(a) A Pro-Rated Incentive Award, reflecting participation for a portion of the Plan Year, will be paid to any Participant whose employment status changed during the year as a result of:

(1) death;

(2) permanent disability (as determined by the Committee);

(3) retirement;(4) voluntary termination, or resignation, of employment by a Participant who, at the time of such voluntary termination or resignation, is eligible to receive payment of retirement benefits under the Sunoco, Inc. Retirement Plan;

(5) approved leave of absence; or

(6) termination at the Company's request (other than for Cause), for Participants in salary Grade 11 or above on the employment termination date; *provided, however,* that should such Participant choose to receive Benefits under the Sunoco Partners LLC Executive Involuntary Severance Plan, he or she will not be eligible to receive a Pro-Rated Incentive Award under this Plan.

(b) Newly-hired employees and part-time employees also will receive a Pro-Rated Incentive Award.

(c) If the Participant has a change in level of employment after the beginning of the Plan Year, the Participant will receive a Pro-Rated Incentive Award, with pro-ration based on the length of time and guideline percentage in the previous and new position, as more particularly described in Section 1.16 and Section 6

Annual Incentive Plan

(d) Unless otherwise required by applicable law, any Pro-Rated Incentive Award payable hereunder will be paid on the date when awards are otherwise payable as provided in the Plan.

8.4 *Change of Control*. Upon the occurrence of a Change of Control, the terms of this Section 8.4 shall immediately become operative, without further action or consent by any person or entity, and once operative shall supersede and control over any other provisions of this Plan:

(a) *Acceleration*. The CIC Incentive Award shall be payable in cash to all CIC Participants within thirty (30) days following the occurrence of a Change of Control (or as soon as it is practicable to determine the level of attainment of applicable performance targets under subsection 8.4(a)(1)), but in no event later than two and one-half (2 1/2) months following the end of the Plan Year in which the Change of Control occurred). Such award shall be calculated according to the terms of the Plan, except as follows:

(1) the level of attainment of applicable performance targets shall be determined based upon the performance of the Partnership for completed months from January 1 through the date of the Change of Control.

(2) The amount of the CIC Incentive Award shall be equal to the respective award adjusted to reflect the level of attainment of applicable performance targets, multiplied by the number of full and partial months in the CIC Short Period divided by twelve (12).

(3) Notwithstanding anything herein to the contrary, no action taken by the Compensation Committee or the Board of Directors after a Change of Control, or before, but in connection with, a Change of Control, may: (i) terminate or reduce the CIC Incentive Award or prospective CIC Incentive Award payable to any Participant in connection with such Change of Control without the express written consent of such Participant; or (ii) adversely affect a Participant's rights under subsection 8.4(b) in connection with such Change of Control.

(b) *Attorney's Fees*. The Company shall pay all reasonable legal fees and related expenses incurred by or with respect to a Participant during his lifetime or within ten (10) years after his death in seeking to obtain or enforce payment of the CIC Incentive Award to which such Participant may be entitled under the Plan after a Change of Control; *provided, however*, that the Participant (or a Participant's representative) shall be required to repay any such amounts to the Company to the extent a court of competent jurisdiction issues a final and non-appealable order setting forth the determination that the position taken by the Participant (or a Participant's representative) was frivolous or advanced in bad faith. Reimbursement shall be made on or before the close of the calendar year following the calendar year in which the expense was incurred. The amount of expenses eligible for reimbursement under this provision in one calendar year may not affect the amount of expenses eligible for reimbursement under this provision in any other calendar year.

9. Amendment and Termination. The Compensation Committee, at its sole discretion, may amend the Plan or terminate the Plan at any time (except as otherwise set forth in Section 8.4).

10. Administration. The Compensation Committee may delegate the responsibility for the administration and operation of the Plan to the Chief Executive Officer (or designee) of the Company or any participating Affiliate. The Compensation Committee (or the person(s) to which administrative authority has been delegated) shall have the authority to interpret and construe any and all provisions of the Plan, including all performance targets and whether and to what extent achieved. Any determination made by the Compensation Committee (or the person(s) to which administrative authority has been delegated) shall be final and conclusive and binding on all persons.

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11. Indemnification. Neither the Company, any participating Affiliate, nor the Board of Directors, or any member or any committee thereof, of the Company or any participating Affiliate, nor any employee of the Company or any participating Affiliate shall be liable for any act, omission, interpretation, construction or determination made in connection with the Plan in good faith; and the members of the Company's Board of Directors, the Compensation Committee and/or the employees of the Company or any participating Affiliate shall be entitled to indemnification and reimbursement by the Company to the maximum extent permitted by law in respect of any claim, loss, damage or expense (including counsel's fees) arising from their acts, omission and conduct in their official capacity with respect to the Plan.

12. General provisions.

12.1 Non-Guarantee of Employment. Nothing contained in this Plan shall be construed as a contract of employment between the Company and/or a participating Affiliate and a Participant, and nothing in this Plan shall confer upon any Participant any right to continued employment with the Company or a participating Affiliate, or to interfere with the right of the Company or a participating Affiliate to terminate a Participant's employment, with or without cause.

12.2 Interests Not Transferable. No benefits under the Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment or other legal process, or encumbrance of any kind, and any attempt to do so shall be void.

12.3 Facility Payment. Any amounts payable hereunder to any person under legal disability or who, in the judgment of the Compensation Committee or its designee, is unable to properly manage his or her financial affairs, may be paid to the legal representative of such person, or may be applied for the benefit of such person in any manner which the Compensation Committee or its designee may select, and each participating Affiliate shall be relieved of any further liability for payment of such amounts.

12.4 Controlling Law. To the extent not superseded by federal law, the law of the Commonwealth of Pennsylvania shall be controlling in all matters relating to the Plan.

12.5 No Rights to Award. No person shall have any claim to be granted any award under the Plan, and there is no obligation for uniformity of treatment of participants. The terms and conditions of awards need not be the same with respect to each recipient.

12.6 Severability. If any Plan provision or any award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any person or award, or would disqualify the Plan or any award under the law deemed applicable by the Compensation Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Compensation Committee, materially altering the intent of the Plan or the award, such provision shall be stricken as to such jurisdiction, person or award and the remainder of the Plan and any such award shall remain in full force and effect.

12.7 No Trust or Fund Created. Neither the Plan nor any award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any participating Affiliate and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company or any participating Affiliate pursuant to an award, such right shall be no greater than the right of any general unsecured creditor of the Company or any participating Affiliate.

12.8 Headings. Headings are given to the sections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision of it.

Annual Incentive Plan

12.9 *Tax Withholding.* The Company and/or any participating Affiliate may deduct from any payment otherwise due under this Plan to a Participant (or beneficiary) amounts required by law to be withheld for purposes of federal, state or local taxes.

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**STATEMENT OF COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(UNAUDITED)**

	<u>Three Months Ended March 31, 2011</u> (in millions)
Fixed Charges:	
Interest cost and debt expense	\$ 21
Interest allocable to rental expense ⁽¹⁾	1
Total	<u>\$ 22</u>
Earnings:	
Income before income tax expense ⁽²⁾	\$ 55
Income before income tax expense attributable to noncontrolling interests	(3)
Equity in income of 50 percent or less owned affiliated companies	(2)
Dividends received from 50 percent or less owned affiliated companies ⁽³⁾	3
Fixed charges	22
Interest capitalized	(1)
Amortization of previously capitalized interest	-
Total	<u>\$ 74</u>
Ratio of Earnings to Fixed Charges	<u>3.4</u>

⁽¹⁾ Represents one-third of the total operating lease rental expense which is that portion deemed to be interest.

⁽²⁾ Represents income before income tax expense for all consolidated entities, including Mid-Valley Pipeline Company and West Texas Gulf Pipe Line Company.

⁽³⁾ Represents dividends received from equity-method investments, which excludes dividends from Mid-Valley Pipeline Company and West Texas Gulf Pipe Line Company.

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Lynn L. Elsenhans, Chairman and Chief Executive Officer of Sunoco Partners LLC, the general partner of the registrant Sunoco Logistics Partners L.P., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q;
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.

Date: May 5, 2011

/s/ LYNN L. ELSENHANS

Name: Lynn L. Elsenhans

Title: Chairman and Chief Executive Officer

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Brian P. MacDonald, Vice President, Chief Financial Officer of Sunoco Partners LLC, the general partner of the registrant Sunoco Logistics Partners L.P., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q;
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.

Date: May 5, 2011

/s/ BRIAN P. MACDONALD

Name: Brian P. MacDonald

Title: Vice President, Chief Financial Officer

CERTIFICATION**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, the undersigned Lynn L. Elsenhans, Chairman and Chief Executive Officer, of Sunoco Partners LLC, the general partner of the registrant Sunoco Logistics Partners L.P., certify that the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 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 the periodic report fairly presents, in all material respects, the financial condition and results of operations of Sunoco Logistics Partners L.P.

Date: May 5, 2011

/s/ LYNN L. ELSENHANS

Name: Lynn L. Elsenhans

Title: Chairman and Chief Executive Officer

CERTIFICATION**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, the undersigned Brian P. MacDonald, Vice President, Chief Financial Officer, of Sunoco Partners LLC, the general partner of the registrant Sunoco Logistics Partners L.P., certify that the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 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 the periodic report fairly presents, in all material respects, the financial condition and results of operations of Sunoco Logistics Partners L.P.

Date: May 5, 2011

/s/ BRIAN P. MACDONALD

Name: Brian P. MacDonald

Title: Vice President, Chief Financial Officer