SUNOCO LOGISTICS PARTNERS LP
Form 424B3
May 16, 2005

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and we are not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424B
Registration No. 333-103710

Subject to Completion, dated May 16, 2005

Prospectus Supplement
(To Prospectus dated March 14, 2003)

2,500,000 Common Units
Representing Limited Partner Interests

We are selling 2,500,000 common units representing limited partner interests in Sunoco Logistics Partners L.P. Our common units are listed on the New York Stock Exchange under the symbol SXL. The last reported sales price of our common units on the New York Stock Exchange on May 13, 2005 was $39.79 per common unit.

Investing in our common units involves risk. Please read Risk Factors beginning on page S-10 of this prospectus supplement and on page 4 of the accompanying prospectus.

	Per Common Unit	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds to Sunoco Logistics Partners L.P. (before expenses)	$	$

We have granted the underwriters a 30-day option to purchase up to an additional 375,000 common units from us on the same terms and conditions as set forth above if the underwriters sell more than 2,500,000 common units in this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

Lehman Brothers, on behalf of the underwriters, expects to deliver the common units on or about May , 2005.

Lehman Brothers

Citigroup

Goldman, Sachs & Co.

KeyBanc Capital Markets

RBC Capital Markets

Stifel, Nicolaus & Company Incorporated

May , 2005

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of common units. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering of common units. If the information about the common unit offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We are offering to sell the common units, and seeking offers to buy the common units, only in jurisdictions where offers and sales are permitted. You should not assume that the information included in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the dates shown in these documents or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since such dates.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. It does not contain all of the information that you should consider before making an investment decision. You should read the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference for a more complete understanding of this offering. Please read Risk Factors beginning on page S-10 of this prospectus supplement and page 4 of the accompanying prospectus for more information about important risks that you should consider before buying our common units. Unless the context otherwise indicates, the information included in this prospectus supplement assumes that the underwriters do not exercise their option to purchase additional common units.

As used in this prospectus supplement, unless the context otherwise indicates, the terms we, us, our and similar terms mean Sunoco Logistics Partners L.P., together with our operating subsidiaries. References to Sunoco mean Sunoco, Inc., the owner of our general partner. References to Sunoco R&M mean Sunoco, Inc. (R&M), a wholly owned subsidiary of Sunoco, through which Sunoco conducts its refining and marketing operations.

Sunoco Logistics Partners L.P.

We are a publicly traded Delaware limited partnership formed by Sunoco, Inc. to own, operate and acquire a geographically diverse portfolio of complementary pipeline, terminalling, and crude oil acquisition and marketing assets. We are principally engaged in the transportation, terminalling and storage of refined products and crude oil and the purchase and sale of crude oil.

Our initial public offering was completed in February 2002 at an initial public offering price of $20.25 per common unit. Since our initial public offering, we have completed seven acquisitions, and we have increased our quarterly cash distribution by 38.9% from $0.45 per unit, or $1.80 per unit on an annualized basis, to $0.625 per unit, or $2.50 per unit on an annualized basis. We intend to continue to grow our business through strategic acquisitions and expansion projects that increase per unit cash flow.

Our business is currently comprised of three segments, consisting of our Eastern Pipeline System, our Terminal Facilities and our Western Pipeline System.

Eastern Pipeline System. Our Eastern Pipeline System includes approximately 1,740 miles of refined product pipelines, including a two-thirds interest in the 80-mile refined product Harbor pipeline, 58 miles of inter-refinery pipelines between two of Sunoco R&M s refineries, and a 123-mile crude oil pipeline, all of which primarily serve Sunoco R&M s refining and marketing operations in the northeastern and midwestern United States. In addition, our Eastern Pipeline System includes equity interests in four refined product pipelines, which primarily serve third-party shippers. These equity interests include: (i) a 9.4% interest in Explorer Pipeline Company, a joint venture that owns a 1,413-mile refined product pipeline; (ii) a 31.5% interest in Wolverine Pipe Line Company, a joint venture that owns a 721-mile refined product pipeline; (iii) a 12.3% interest in West Shore Pipe Line Company, a joint venture that owns a 652-mile refined product pipeline; and (iv) a 14.0% interest in Yellowstone Pipe Line Company, a joint venture that owns a 655-mile refined product pipeline.

Terminal Facilities. Our Terminal Facilities consist of: (i) 35 inland refined product terminals with an aggregate storage capacity of approximately 5.9 million barrels, primarily serving our Eastern Pipeline System; (ii) a 2.0 million barrel refined product terminal serving Sunoco R&M s Marcus Hook refinery near Philadelphia, Pennsylvania; (iii) the Nederland Terminal, a 12.5 million barrel marine crude oil terminal located on the Texas Gulf Coast; (iv) one inland and two marine crude oil terminals with a combined capacity of approximately 3.4 million barrels and related pipelines, all of which serve Sunoco R&M s Philadelphia refinery; (v) four ship and barge docks which serve Sunoco R&M s Eagle Point refinery; and (vi) a 1.0 million barrel liquefied petroleum gas, or LPG, terminal located near Detroit, Michigan, which principally serves Sunoco R&M s refinery in Toledo, Ohio.

Western Pipeline System. Our Western Pipeline System gathers, purchases, sells, and transports crude oil principally in Oklahoma and Texas and consists of: (i) approximately 1,930 miles of crude oil trunk pipelines and approximately 520 miles of crude oil gathering lines that supply the trunk pipelines; (ii) approximately 120 crude oil transport trucks and approximately 130 crude oil truck unloading facilities; and (iii) a 43.8% interest in West Texas Gulf Pipe Line Company, a joint venture that owns a 579-mile crude oil pipeline.

In addition, on May 6, 2005, we entered into an agreement with an affiliate of Exxon Mobil Corporation to purchase a crude oil pipeline system and related crude oil storage facility located in Texas for an aggregate purchase price of $100.0 million. Please read Recent Developments beginning on page S-4 of this prospectus supplement for more information about these assets.

We transport, terminal, and store refined products and crude oil in 19 states and Canada. We generate revenues by charging tariffs for transporting refined products, crude oil and other hydrocarbons through our pipelines as well as by charging fees for storing refined products, crude oil and other hydrocarbons in, and for providing other services at, our terminals. We also generate revenues by purchasing domestic crude oil and selling it to Sunoco R&M and other customers. Generally, as we purchase crude oil we simultaneously enter into corresponding sale transactions involving physical deliveries of crude oil, which enables us to secure a profit on the transaction at the time of purchase and establish a substantially balanced position, thereby minimizing our exposure to crude oil price volatility after the initial purchase. However, the margins we receive from these transactions may vary from period to period. We do not enter into futures contracts or other derivative instruments in connection with these purchases and sales.

For the year ended December 31, 2004, we had revenues of approximately $3.5 billion, EBITDA of $109.3 million and net income of $57.0 million. For the quarter ended March 31, 2005, we had revenues of approximately $1.0 billion, EBITDA of $28.6 million and net income of $15.3 million. For an explanation of EBITDA and a reconciliation of EBITDA to operating income, please read note 7 to Summary Financial and Operating Data on page S-9 of this prospectus supplement.

Our Business Strategies

Our primary business strategies are to:

- generate stable cash flows;
- increase our pipeline and terminal throughput;
- pursue strategic and accretive acquisitions that complement or supplement our existing asset base; and
- continue to improve our operating efficiency and to reduce our costs.

Our Competitive Strengths

We believe that we are well-positioned to successfully execute our business strategies because of the following competitive strengths:

We have a unique strategic relationship with Sunoco and its affiliates. Most of our refined product and crude oil pipelines and terminals are directly linked to Sunoco R&M s refineries and afford Sunoco R&M a cost-effective means to access crude oil and distribute refined products. In connection with our initial public offering, we entered into an agreement with Sunoco R&M under which Sunoco R&M agreed to use the pipelines and terminals that we owned as of that time. Sunoco R&M s obligations under this agreement expire in 2007 and 2009. In addition, we and Sunoco and its affiliates can jointly bid on potential acquisitions, and we are entitled to purchase from Sunoco and its affiliates any significant crude oil or refined product pipeline and terminalling assets, which we often refer to as logistics assets, associated with acquisitions made by Sunoco and its affiliates. In connection with our acquisition of the ship and barge docks and truck loading racks serving Sunoco R&M s Eagle Point refinery in March 2004, we also entered into an agreement with Sunoco R&M under which Sunoco R&M agreed to use those logistics assets until March 2016.

Our refined product pipelines and terminal facilities are strategically located in areas with high demand. We have a strong presence in the northeastern and midwestern United States, and our transportation and distribution assets in these regions operate at high utilization rates, providing us with a base of stable cash flows.

We have a complementary portfolio of assets that are both geographically and operationally diverse. Our assets include refined product pipelines and terminals in the northeastern and midwestern United States, a crude oil terminal on the Texas Gulf Coast and crude oil pipelines in Oklahoma, East and West Texas and the Texas Gulf Coast. We also own equity interests in four refined product pipelines located in the central and western regions of the United States and one crude oil pipeline extending across Texas. This geographic and asset diversity contributes to the stability of our cash flows.

Our pipelines and terminal facilities are efficient and well-maintained. In recent years, we have made significant investments to upgrade our asset base. All of our refined product pipelines and terminal facilities and many of our crude oil pipelines are automated to provide continuous, real-time, operational data. We continually undertake internal inspection programs and other procedures to monitor the integrity of our pipelines.

Our executive officers and directors have extensive energy industry experience. Our management team has operated our core assets for over ten years. As a result, we believe that we have the expertise to execute our business strategies and manage our assets and operations effectively. Our general partner has adopted incentive compensation plans to closely align the interests of our executive officers with the interests of our common unitholders.

Our Relationship with Sunoco and its Affiliates

We have a strong and mutually beneficial relationship with Sunoco, one of the leading independent refining and marketing companies in the United States and the largest refiner in the northeastern United States. Sunoco operates its businesses through a number of operating subsidiaries, the primary one being Sunoco R&M, which operates Sunoco s refineries and markets gasoline and convenience items through approximately 4,800 retail sites. Sunoco R&M owns and operates five refineries with an aggregate refining capacity of approximately 900,000 barrels per day, or bpd. Substantially all of Sunoco s business activities with us are conducted through Sunoco R&M and the majority of our operations are strategically located within Sunoco R&M s refining and marketing supply chain. Sunoco R&M relies on us to provide transportation and terminalling services that support a significant portion of its refining and marketing operations.

The success of our operations depends substantially upon the continued use of our pipelines and terminal facilities by Sunoco R&M. For the year ended December 31, 2004, Sunoco R&M accounted for approximately 66% of the total revenues of our Eastern Pipeline System, approximately 67% of the total revenues of our Terminal Facilities and approximately 49% of the total revenues of our Western Pipeline System. We have entered into agreements with Sunoco R&M under which Sunoco R&M has agreed to use many of our logistics assets. The majority of Sunoco R&M s minimum revenue obligations under these agreements will expire in 2007 and 2009. Since our initial public offering, revenues generated by Sunoco R&M related to these agreements have exceeded these minimum revenue obligations by an average of approximately 19% per year. We expect to continue to derive a substantial portion of our revenues from Sunoco R&M for the foreseeable future. These agreements and other related contracts, coupled with the strategic interplay between our assets and Sunoco R&M s assets, result in a mutually beneficial relationship between us and Sunoco R&M.

After this offering of our common units and the application of the net proceeds, Sunoco, through its ownership of our general partner, will retain an aggregate 50.1% limited partner interest and a 2.0% general partner interest in us. Because of its significant equity ownership in us and operational relationship with us, Sunoco will continue to have a substantial vested interest in the growth and success of our business. In addition, our general partner and its affiliates, which are indirectly owned by Sunoco, employ approximately 1,150 people who provide direct support to our operations. We do not have any employees.

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Recent Developments

Pending Acquisition of Crude Oil Pipeline System and Related Storage Facility. On May 6, 2005, we entered into an agreement with an affiliate of Exxon Mobil Corporation to purchase a crude oil pipeline system, an associated storage facility and other related assets located in Texas for an aggregate purchase price of $100.0 million in cash.

These assets consist primarily of:

a 187-mile, 16-inch crude oil pipeline extending from Corsicana, Texas to Wichita Falls, Texas with an operating capacity of approximately 125,000 bpd;

a crude oil terminal located in Corsicana with approximately 2.9 million barrels of shell capacity for crude oil storage, which is connected to the crude oil pipelines that are part of this acquisition; and

a 104-mile, 12-inch crude oil pipeline extending from Kilgore, Texas to Corsicana, which is currently idle and which we currently do not intend to place in service.

We expect to close the acquisition of these assets, subject to certain conditions, including completion of due diligence and the receipt of certain regulatory approvals, during the third quarter of 2005. Upon closing of this transaction, we have agreed to assume certain environmental liabilities associated with these assets. In connection with this acquisition, we intend to invest approximately $18 million to construct a 20-mile crude oil pipeline, which we expect to complete during the fourth quarter of 2005. This pipeline will connect these assets to the 579-mile crude oil pipeline owned by West Texas Gulf Pipe Line Company, a joint venture in which we own a 43.8% interest and also serve as the operator. We expect to fund the acquisition and the construction of this pipeline through a combination of cash on hand, our revolving credit facility or other borrowings and/or proceeds from a future offering of our common units.

Distribution Declared for First Quarter 2005. On April 25, 2005, we announced a quarterly cash distribution of $0.625 per unit for the period of January 1 through March 31, 2005. The first quarter 2005 distribution represents a 9.6% increase over the first quarter 2004 distribution of $0.57 per unit. We paid the distribution on May 13, 2005 to unitholders of record at the close of business on May 6, 2005.

Possible Relocation of Tulsa, Oklahoma Operations. We currently lease office space in Tulsa, Oklahoma for approximately 120 employees. We are currently evaluating whether to relocate these employees and business operations. If a decision is made to relocate, the relocation would not occur prior to the fourth quarter of this year. Any costs associated with a relocation could impact our earnings in the future.

Our Ownership, Structure and Management

Our operations are conducted through, and our operating assets are owned by, our operating partnership and its subsidiaries. Our general partner has sole responsibility for conducting our business and for managing our operations. The senior executives of our general partner manage our business.

Immediately following the closing of this offering, we will redeem from our general partner 2,500,000 common units for a per unit amount equal to the net proceeds per unit we will receive in this offering of common units before expenses. We will use all the net proceeds of any exercise of the underwriters option to purchase additional common units to redeem common units from our general partner equal to the number of common units issued upon exercise of that option. Our general partner will also reimburse us for offering expenses that we incur in connection with this offering and any exercise of the underwriters option to purchase additional common units. We will cancel the common units redeemed from our general partner so that they will no longer be outstanding. Upon consummation of this offering and the redemption of common units owned by our general partner:

There will be 11,805,309 publicly held common units outstanding representing an aggregate 47.9% limited partner interest;

Sunoco, through its ownership of our general partner, will own 3,801,005 common units and 8,537,729 subordinated units representing an aggregate 50.1% limited partner interest; and

Our general partner will continue to own a 2.0% general partner interest in us and all of the incentive distribution rights.

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Our principal executive offices are located at Ten Penn Center, 1801 Market Street, Philadelphia, Pennsylvania 19103, and our phone number is (866) 248-4344.

The following chart depicts the organization and ownership of us and our subsidiaries after giving effect to this offering and the related redemption of common units from our general partner, but before any exercise of the underwriters option to purchase additional common units.

The Offering

Common units offered by us	2,500,000 common units. 2,875,000 common units if the underwriters exercise their option to purchase an additional 375,000 common units.
Units outstanding before this offering	15,606,314 common units and 8,537,729 subordinated units.
Units outstanding after this offering and the redemption of the common units	15,606,314 common units and 8,537,729 subordinated units.
Use of proceeds	We will use all of the net proceeds from this common unit offering to redeem 2,500,000 common units owned by our general partner for a per unit amount equal to the net proceeds per unit we will receive in this offering before expenses. The net proceeds from any exercise of the underwriters option to purchase additional common units will be used to redeem from our general partner common units equal to the number of common units issued upon exercise of that option. Our general partner will reimburse us for all offering expenses that we incur in connection with this offering and any exercise of the underwriters option to purchase additional common units.
Cash distributions	Under our partnership agreement, we must distribute all of our cash on hand as of the end of each quarter, less reserves established by our general partner in its reasonable discretion and payment of fees and expenses, including payments to our general partner. We refer to this cash as available cash, and we define it in our partnership agreement. On April 25, 2005, we announced a quarterly cash distribution of $0.625 per unit for the first quarter of 2005, or $2.50 on an annualized basis. We paid the quarterly distribution for the first quarter of 2005 on May 13, 2005 to unitholders of record as of May 6, 2005. When our quarterly cash distribution exceeds $0.50 per limited partner unit in any quarter, our general partner receives a higher percentage of the cash distributed in excess of $0.50 per limited partner unit, in increasing percentages up to 50% if the quarterly cash distribution exceeds $0.70 per limited partner unit. For a description of our cash distribution policy, please read Cash Distributions in the accompanying prospectus.
Subordination period	The subordination period for the subordinated units will end once we meet the financial requirements in the partnership agreement, but it generally cannot end before December 31, 2006. When the subordination period ends, all remaining subordinated units will convert into common units on a one-for-one basis, and the common units will no longer be entitled to arrearages.

Early conversion of subordinated units	We met the financial requirements in our partnership agreement for the quarter ended on December 31, 2004 for the early conversion of a portion of our subordinated units. As a result, on February 15, 2005, 25%, or 2,845,910, of our originally issued

	subordinated units converted into common units. If we meet these requirements for any quarter ending on or after December 31, 2005, an additional 25% of our originally issued subordinated units will convert into common units.
Estimated ratio of taxable income to distributions	We estimate that if you own the common units you purchase in this offering through the record date for the distribution with respect to the fourth calendar quarter of 2007, you will be allocated, on a cumulative basis, an amount of federal taxable income for the taxable years 2005 through 2007 that will be less than 25% of the cash distributed to you with respect to that period. This estimated taxable income amount is largely comprised of qualified dividends we receive, which are generally taxable to an individual at a maximum federal income tax rate of 15%. Please read Tax Considerations beginning on page S-17 of this prospectus supplement for the basis for this estimate.
New York Stock Exchange symbol	SXL

Summary Financial and Operating Data

On February 8, 2002, we completed our initial public offering and related transactions whereby we became the successor to Sunoco Logistics (Predecessor), which consisted of a substantial portion of the wholly owned logistics operations of Sunoco and its subsidiaries. The following table sets forth summary condensed consolidated financial and operating data for the years ended December 31, 2002, 2003 and 2004 and for the three months ended March 31, 2004 and 2005. The summary financial and operating data presented is derived from (i) the audited financial statements of Sunoco Logistics Partners L.P., which reflect us and the Predecessor for 2002, and us for 2003 and 2004, and which are included in our Annual Report on Form 10-K for the year ended December 31, 2004, and (ii) the unaudited financial statements included in our Quarterly Report on Form 10-Q for the three months ended March 31, 2005. Our Annual Report on Form 10-K and our Quarterly Report on Form 10-Q are incorporated by reference herein.

The summary financial and operating data should be read together with, and is qualified in its entirety by reference to, our historical condensed consolidated financial statements and the accompanying notes and Management s Discussion and Analysis of Financial Condition and Results of Operations, which are set forth in our Annual Report on Form 10-K and in our Quarterly Report on Form 10-Q.

	Sunoco Logistics and Predecessor	Sunoco Logistics			
	Year Ended December 31,			Three Months Ended March 31,	
	2002(1)	2003(2)	2004(3)	2004	2005
	(Audited)			(Unaudited)	
	($ in thousands, except per unit amounts)				
Income Statement Data:					
Revenues:					
Sales and other operating revenue:					
Affiliates	$ 1,147,721	$ 1,383,090	$ 1,751,612	$ 365,113	$ 476,923
Unaffiliated customers	676,307	1,274,383	1,699,673	379,794	534,926
Other income(4)	6,904	16,730	13,932	3,169	3,627
Total revenues	1,830,932	2,674,203	3,465,217	748,076	1,015,476
Costs and expenses:					
Cost of products sold and operating expenses	1,690,896	2,519,160	3,307,480	710,692	974,911
Depreciation and amortization	31,334	27,157	31,933	7,539	8,122
Selling, general and administrative expenses	43,073	48,412	48,449	12,059	11,917
Total costs and expenses	1,765,303	2,594,729	3,387,862	730,290	994,950
Operating income	65,629	79,474	77,355	17,786	20,526

Net interest cost and debt expense	17,299	20,040	20,324	4,775	5,228
Income before income tax expense	48,330	59,434	57,031	13,011	15,298
Income tax expense	1,555				
Net income	$ 46,775	$ 59,434	$ 57,031	$ 13,011	$ 15,298
Net income per limited partner unit:					
Basic	$ 1.87(5)	$ 2.55	$ 2.29	$ 0.55	$ 0.60
Diluted	$ 1.86(5)	$ 2.53	$ 2.27	$ 0.54	$ 0.59
Cash distributions per unit to limited partners(6):					
Paid	$ 1.16	$ 1.99	$ 2.32	$ 0.55	$ 0.625
Declared	$ 1.65	$ 2.05	$ 2.40	$ 0.57	$ 0.625
Balance Sheet Data (at period end):					
Net properties, plants and equipment	$ 573,514	$ 583,164	$ 647,200	$ 599,371	$ 646,933
Total assets	1,093,880	1,181,006	1,368,786	1,263,156	1,515,238
Total debt	317,445	313,136	313,305	313,178	313,347
Total partners capital	383,033	403,758	460,594	390,354	458,393
Other Financial Data:					
Net cash provided by operating activities	$ 2,211	$ 97,212	$ 106,622	$ 9,283	$ 4,601
Net cash used in investing activities	(85,273)	(39,008)	(95,583)	(23,585)	(7,841)
Net cash provided by/(used in) financing activities	116,902	(41,963)	(8,460)	(6,577)	(16,749)
Capital expenditures:					
Maintenance	$ 27,934	$ 30,850	$ 30,829	$ 3,415	$ 4,901
Expansion	77,439(1)	10,226(2)	64,754(3)	20,170	2,940
Total capital expenditures	$ 105,373(1)	$ 41,076(2)	$ 95,583(3)	$ 23,585	$ 7,841
EBITDA(7)	$ 96,963	$ 106,631	$ 109,288	$ 25,325	$ 28,648
Distributable cash flow(7)	$ 55,415	$ 61,055	$ 65,182	$ 17,135	$ 18,880

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	Sunoco Logistics and Predecessor	Sunoco Logistics			
	Year Ended December 31,			Three Months Ended March 31,	
	2002(1)	2003(2)	2004(3)	2004	2005
	(Audited)			(Unaudited)	
	($ in thousands, except per unit amounts)				
Operating Data:					
Eastern Pipeline System total shipments (in thousands of barrel miles per day)(8)(9)	56,768	55,324	59,173	54,908	55,601
Terminal Facilities throughput (bpd)	1,182,784	1,204,394	1,464,254	1,274,352	1,577,722
Western Pipeline System throughput (bpd)(8)	286,912	304,471	298,797	298,516	317,970
Crude oil purchases at wellhead (bpd)	189,277	193,176	186,827	188,684	194,848

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

(2) On September 30, 2003, we acquired an additional 3.1% ownership interest in West Shore Pipe Line Company for $3.7 million, increasing our overall ownership percentage to 12.3%. The purchase price for this acquisition has been included within the 2003 expansion capital expenditures, and the equity income has been included in our statements of income from their dates of acquisition.

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

(4) Includes equity income from investments in corporate joint ventures.

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

(6) Cash distributions paid per unit to limited partners include payments made per unit during the period stated. Cash distributions declared per unit to limited partners include distributions declared per unit related to the quarters within the period stated. Declared distributions were paid within 45 days following the close of each quarter. The $1.65 aggregate per limited partner unit distribution for 2002 included a $0.26 per limited partner unit distribution for the first quarter, which represents the pro rata portion of the $0.45 minimum quarterly distribution for the 52-day period from the date of the initial public offering, February 8, 2002, through March 31, 2002.

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

	Year Ended December 31,			Three Months Ended March 31,	
	2002	**2003**	**2004**	**2004**	**2005**
Operating income	$ 65,629	$ 79,474	$ 77,355	$ 17,786	$ 20,526
Depreciation and amortization	31,334	27,157	31,933	7,539	8,122
EBITDA	96,963	106,631	109,288	25,325	28,648
Interest expense, net	(17,299)	(20,040)	(20,324)	(4,775)	(5,228)
Maintenance capital expenditures	(27,934)	(30,850)	(30,829)	(3,415)	(4,901)
Sunoco reimbursements	3,685	5,314	7,047		361
Distributable cash flow	$ 55,415	$ 61,055	$ 65,182	$ 17,135	$ 18,880

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

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

(9) Total shipments represent the total average daily pipeline throughput multiplied by the number of miles of pipeline through which each barrel has been shipped. We believe that total shipments is a better performance indicator for the Eastern Pipeline System than throughput as certain refined product pipelines, including inter-refinery and transfer pipelines, transport large volumes over short distances and generate minimal revenues.

RISK FACTORS

You should read carefully the discussion of the material risks relating to our business under the caption Risk Factors beginning on page 4 of the accompanying prospectus. The assets associated with our pending acquisition of the crude oil pipeline system and related storage facility located in Texas are generally subject to the same business risks as our other assets, such as disruptions in refinery production, changes in market conditions, competing pipelines, reductions in throughput and adverse changes in the price of crude oil. Please see Risk Factors Risks Inherent in Our Business of the accompanying prospectus for a discussion of these business risks. In addition, please read carefully the following risks relating to our pending acquisition of the crude oil pipeline system and related storage facility located in Texas, your limited liability and our general partner s discretion in establishing cash reserves.

Our pending acquisition of the crude oil pipeline system and related storage facility located in Texas may not be consummated.

Our purchase agreement with an affiliate of Exxon Mobil Corporation for the crude oil pipeline system and related storage facility contains conditions that, if not satisfied or waived, would result in the acquisition not occurring. These conditions include, among others:

- the continued accuracy of the representations and warranties contained in the purchase agreement;
- the performance by each party of its obligations under the purchase agreement;
- the expiration or early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976;
- the satisfactory completion of our due diligence; and
- the absence of any decree, order, injunction or law that prohibits, restricts or substantially delays the transaction or makes the transaction unlawful.

If we do not consummate this acquisition, we will not realize any of the anticipated benefits of owning and operating the assets.

A unitholder may not have limited liability if a state or federal court finds that we are not in compliance with the applicable statutes or that unitholder action constitutes control of our business.

The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some states. A unitholder could be held liable in some circumstances for our obligations to the same extent as a general partner if a state or federal court determined that:

- we had been conducting business in any state without complying with the applicable limited partnership statute; or
- the right or the exercise of the right by the unitholders as a group to remove or replace our general partner, to approve some amendments to the partnership agreement, or to take other action under the partnership agreement constituted participation in the control of our business.

Under applicable state law, our general partner has unlimited liability for our obligations, including our debts and environmental liabilities, if any, except for our contractual obligations that are expressly made without recourse to the general partner.

In addition, Section 17-607 of the Delaware Revised Uniform Limited Partnership Act provides that under some circumstances a unitholder may be liable to us for the amount of a distribution for a period of three years from the date of the distribution.

Our general partner s discretion in determining the level of cash reserves may adversely affect our ability to make cash distributions to our unitholders.

Our partnership agreement requires our general partner to deduct from operating surplus cash, reserves that, in the general partner s reasonable discretion, are necessary to fund our future operating expenditures. In addition, the partnership agreement permits our general partner to reduce available cash by establishing cash reserves for the proper conduct of our business, to comply with applicable law or agreements to which we are a party or to provide funds for future distributions to our unitholders. These cash reserves will affect the amount of cash available for distribution to our unitholders.

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USE OF PROCEEDS

We will receive net proceeds of approximately $95.2 million from the sale of the 2,500,000 common units we are offering (based on the last reported sales price of our common units on the New York Stock Exchange on May 13, 2005 of $39.79 per common unit) after deducting the underwriting discount but before offering expenses. We will use all of the net proceeds from this offering to redeem 2,500,000 common units owned by our general partner for a per unit amount equal to the net proceeds per unit we will receive in this offering of common units before expenses. Immediately following the redemption, we will cancel the common units redeemed from our general partner.

We will use all the net proceeds from any exercise of the underwriters option to purchase additional common units to redeem from our general partner common units equal to the number of common units issued upon exercise of that option.

Our general partner will reimburse us for all offering expenses that we incur in connection with this offering and any exercise of the underwriters option to purchase additional common units.

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CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2005:

- on an actual basis; and

- as adjusted to give effect to the common units offered by this prospectus supplement and the redemption of an equal number of common units owned by our general partner. Because we are redeeming an equal number of common units from our general partner as we are selling in this offering and because our general partner is reimbursing us for all offering expenses, this offering will have no effect on our capitalization.

This table should be read together with our historical financial statements and the accompanying notes incorporated by reference into this prospectus supplement and the accompanying prospectus.

	As of March 31, 2005	
	Actual	**As Adjusted**
	($ in thousands)	
Cash and cash equivalents	$ 32,671	$ 32,671
Revolving credit facility	$ 64,500	$ 64,500
7.25% Senior Notes due 2012	248,847	248,847
Total debt	$ 313,347	$ 313,347
Partners capital:		
Common unitholders	$ 302,140	$ 302,140
Subordinated unitholder	148,411	148,411
General partner	7,842	7,842
Total partners capital	$ 458,393	$ 458,393
Total capitalization	$ 771,740	$ 771,740

This table does not reflect the issuance of up to 375,000 common units that may be sold to the underwriters upon exercise of their option to purchase additional common units, the proceeds of which will be used to redeem from our general partner common units equal to the number of common units issued upon exercise of that option.

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PRICE RANGE OF COMMON UNITS AND DISTRIBUTIONS

At the close of business on April 29, 2005, there were 73 holders of record of our common units. These holders of record included our general partner with 6,301,005 common units registered in its name, and Cede & Co. with 9,240,243 common units registered to it. Our common units are traded on the New York Stock Exchange under the symbol SXL.

As of May 13, 2005, 8,537,729 subordinated units were outstanding. The subordinated units are held by our general partner and are not publicly traded.

The following table sets forth, for the periods indicated, the high and low closing sales prices for our common units, as reported on the New York Stock Exchange Composite Transactions Tape, and quarterly cash distributions paid to our unitholders. The last reported closing sales price of our common units on the New York Stock Exchange on May 13, 2005 was $39.79 per common unit.

	Closing Sales Price Ranges		Cash Distributions per Unit(1)
	High	Low	
2005			
Second Quarter (through May 13, 2005)	$ 42.85	$ 39.16	$ N/A
First Quarter	43.85	40.30	0.6250
2004			
Fourth Quarter	$ 43.05	$ 38.75	$ 0.6250
Third Quarter	39.36	36.00	0.6125
Second Quarter	39.75	31.47	0.5875
First Quarter	42.20	34.48	0.5700
2003			
Fourth Quarter	$ 37.11	$ 30.80	$ 0.5500
Third Quarter	32.45	28.35	0.5125
Second Quarter	30.75	26.20	0.5000
First Quarter	25.95	22.85	0.4875
2002			
Fourth Quarter	$ 24.07	$ 21.10	$ 0.4875
Third Quarter	23.25	18.85	0.4500
Second Quarter	24.00	20.95	0.4500
First Quarter	23.44	20.49	0.2600(2)

(1) Represents cash distributions attributable to the quarter and declared and paid within 45 days after quarter end. We declared and, within 45 days of the end of the period, paid cash distributions to our general partner with respect to its 2.0% general partner interest that totaled $1.0 million for the quarter ended March 31, 2005, $3.0 million for the year ended December 31, 2004, $1.2 million for the year ended December 31, 2003 and $0.8 million for the period from February 8, 2002 through December 31, 2002.

(2) The distribution for the first quarter of 2002 represents a pro rated distribution of $0.45 per common and subordinated unit for the period from February 8, 2002 through March 31, 2002.

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MANAGEMENT

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

Name	Age	Position with Our General Partner
John G. Drosdick	61	Chairman and Director
Deborah M. Fretz	57	President, Chief Executive Officer and Director
Cynthia A. Archer	52	Director
L. Wilson Berry, Jr.	61	Director
Stephen L. Cropper	55	Director
Michael H.R. Dingus	57	Director
Gary W. Edwards	63	Director
Bruce G. Fischer	50	Director
Thomas W. Hofmann	54	Director
Paul S. Broker	44	Vice President, Western Operations
Bruce D. Davis, Jr.	48	Vice President, General Counsel and Secretary
David A. Justin	53	Vice President, Eastern Operations
Christopher W. Keene	40	Vice President, Business Development
Sean P. McGrath	34	Comptroller
Paul A. Mulholland	52	Treasurer
Colin A. Oerton	41	Vice President and Chief Financial Officer

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

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

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

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

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

National Petroleum Council as well as the Transportation and Public Policy Committees of the American Petroleum Institute.

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

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

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

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

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

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

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

Mr. Keene was elected Vice President, Business Development in January 2005. From February 2002 to December 2004, Mr. Keene was the Director, Midstream Development for Unocal Midstream & Trade (UMT), a division of Unocal Corporation. Prior to that, he had been the Director, Business Development, Unocal Global Trade, a division of Unocal Corporation, and Vice President, Unocal Pipeline Company from April 1999 to January 2002. From September 1997 to March 1999, he was Project Manager, New Ventures, Southeast Asia for Unocal Corporation and Vice President, Unocal Bharat Limited.

Mr. McGrath was elected Comptroller in June 2002. Prior to that, from November 1998 to May 2002, he was Manager Financial Reporting for Asplundh Tree Expert Co. Effective May 20, 2005, Mr. McGrath has resigned as Comptroller to accept a position with another company.

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

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

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TAX CONSIDERATIONS

Under the common unit redemption agreement, the parties have agreed to treat the transfer to our general partner of the aggregate redemption amount as a redemption, allowing our general partner to be reimbursed for capital expenditures incurred by our general partner with respect to the partnership property contributed by our general partner to us during the two year period preceding the initial contribution of that property to us.

The tax consequences to you of an investment in our common units will depend in part on your own tax circumstances. For a discussion of the principal federal income tax considerations associated with our operations and the purchase, ownership and disposition of common units, please read Material Tax Considerations beginning on page 47 of the accompanying prospectus. You are urged to consult your own tax advisor about the federal, state, foreign and local tax consequences peculiar to your circumstances.

We estimate that if you purchase a common unit in this offering and hold the common unit through the record date for the distribution with respect to the fourth calendar quarter of 2007, you will be allocated, on a cumulative basis, an amount of federal taxable income for the taxable years 2005 through 2007 that will be less than 25% of the amount of cash distributed to you with respect to that period. This estimated taxable income amount is largely comprised of qualified dividends we receive, which are generally taxable to an individual at a maximum federal income tax rate of 15%.

This estimate is based upon many assumptions regarding our business and operations, including assumptions with respect to capital expenditures, cash flows and anticipated cash distributions. This estimate and our assumptions are subject to, among other things, numerous business, economic, regulatory, competitive and political uncertainties beyond our control. Further, this estimate is based on current tax law and tax reporting positions that we have adopted and with which the Internal Revenue Service might disagree. Accordingly, we cannot assure you that this estimate will be correct. The actual percentage of distributions that will constitute taxable income could be higher or lower, and any differences could materially affect the value of the common units.

Because of widespread state budget deficits, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise or other forms of taxation. If any state were to impose a tax upon us as an entity, the cash available for distribution to you would be reduced. Our partnership agreement provides that if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal, state or local income tax purposes, provisions of our partnership agreement will be subject to change. These changes would include a decrease in the minimum quarterly distribution and the target distribution levels to reflect the impact of those taxes.

Ownership of common units by tax-exempt entities, regulated investment companies and foreign investors raises issues unique to such persons. A regulated investment company or mutual fund is required to derive 90% or more of its gross income from certain permitted sources. The American Jobs Creation Act of 2004 generally treats net income from the ownership of publicly traded partnerships as derived from such a permitted source, effective for taxable years of a regulated investment company beginning after October 22, 2004. For taxable years of a regulated investment company beginning on or before October 22, 2004, very little of our income will be treated as derived from such a permitted source. Please read Material Tax Considerations Tax-Exempt Organizations and Other Investors in the accompanying prospectus.

Under legislation enacted in 2003, the highest effective United States federal income tax rate for individuals was lowered to 35% and, in general, net capital gains (including qualified dividend income) of an individual are currently subject to a maximum 15% federal income tax rate if the asset was held for more than 12 months at the time of disposition. Under current law, these rates will sunset for tax years beginning after December 31, 2010, returning to a maximum rate for individuals of 39.6% and a maximum rate for capital gains of an individual of 20%.

UNDERWRITING

Lehman Brothers Inc. is acting as representative of the underwriters. Under the terms of an underwriting agreement, which we will file as an exhibit to our Current Report on Form 8-K, each of the underwriters named below has severally agreed to purchase from us the respective number of common units shown opposite its name below:

Underwriters	Number of Common Units
Lehman Brothers Inc.	
Citigroup Global Markets Inc.	
Goldman, Sachs & Co.	
KeyBanc Capital Markets, a Division of McDonald Investments Inc.	
RBC Capital Markets Corporation	
Stifel, Nicolaus & Company, Incorporated	
Total	2,500,000

The underwriting agreement provides that the underwriters obligation to purchase common units depends on the satisfaction of the conditions contained in the underwriting agreement including:

- the obligation to purchase all of the common units offered hereby, if any of the common units are purchased;
- the representations and warranties made by us to the underwriters are true;
- there is no material change in the financial markets; and
- we deliver customary closing documents to the underwriters.

Commissions and Expenses

The following table summarizes the underwriting discounts and commissions we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase additional common units. The underwriting fee is the difference between the initial price to the public and the amount the underwriters pay to us for the common units.

	No Exercise	Full Exercise
Per unit	$	$
Total	$	$

The representative of the underwriters has advised us that the underwriters propose to offer the common units directly to the public at the public offering price on the cover of this prospectus supplement and to selected dealers, which may include the underwriters, at such offering price less a selling concession not in excess of $ per unit. The underwriters may allow, and the selected dealers may re-allow, a discount from the concession not in excess of $ per unit to other dealers. After the offering, the representative may change the offering price and other selling terms.

We estimate that offering expenses will be approximately $0.6 million (exclusive of underwriting discounts and commissions). Our general partner will reimburse us for all offering expenses that we incur in connection with this offering and any exercise of the underwriters option to purchase additional common units.

Option to Purchase Additional Units

We have granted the underwriters an option exercisable for 30 days after the date of this prospectus supplement, to purchase, from time to time, in whole or in part, up to an aggregate of 375,000 common units at the public offering price less underwriting discounts and commissions. This option may be exercised if the

underwriters sell more than 2,500,000 common units in connection with this offering. To the extent that this option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase its pro rata portion of these additional units based on the underwriter s percentage underwriting commitment in the offering as indicated in the table at the beginning of this Underwriting section.

Lock-Up Agreements

We, our general partner, certain of our affiliates and all of the directors and executive officers of our general partner have agreed that, without the prior written consent of Lehman Brothers Inc., we and they will not, directly or indirectly, offer for sale, sell, pledge, or otherwise transfer or dispose of any common units or any securities which may be converted into or exchanged for any common units or enter into any swap, derivative transaction or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the common units or securities convertible or exchangeable for common units for a period of 75 days from the date of this prospectus supplement, other than permitted transfers.

Lehman Brothers Inc., in its discretion, may release the common units subject to lock-up agreements in whole or in part at any time with or without notice. When determining whether or not to release common units from lock-up agreements, Lehman Brothers Inc. will consider, among other factors, the unitholders reasons for requesting the release, the number of common units for which the release is being requested, and market conditions at the time.

Indemnification

We, our general partner and certain of our affiliates have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, and to contribute to payments that the underwriters may be required to make for these liabilities.

Stabilization, Short Positions and Penalty Bids

The representative may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the common units, in accordance with Regulation M under the Securities Exchange Act of 1934:

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

A short position involves a sale by the underwriters of common units in excess of the number of common units the underwriters are obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position or a naked short position. In a covered short position, the number of common units involved in the sales made by the underwriters in excess of the number of common units they are obligated to purchase is not greater than the number of common units that they may purchase by exercising their option to purchase additional common units. In a naked short position, the number of common units involved is greater than the number of common units in their option to purchase additional common units. The underwriters may close out any short position by either exercising their option to purchase additional common units and/or purchasing common units in the open market. In determining the source of common units to close out the short position, the underwriters will consider, among other things, the price of common units available for purchase in the open market as compared to the price at which they may purchase common units through their option to purchase additional common units. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the common units in the open market after pricing that could adversely affect investors who purchase in the offering.

Syndicate covering transactions involve purchases of the common units in the open market after the distribution has been completed in order to cover syndicate short positions.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common units originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common units or preventing or retarding a decline in the market price of the common units. As a result, the price of the common units may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common units. In addition, neither we nor any of the underwriters make any representation that the underwriters will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Electronic Distribution

A prospectus in electronic format may be made available on the Internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of common units for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representative on the same basis as other allocations.

Other than the prospectus in electronic format, the information on any underwriter s or selling group member s web site and any information contained in any other web site maintained by an underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus supplement and the accompanying prospectus forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

Relationships

Lehman Brothers Inc. was the lead underwriter in our initial public offering in February 2002 and our follow-on offering in April 2004. In addition, Lehman Brothers Inc. and the other underwriters and their related entities have engaged and may in the future engage in commercial banking, investment banking or financial advisory transactions with us, our affiliates and Sunoco, in the ordinary course of their business. Such underwriters and their affiliates have received customary compensation and expenses for these commercial banking, investment banking or financial advisory transactions.

Affiliates of each of Lehman Brothers Inc., Citigroup Global Markets Inc., KeyBanc Capital Markets, a Division of McDonald Investments Inc., and RBC Capital Markets Corporation are lenders under our credit facility.

Listing

Our common units are traded on the New York Stock Exchange under the symbol SXL.

NASD Conduct Rules

Because the NASD views the common units offered hereby as interests in a direct participation program, the offering is being made in compliance with Rule 2810 of the NASD Conduct Rules.

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LEGAL

The validity of the common units offered hereby will be passed upon for Sunoco Logistics Partners L.P. by Vinson & Elkins L.L.P., Houston, Texas. Certain legal matters in connection with the common units offered hereby will be passed upon for the underwriters by Andrews Kurth LLP, Houston, Texas.

EXPERTS

The financial statements of Sunoco Logistics Partners L.P. and the parent-company-only balance sheet of Sunoco Partners LLC appearing in Sunoco Logistics Partners L.P. s Annual Report on Form 10-K for the year ended December 31, 2004 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon included therein and incorporated herein by reference. Such financial statements and parent-company-only balance sheet are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

FORWARD-LOOKING STATEMENTS

Some of the information included in this prospectus supplement and the accompanying prospectus and the documents we incorporate by reference contain forward-looking statements, as such term is defined in Section 27A of the Securities Act and Section 21E of the Exchange Act, and information relating to us that is based on the beliefs of our management as well as assumptions made by and information currently available to management.

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

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

Changes in demand both for crude oil we buy and sell, as well as for crude oil and refined petroleum products that we store and distribute;

Changes in demand for storage in our petroleum terminals;

The loss of Sunoco R&M as a customer or a significant reduction in its current level of throughput and storage with us;

An increase in the competition encountered by our petroleum terminals, pipelines and crude oil acquisition and marketing operations;

Changes in the throughput on petroleum pipelines owned and operated by third parties and connected to our petroleum pipelines and terminals;

Changes in the financial condition or operating results of joint ventures and 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;

Phase-outs or restrictions on the use of MTBE;

Improvements in energy efficiency and technology resulting in reduced demand;

Our ability to manage rapid growth;

Our ability to control costs;

The effect of changes in accounting principles and tax laws and interpretations of both;

Global and domestic economic repercussions from terrorist activities and international hostilities and the government s response thereto;

Changes in the level of operating expenses and hazards related to operating facilities (including equipment malfunction, explosions, fires, spills and the effects of severe weather conditions);

The occurrence of operational hazards or unforeseen interruptions for which we may not be adequately insured;

The age of, and changes in the reliability and efficiency of our operating facilities or those of Sunoco R&M or third parties;

Changes in the expected level of environmental capital, operating, or remediation spending;

Delays related to construction of, or work on, new or existing facilities and issuance of applicable permits;

Changes in insurance markets resulting in increased costs and reductions in the level and types of coverage available;

Our ability to identify acquisitions under favorable terms, successfully consummate announced acquisitions or expansions and integrate them into existing business operations;

Risks related to labor relations and workplace safety;

Non-performance by major customers, suppliers or other business partners;

Price trends and overall demand for refined petroleum products, crude oil and natural gas liquids in the United States, economic activity, weather, alternative energy sources, conservation and technological advances may affect price trends and demand for the Partnership s business activities;

Changes in our tariff rates, implemented by federal and/or state government regulators;

The amount of our indebtedness, which could make us vulnerable to general adverse 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 or Sunoco s 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;

Changes in interest rates on our outstanding debt, which could increase the costs of borrowing;

Military conflicts between, or internal instability in, one or more oil-producing countries, and governmental actions or other disruptions in the ability to obtain crude oil;

Changes in applicable statutes and governmental regulations (or the interpretations thereof), including those relating to the environment and global warming;

Claims of our non-compliance with regulatory and statutory requirements; 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, is a party.

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other 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.

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WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement with the Securities and Exchange Commission, or SEC, under the Securities Act that registers the common units offered by this prospectus supplement. The registration statement, including the attached exhibits, contains additional relevant information about us. In addition, we file annual, quarterly and other reports and other information with the SEC. You may read and copy any document we file at the SEC s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-732-0330 for further information on their public reference room. Our SEC filings are also available at the SEC s web site at http://www.sec.gov. You can also obtain information about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The SEC allows us to incorporate by reference the information we have filed with the SEC. This means that we can disclose important information to you without actually including the specific information in this prospectus supplement or the accompanying prospectus by referring you to those documents. The information incorporated by reference is an important part of this prospectus supplement and the accompanying prospectus. Information that we file later with the SEC and that is deemed to be filed with the SEC will automatically update and may replace information in this prospectus supplement and the accompanying prospectus and information previously filed with the SEC.

We incorporate the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (excluding any information furnished under Items 2.02 or 7.01 on any Current Report on Form 8-K) after the date of this prospectus supplement and until the termination of this offering. These reports contain important information about us, our financial condition and results of operations.

- Annual Report on Form 10-K for the year ended December 31, 2004 filed March 4, 2005;
- Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 filed May 9, 2005;
- Current Reports on Form 8-K filed January 21, 2005, April 28, 2005 and May 9, 2005 (with respect to Item 1.01);
- the description of our common units contained in our registration statement on Form 8-A, filed on January 28, 2002, as amended by Amendment No. 1 filed on May 13, 2005, and any subsequent amendment thereto filed for the purpose of updating such description.

We make available free of charge on or through our Internet website, www.sunocologistics.com, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained on our Internet website is not part of this prospectus supplement or the accompanying prospectus.

You may request a copy of any document incorporated by reference in this prospectus, at no cost, by writing or calling us at the following address:

Investor Relations Department
Sunoco Logistics Partners L.P.
Ten Penn Center 3rd Floor
1801 Market Street
Philadelphia, Pennsylvania 19103-1699
(866) 248-4344

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Prospectus

$500,000,000
Sunoco Logistics Partners L.P.
Common Units
Representing Limited Partner Interests

Sunoco Logistics Partners Operations L.P.
Debt Securities
Fully and Unconditionally Guaranteed by:
Sunoco Logistics Partners L.P.
Sunoco Partners Marketing & Terminals L.P.
Sunoco Pipeline L.P.

Sunoco Logistics Partners L.P. may, in one or more offerings, offer and sell common units representing limited partner interests in Sunoco Logistics Partners L.P. Sunoco Logistics Partners L.P. common units are listed for trading on The New York Stock Exchange under the symbol SXL.

Sunoco Logistics Partners Operations L.P. may, in one or more offerings, offer and sell its debt securities, which will be fully and unconditionally guaranteed by Sunoco Logistics Partners L.P., Sunoco Partners Marketing & Terminals L.P., and Sunoco Pipeline L.P.

The aggregate initial offering price of the securities that we offer by this prospectus will not exceed $500,000,000. We will offer the securities in amounts, at prices and on terms to be determined by market conditions at the time of our offerings. This prospectus describes only the general terms of these securities and the general manner in which we will offer the securities. The specific terms of any securities we offer will be included in a supplement to this prospectus. The prospectus supplement will describe the specific manner in which we will offer the securities, and also may add, update or change information contained in this prospectus.

You should read this prospectus and the prospectus supplement carefully before you invest in any of our securities. This prospectus may not be used to consummate sales of our securities unless it is accompanied by a prospectus supplement.

INVESTING IN OUR SECURITIES INVOLVES RISK. LIMITED PARTNERSHIPS ARE INHERENTLY DIFFERENT FROM CORPORATIONS. YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS BEGINNING ON PAGE 4 OF THIS PROSPECTUS BEFORE YOU MAKE ANY INVESTMENT IN OUR SECURITIES.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED WHETHER THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is March 14, 2003.

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You should rely only on the information contained in this prospectus, any prospectus supplement and the documents we have incorporated by reference. We have not authorized anyone else to give you different information. We are not offering these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of those documents. We will disclose any material changes in our affairs in an amendment to this prospectus, a prospectus supplement or a future filing with the Securities Exchange Commission incorporated by reference in this prospectus.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we have filed with the Securities and Exchange Commission using a shelf registration process. Under this shelf registration process, we may sell, in one or more offerings, up to $500,000,000 in total aggregate offering price of the common units of Sunoco Logistics Partners L.P. or the debt securities of Sunoco Logistics Partners Operations L.P. described in this prospectus. This prospectus generally describes us, the common units of Sunoco Logistics Partners L.P., the debt securities of Sunoco Logistics Partners Operations L.P., and the guarantees of the debt securities. Each time we sell common units or debt securities with this prospectus, we will provide a prospectus supplement that will contain specific information about the terms of that offering and the securities offered by us in that offering. The prospectus supplement also may add to, update, or change information in this prospectus. The information in this prospectus is accurate as of its date. You should read carefully both this prospectus, any prospectus supplement, and the additional information described below under the heading Where You Can Find More Information.

As used in this prospectus, we, us, and our and similar terms mean either or both of Sunoco Logistics Partners L.P and Sunoco Logistics Partners Operations L.P., except that those terms, when used in this prospectus in connection with the common units described herein, shall mean Sunoco Logistics Partners L.P., and when used in connection with the debt securities described herein, shall mean Sunoco Logistics Partners Operations L.P., unless the context indicates otherwise. References to Sunoco R&M shall mean Sunoco, Inc. (R&M), a wholly owned subsidiary of Sunoco, Inc., through which Sunoco, Inc. conducts its refining and marketing operations.

ABOUT SUNOCO LOGISTICS PARTNERS L.P. AND SUNOCO LOGISTICS PARTNERS OPERATIONS, L.P.

Sunoco Logistics Partners L.P. is a publicly traded Delaware limited partnership, formed by Sunoco, Inc., in October 2001 to acquire, own and operate a substantial portion of Sunoco, Inc. s logistics business, consisting of refined product pipelines, terminalling and storage assets, crude oil pipelines, and crude oil acquisition and marketing assets located in the Northeast, Midwest and Southwest United States. In this prospectus, we will refer to this predecessor business as Sunoco Logistics (Predecessor). On February 8, 2002, Sunoco contributed the Sunoco Logistics (Predecessor) to us and we concurrently issued 5,750,000 common units, representing a 24.8% limited partnership interest, in an initial public offering. Sunoco Logistics Partners Operations L.P., is the wholly owned operating subsidiary of Sunoco Logistics Partners L.P.

We, and our equity interests, transport, terminal, and store refined products, and purchase and sell crude oil in 17 states. We generate revenues by charging tariffs for transporting refined products and crude oil through our pipelines and by charging fees for terminalling and storing refined products, crude oil, and other hydrocarbons in, and for providing services at, our terminals. We also generate revenues by purchasing domestic crude oil and selling it to Sunoco R&M and other customers. Generally, as we purchase crude oil, we simultaneously enter into corresponding sale transactions involving physical deliveries of crude oil, which enables us to secure a profit on the transaction at the time of purchase and to establish a substantially balanced position thereby minimizing exposure to price volatility after the initial purchase. The Partnership s practice is not to enter into commodities futures or other derivatives contracts.

Sunoco Partners LLC, the general partner of Sunoco Logistics Partners L.P., is an indirect wholly owned subsidiary of Sunoco, Inc., and holds no assets other than its investment in Sunoco Logistics Partners L.P., and a note receivable from Sunoco R&M for approximately $245 million. The financial information of Sunoco Partners LLC is included in the consolidated financial statements of Sunoco, Inc.

Our principal executive offices are located at Ten Penn Center 3rd Floor, 1801 Market Street, Philadelphia, PA 19103-1699, and our phone number is (215) 977-3000.

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THE SUBSIDIARY GUARANTORS

As of the date of this prospectus, Sunoco Logistics Partners GP LLC and Sunoco Logistics Partners Operations L.P. are the only subsidiaries of Sunoco Logistics Partners L.P. Sunoco Logistics Partners GP LLC owns a 0.01% general partner interest and Sunoco Logistics Partners, L.P. owns a 99.99% limited partner interest in Sunoco Logistics Partners Operations L.P. Sunoco Logistics Partners Operations L.P. owns all of the membership interests in Sunoco Logistics Partners Operations GP LLC and a 99.99% limited partner interest in each of Sunoco Partners Marketing & Terminals L.P. and Sunoco Pipeline L.P. Sunoco Logistics Partners Operations GP LLC owns a 0.01% general partner interest in both of these partnerships.

Occasionally, in this prospectus, we refer to Sunoco Partners Marketing & Terminals L.P. and Sunoco Pipeline L.P. as the Subsidiary Guarantors. The Subsidiary Guarantors may jointly and severally and unconditionally guarantee our payment obligations under any series of debt securities offered by this prospectus, as set forth in a related prospectus supplement. Occasionally, in this prospectus, we refer to Sunoco Logistics Partners L.P. as the Guarantor. The Guarantor may unconditionally guarantee our payment obligations under any series of debt securities offered by this prospectus, as set forth in a related prospectus supplement.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement with the SEC under the Securities Act of 1933 that registers the securities offered by this prospectus. The registration statement, including the attached exhibits, contains additional relevant information about us. The rules and regulations of the SEC allow us to omit some information included in the registration statement from this prospectus.

In addition, Sunoco Logistics Partners L.P. files annual, quarterly and other reports and other information with the SEC. You may read and copy any document we file at the SEC s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-732-0330 for further information on the operation of the SEC s public reference room. Our SEC filings are available on the SEC s web site at http://www.sec.gov. We also make available free of charge on our website, at http://www.sunocologistics.com, all materials that we file electronically with the SEC, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the SEC. Additionally, you can obtain information about us through the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which our common units are listed.

The SEC allows us to incorporate by reference the information Sunoco Logistics Partners L.P. has filed with the SEC. This means that we can disclose important information to you without actually including the specific information in this prospectus by referring you to other documents filed separately with the SEC. These other documents contain important information about us, our financial condition and results of operations. The information incorporated by reference is an important part of this prospectus. Information that Sunoco Logistics Partners L.P. files later with the SEC will automatically update and may replace information in this prospectus and information previously filed with the SEC.

We incorporate by reference in this prospectus the documents listed below, and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, until the termination of each offering under this prospectus:

- Sunoco Logistics Partners L.P. s Annual Report on Form 10-K for the year ended December 31, 2002 (filed March 7, 2003); and

- the description of our common units contained in our registration statement on Form 8-A, filed on January 28, 2002, and any subsequent amendment thereto filed for the purpose of updating such description.

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You may obtain any of the documents incorporated by reference in this prospectus from the SEC through the SEC s website at the address provided above. You also may request a copy of any document incorporated by reference in this prospectus (excluding any exhibits to those documents, unless the exhibit is specifically incorporated by reference in this document), at no cost, by visiting our internet website at www.sunocologistics.com, or by writing or calling us at the following address:

Investor Relations
Sunoco Logistics Partners L.P.
Ten Penn Center 3rd Floor
1801 Market Street
Philadelphia, PA 198103-1699
Telephone: (215) 977-6350

RISK FACTORS

Limited partner interests are inherently different from the capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in a similar business. Before you invest in our securities, you should consider carefully the following risk factors, together with all of the other information included in this prospectus, any prospectus supplement and the documents we have incorporated by reference in evaluating an investment in our securities.

If any of the following risks actually were to occur, our business, financial condition, or results of operations could be affected materially and adversely. In that case, we may be unable to make distributions to our unitholders or pay interest on, or the principal of, any debt securities, the trading price of our securities could decline and you could lose all or part of your investment.

Risks Inherent in Our Business

We may not have sufficient cash from operations to make the required payments to our debt holders or to pay the minimum quarterly distribution on our common units every quarter.

We may not be able to pay all the applicable interest and principal obligations on our debt, or fund the minimum quarterly distribution on our common units, for each quarter. The amount of cash we can distribute principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based upon, among other things, the volume of refined products and crude oil transported in our pipelines or handled at our terminals; the tariff rates and terminalling fees we charge; our crude oil acquisition and marketing margins; the level of our operating costs, including payments to our general partner; and prevailing economic conditions.

In addition, the actual amount of cash available for distribution will depend upon other factors, such as the level of capital expenditures we make; our debt service requirements; restrictions contained in our debt instruments; issuances of debt and equity securities; the costs of acquisitions; fluctuations in our working capital needs; our ability to make working capital borrowings under our revolving credit facility; and the amount, if any, of cash reserves established by our general partner in its discretion.

You also should be aware that the amount of cash available for distribution to equity holders depends primarily on cash flow, including cash flow from financial reserves and working capital borrowings, and not solely on profitability, which will be affected by non-cash items. As a result, the Partnership may make cash distributions during periods when losses are recorded and cash distributions may not be made during periods when we record net income.

Cost reimbursements, which will be determined in the general partner s sole discretion, and fees due the general partner and its affiliates will be substantial and will reduce cash available for distribution to unitholders.

On February 8, 2002, we began paying Sunoco, Inc. an administrative fee of $8.0 million per year for the provision by Sunoco, Inc. or its affiliates of various general and administrative services for our benefit. In the second year, this administrative fee increased to $8.2 million, and it may increase in the third year by up to a maximum of 2.5%. This fee also may increase if we make an acquisition that requires an increased level of general and administrative services from Sunoco, Inc. or its affiliates. In addition, Sunoco Partners LLC will be entitled to reimbursement for all other expenses it incurs on our behalf, including the salaries of, and the cost of employee benefits for, Sunoco Partners LLC employees, including senior executives, who provide services to us. Sunoco Partners LLC has sole discretion in determining the amount of these expenses.

We depend upon Sunoco R&M for a substantial portion of the crude oil and refined products transported on our pipelines and handled at our terminals, and any reduction in these quantities could reduce the ability to make distributions to our unitholders or service our debt obligations.

For the year ended December 31, 2002, Sunoco R&M accounted for approximately 71% of our Eastern Pipeline System total revenues, 64% of our Terminal Facilities total revenues, and 62% of our Western Pipeline System total revenues. The balance of our revenues was received from third parties. We will continue to remain dependent on third parties for additional revenues. Our pipelines and terminals storage and throughput agreement with Sunoco R&M does not cover our crude oil acquisition and marketing business or our Nederland Terminal. In addition, although the contract makes provision for escalation of the fees charged to Sunoco R&M, the increased fees may be inadequate to cover increased costs in the future.

We expect to continue to derive a substantial portion of revenues from Sunoco R&M for the foreseeable future. If Sunoco R&M were to decrease the throughput transported on the pipelines for any reason, revenues would decline and our ability to make distributions to our unitholders, or payments to our debt holders, would be affected adversely.

Sunoco R&M s obligations under the pipelines and terminals storage and throughput agreement may be reduced or suspended in some circumstances, which would reduce our ability to make distributions to our unitholders or service our debt obligations.

Sunoco R&M s obligations under the pipelines and terminals storage and throughput agreement may be permanently reduced in some circumstances, which would reduce our ability to make distributions to our unitholders or payments to our debt holders. These events, some of which are within the exclusive control of Sunoco R&M, include:

- Governmental action that prohibits Sunoco R&M from using MTBE in the gasoline it produces if Sunoco R&M reasonably believes in good faith that this action will jeopardize its ability to satisfy its minimum revenue or throughput obligations;

- The inability of Sunoco R&M and us to agree on the amount of any surcharge required to be paid by Sunoco R&M to cover substantial and unanticipated costs that may be incurred in complying with new laws or governmental regulations applicable to our Terminal Facilities;

- A decision by Sunoco R&M to shut down or reconfigure one or more of its refineries if Sunoco R&M reasonably believes in good faith that such event will jeopardize its ability to satisfy its minimum revenue or throughput obligations.

Depending on the ultimate cost of complying with existing and future environmental regulations or proceedings, Sunoco R&M may determine that it is more economical to reduce production at a refinery or shut down all or a portion of a refinery rather than make these capital expenditures. Sunoco R&M s obligations under the pipelines and terminals storage and throughput agreement would be reduced in this event and our ability to make distributions to unitholders, or payments to debt holders, also would be reduced.

Furthermore, Sunoco R&M s obligations would be temporarily suspended during the occurrence of an event that is outside the control of the parties, which renders performance impossible with respect to an asset for at least 30 days. The occurrence of any of these events could reduce revenues and cash flow, and the ability to make distributions to unitholders or payments to debt holders.

Sunoco, Inc. continually considers opportunities presented by third parties with respect to its refinery assets. These opportunities may include offers to purchase and joint venture propositions. Sunoco, Inc. also continually considers changes to its refineries. Those changes may involve new facilities, reduction in certain operations or modifications of facilities or operations. Changes may be considered to meet market demands, to satisfy

regulatory requirements or environmental and safety objectives, to improve operational efficiency or for other reasons. Sunoco, Inc. is actively managing its assets and operations, and, therefore, changes of some nature, possibly material to its business relationship with us, are likely to occur at some point in the future.

If Sunoco R&M satisfies only its minimum obligations under, or if we are unable to renew or extend, the pipelines and terminals storage and throughput agreement, our ability to make distributions or service our debt obligations would be reduced.

Sunoco R&M may reduce the volume it transports on the pipelines or delivers at terminals to the minimum amounts it is obligated to transport or deliver under the pipelines and terminals storage and throughput agreement. In addition, the terms of Sunoco R&M s obligations under the pipelines and terminals storage and throughput agreement are of relatively brief duration, generally ranging from five to seven years from the date of our initial public offering. If Sunoco R&M fails to use our facilities after expiration of the agreement and we are unable to generate additional revenues from third parties, our results of operations would be adversely affected, thereby reducing our ability to make cash distributions to unitholders, or service our debt obligations.

A significant decrease in demand for refined products in the markets served by our pipelines would reduce our ability to make distributions to unitholders or service our debt obligations.

A sustained decrease in demand for refined products in the markets served by our pipelines would significantly reduce revenues and ability to make distributions to unitholders or service our debt obligations. Factors that could lead to a decrease in market demand include:

- a recession or other adverse economic condition that results in lower spending by consumers on gasoline, diesel fuel, and travel;
- an increase in the market price of crude oil that leads to higher refined product prices;
- higher fuel taxes or other governmental or regulatory actions that increase, directly or indirectly, the cost of gasoline or other refined products; and
- a shift by consumers to more fuel-efficient or alternative fuel vehicles or an increase in fuel economy, whether as a result of technological advances by manufacturers, pending legislation proposing to mandate higher fuel economy, or otherwise.

Rate regulation may not allow us to recover the full amount of increases in our costs, and a successful challenge to our rates may reduce our ability to make distributions to unitholders or service our debt obligations.

The primary rate-making methodology of the Federal Energy Regulatory Commission, or FERC, is price indexing. We use this methodology in all of our interstate markets. In an order issued February 24, 2003, the FERC announced that, effective July 1, 2003, the index would equal the change in the producer price index for finished goods (previously, the index was equal to the change in the producer price index for finished goods minus 1%). If the index falls, we would be required to reduce rates that are based on the FERC s price indexing methodology if they exceed the new maximum allowable rate. In addition, changes in the index might not be large enough to fully reflect actual increases in our costs. The FERC s rate-making methodologies may limit our ability to set rates based on our true costs or may delay the use of rates that reflect increased costs. Any of the foregoing could reduce our revenues and cash flow, and decrease our ability to make distributions to unitholders or payments to debt holders.

Under the Energy Policy Act adopted in 1992, the interstate pipeline rates were deemed just and reasonable or grandfathered. As that Act applies to our rates, a person challenging a grandfathered rate must, as a threshold matter, establish a substantial change since the date of enactment of the Act, in either the economic circumstances or the nature of the service that formed the basis for the rate. A complainant might assert that the

creation of the partnership itself constitutes such a change, an argument that has not previously been specifically addressed by the FERC. If the FERC were to find a substantial change in circumstances, then the existing rates could be subject to detailed review. There is a risk that some rates could be found to be in excess of levels justified by our cost of service. In such event, the FERC would order us to reduce rates. Any such reduction would result in lower revenues and cash flows and may reduce our ability to make distributions to unitholders or payments to debt holders.

In a 1995 decision involving an unrelated oil pipeline limited partnership, the FERC partially disallowed the inclusion of income taxes in that partnership s cost of service. In another FERC proceeding involving a different oil pipeline limited partnership, the FERC held that the oil pipeline limited partnership may not claim an income tax allowance for income attributable to non-corporate limited partners. If our rates were challenged and the FERC were to disallow the inclusion of an income tax allowance in our cost of service, it may be more difficult to justify our rates.

In addition, a state commission could also investigate our intrastate rates or terms and conditions of service on its own initiative or at the urging of a shipper or other interested party. If a state commission found that our rates exceeded levels justified by our cost of service, the state commission could order us to reduce our rates.

Sunoco R&M has agreed not to challenge, or to cause others to challenge or assist others in challenging, our tariff rates in effect during the term of the pipelines and terminals storage and throughput agreement. This agreement does not prevent other current or future shippers from challenging our tariff rates. At the end of the term of the agreement, Sunoco R&M will be free to challenge, or to cause other parties to challenge or assist others in challenging, our tariff rates in effect at that time. If any party successfully challenges our tariff rates, the effect would be to reduce our revenues and cash flow and our ability to make distributions to unitholders or payments to debt holders.

Potential changes to current rate-making methods and procedures may impact the federal and state regulations under which we will operate in the future. In addition, if the FERC s petroleum pipeline ratemaking methodology changes, the new methodology could result in tariffs that generate lower revenues and cash flow and reduce our ability to make cash distributions to our unitholders or service our debt obligations.

Our operations are subject to federal, state, and local laws and regulations relating to environmental protection and operational safety that could require substantial expenditures.

Our pipelines, gathering systems, and terminal operations are subject to increasingly strict environmental and safety laws and regulations. The transportation and storage of refined products and crude oil result in a risk that refined products, crude oil, and other hydrocarbons may be suddenly or gradually released into the environment, potentially causing substantial expenditures for a response action, significant government penalties, liability to government agencies for natural resources damages, personal injury, or property damages to private parties and significant business interruption. We own or lease a number of properties that have been used to store or distribute refined products and crude oil for many years. Many of these properties have also been operated by third parties whose handling, disposal, or release of hydrocarbons and other wastes were not under our control. Management estimates that the total aggregate cost of performing the currently estimated assessment, monitoring and remediation activities at these sites is not material to the Partnership at December 31, 2002.

We estimate that we will spend $7.2 million on storage tank inspection and repair over the next four years at our Nederland Terminal. We also expect to spend approximately $8.0 million in each of the next four years to comply with the recently adopted pipeline integrity management rule of the U.S. Department of Transportation, or DOT. Although Sunoco, Inc. has agreed to indemnify us for costs in excess of $8.0 million per year, up to a maximum of $15.0 million until February 2007 with regard to compliance with this DOT pipeline integrity management rule, the cost to perform such activities may exceed these estimated amounts and the amount of any indemnification. If we are not able to recover the excess costs through increased tariffs and revenues, cash distributions to unitholders, or payments to our debt holders, could be reduced.

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If existing or future state or federal government regulations banning or restricting the use of MTBE in gasoline take effect, this action could adversely affect our results of operations, thereby reducing our ability to make distributions to unitholders or service our debt obligations.

Our Eastern refined product pipeline system transports from Sunoco R&M s refineries gasoline containing MTBE, an oxygenate used extensively to reduce motor vehicle tailpipe emissions. In response to concerns about MTBE s adverse impact on ground or surface water, many states, including New York (commencing in January 2004), and Connecticut (commencing in October 2003), have banned or restricted the use of MTBE in gasoline. Other states are considering bans or restrictions on MTBE or opting out of the EPA s reformulated gasoline program, either of which events would reduce the use of MTBE. Any ban or restriction on the use of MTBE may lead to the greater use of ethanol. Unlike MTBE, which can be blended in gasoline at the refinery, ethanol is blended at the terminal and is not transported by pipelines. Any revenues we would receive for blending ethanol might not offset the loss of revenues we would suffer from the reduced volumes transported on our Eastern refined product pipelines. In addition, Congress is currently considering removing or modifying the oxygenate requirement, which could reduce the amount of gasoline transported on our Eastern refined product pipelines, thereby adversely affecting our results of operations and reducing our ability to make distributions to unitholders, or service our debt obligations.

When the price of foreign crude oil delivered to the United States is greater than that of domestic crude oil, or the price for the future delivery of crude oil falls below current prices, customers are less likely to store crude oil, thereby reducing storage revenues at our Nederland Terminal.

Most of the crude oil stored at our Nederland Terminal is foreign crude oil. When the price of foreign crude oil delivered to the United States is greater than that of domestic crude oil, the demand for this storage capacity may decrease. If this market condition occurs, our storage revenues will be lower, which would reduce our ability to make distributions to unitholders, or payments to debt holders.

When the price of crude oil in a given month exceeds the price of crude oil for delivery in a subsequent month, the market is backwardated. When the crude oil market is backwardated, the demand for storage capacity at our Nederland Terminal may decrease because crude oil producers can capture a premium for prompt deliveries rather than storing it for sale later. The market has been in backwardation for much of the last several years. In a backwardated market, our storage revenues may be lower, which would reduce our ability to make distributions to unitholders, or service our debt obligations.

A material decrease in the supply, or increase in the price, of crude oil available for transport through our Western Pipeline System could reduce our ability to make distributions to unitholders or service our debt obligations.

The volume of crude oil transported in our crude oil pipelines depends on the availability of attractively priced crude oil produced in the areas accessible to our crude oil pipelines and received from other common carrier pipelines. If we do not replace volume lost due to a material temporary or permanent decrease in supply, the volume of crude oil transported through our pipelines would decline, reducing revenues and cash flow and the ability to make distributions to unitholders, or service our debt obligations. For example, some of the gathering systems that supply crude oil that we transport on our Western Pipeline System are experiencing a decline in production. In addition, sustained low crude oil prices could lead to a decline in drilling activity and production levels or the shutting-in or abandonment of marginal wells. Similarly, a temporary or permanent material increase in the price of crude oil supplied from any of these sources, as compared to alternative sources of crude oil available to our customers, could cause the volume of crude oil transported in our pipelines to decline, thereby reducing revenues and cash flow and adversely affecting our ability to make cash distributions to unitholders, or service our debt obligations.

Any reduction in the capability of, or the allocations to, our shippers in interconnecting, third-party pipelines would cause a reduction of volumes transported in our pipelines and through our terminals, which would reduce our ability to make distributions to our unitholders, or service our debt obligations.

Sunoco R&M and the other users of our pipelines and terminals are dependent upon connections to third-party pipelines to receive and deliver crude oil and refined products. Any reduction of capabilities of these interconnecting pipelines due to testing, line repair, reduced operating pressures, or other causes would result in reduced volumes transported in our pipelines or through our terminals. Similarly, if additional shippers begin transporting volume over interconnecting pipelines, the allocations to our existing shippers could be reduced, which also would reduce volumes transported in our pipelines or through our terminals. Any reduction in volumes transported in our pipelines or through our terminals would adversely affect our revenues and cash flow, and reduce our ability to make distributions to unitholders, or service our debt obligations.

Our operations are subject to operational hazards and unforeseen interruptions for which we may not be adequately insured.

Our operations are subject to operational hazards and unforeseen interruptions such as natural disasters, adverse weather, accidents, fires, explosions, hazardous materials releases, and other events beyond our control. These events might result in a loss of equipment or life, injury, or extensive property damage, as well as an interruption in our operations. We may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. As a result of market conditions, premiums and deductibles for certain insurance policies have increased substantially, and could escalate further. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. For example, insurance carriers are now requiring broad exclusions for losses due to war risk and terrorist acts. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our financial position, thereby reducing our ability to make distributions to unitholders, or payments to debt holders.

We are exposed to the credit risk of customers in the ordinary course of crude oil acquisition and marketing activities.

When we purchase crude oil at the wellhead, we sometimes pay all or a portion of the production proceeds to an operator who distributes these proceeds to the various interest owners, an arrangement that exposes us to operator credit risk. Therefore, we must determine whether operators have sufficient financial resources to make these payments and distributions and to indemnify and defend us in case of a protest, action, or complaint. Even if the credit review and analysis mechanisms work properly, we may experience losses in dealings with operators and other parties.

Competing pipelines could cause the Partnership to reduce its rates.

If a competing crude oil or refined product pipeline charged lower rates than we do, we could be forced to reduce our rates to remain competitive, which would reduce our revenues and cash flow. Several companies have completed pipeline expansions or conversion projects in 2002 that are competing with Explorer Pipeline Company and portions of our West Texas pipeline system.

Restrictions in our debt agreements, and in Sunoco, Inc. s debt agreements, may prevent us from engaging in some beneficial transactions or paying distributions to unitholders.

As of February 28, 2003, our total outstanding long-term indebtedness was approximately $317.1 million, consisting of $248.5 million of senior notes, net of unamortized discount of $1.5 million, $64.5 million of borrowings under our credit facility, and approximately $4.1 million of other indebtedness. Our payment of principal and interest on the debt will reduce the cash available for distribution on our units, as will our obligation to repurchase the senior notes upon the occurrence of specified events involving a change in control of

our general partner. In addition, we are prohibited by our credit facility and the senior notes from making cash distributions during an event of default, or if the payment of a distribution would cause an event of default, under any of our debt agreements. The termination of our pipelines and terminals storage and throughput agreement prior to its expiration will constitute an event of default under our credit facility. Our leverage and various limitations in our credit facility and our senior notes may reduce our ability to incur additional debt, engage in some transactions, and capitalize on acquisition or other business opportunities. Sunoco, Inc. s revolving credit agreements also limit the aggregate amount of debt Sunoco, Inc. and its consolidated subsidiaries, including us, may borrow. Since Sunoco, Inc. owns and controls our general partner, we are not be permitted to incur additional debt if the effect would be to cause an event of default under Sunoco, Inc. s revolving credit agreements. Any subsequent re-financing of Sunoco, Inc. s or our current debt or any new debt could have similar or greater restrictions.

A down-grading in Sunoco, Inc. s credit rating could result in a down-grading in our credit rating, which could adversely affect our ability to obtain financing.

Due to our relationship with Sunoco, Inc., our credit rating is partly dependent on Sunoco, Inc. s credit rating. Any downgrading in Sunoco, Inc. s credit rating could result in a down-grading in our credit rating, which could, amongst other things, limit our ability to obtain additional financing on the terms currently available to us, if at all.

Terrorist attacks aimed at the Partnership s facilities could adversely affect the business.

On September 11, 2001, the United States was the target of terrorist attacks of unprecedented scale. Since the September 11 attacks, the U.S. government has issued warnings that energy assets, specifically the nation s pipeline infrastructure, may be the future targets of terrorist organizations. These developments have subjected our operations to increased risks. Any future terrorist attack at our facilities, those of our customers and, in some cases, those of other pipelines, could have a material adverse effect on our business.

Risks Inherent in an Investment in Us

Sunoco, Inc. and its affiliates have conflicts of interest and limited fiduciary responsibilities, which may permit them to favor their own interests to your detriment.

Sunoco, Inc. indirectly owns the 2% general partner interest and a 73.3% limited partner interest in us and owns and controls our general partner. Conflicts of interest may arise between Sunoco, Inc. and its affiliates, including our general partner, on the one hand, and us and our unitholders, on the other hand. As a result of these conflicts, the general partner may favor its own interests and the interests of its affiliates over the interests of our unitholders. These conflicts include, among others, the following situations:

- Sunoco R&M, as a shipper on our pipelines, has an economic incentive not to cause us to seek higher tariff rates or terminalling fees, even if such higher rates or terminalling fees would reflect rates that could be obtained in arm s-length, third-party transactions;

- neither our partnership agreement nor any other agreement requires Sunoco, Inc. to pursue a business strategy that favors us or utilizes our assets, including whether to increase or decrease refinery production, whether to shut down or reconfigure a refinery, or what markets to pursue or grow. Sunoco, Inc. s directors and officers have a fiduciary duty to make these decisions in the best interests of the stockholders of Sunoco, Inc.;

- our general partner is allowed to take into account the interests of parties other than us, such as Sunoco, Inc., in resolving conflicts of interest;

- our general partner may limit its liability and reduce its fiduciary duties, while also restricting the remedies available to our unitholders for actions that, without the limitations, might constitute breaches of fiduciary duty;

our general partner determines the amount and timing of asset purchases and sales, capital expenditures, borrowings, issuance of additional partnership securities, and reserves, each of which can affect the amount of cash that is distributed to our unitholders;

our general partner determines which costs incurred by Sunoco, Inc. and its affiliates are reimbursable by us;

our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered on terms that are fair and reasonable to us or entering into additional contractual arrangements with any of these entities on our behalf;

our general partner controls the enforcement of obligations owed to us by our general partner and its affiliates, including the pipelines and terminals storage and throughput agreement with Sunoco R&M;

our general partner decides whether to retain separate counsel, accountants, or others to perform services for us; and

Sunoco, Inc. may at any time propose that we undertake a project to develop and construct an asset, and if our general partner determines in its good faith judgment, with the concurrence of its conflicts committee, that the project, including the terms on which Sunoco, Inc. would agree to use such asset, will be beneficial on the whole to us and that proceeding with the project will not effectively preclude us from undertaking another project that will be more beneficial to us, we will be required to use our commercially reasonable efforts to finance, develop, and construct or acquire the asset.

Even if unitholders are dissatisfied, they cannot remove our general partner without its consent, which could lower the trading price of the common units.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management s decisions regarding our business. Unitholders did not elect our general partner or its board of directors and will have no right to elect our general partner or its board of directors on an annual or other continuing basis. The board of directors of our general partner is chosen by the members of our general partner. Furthermore, if the unitholders are dissatisfied with the performance of our general partner, they will have little ability to remove our general partner. As a result of these limitations, the price at which the common units trade could be diminished because of the absence or reduction of a takeover premium in the trading price.

The vote of the holders of at least 66²/3% of all outstanding units voting together as a single class is required to remove the general partner. Unitholders will be unable to remove the general partner without its consent because the general partner and its affiliates own sufficient units to prevent its removal. Also, if the general partner is removed without cause during the subordination period and units held by the general partner are not voted in favor of that removal, all remaining subordinated units will automatically be converted into common units and any existing arrearages on the common units will be extinguished. A removal of the general partner under these circumstances would adversely affect the common units by prematurely eliminating their distribution and liquidation preference over the subordinated units, which would otherwise have continued until we had met certain distribution and performance tests. Cause is narrowly defined to mean that a court of competent jurisdiction has entered a final, non-appealable judgment finding the general partner liable for actual fraud, gross negligence, or willful or wanton misconduct in its capacity as our general partner. Cause does not include most cases of charges of poor management of the business, so the removal of the general partner because of the unitholders dissatisfaction with the general partner s performance in managing our partnership will most likely result in the termination of the subordination period.

Furthermore, unitholders voting rights are further restricted by the partnership agreement provision providing that any units held by a person that owns 20% or more of any class of units then outstanding, other than the general partner, its affiliates, their transferees, and persons who acquired such units with the prior approval of the board of directors of the general partner, cannot vote on any matter.

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The partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders ability to influence the manner or direction of management.

The control of our general partner may be transferred to a third party without unitholder consent.

The general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. Furthermore, there is no restriction in the partnership agreement on the ability of the owner of the general partner from transferring its ownership interest in the general partner to a third party. The new owner of the general partner would then be in a position to replace the board of directors and officers of the general partner with its own choices and to control the decisions taken by the board of directors and officers.

We may issue additional common units without your approval, which would dilute your ownership interests.

During the subordination period, our general partner, without the approval of our unitholders, may cause us to issue up to 5,691,820 additional common units. Our general partner also may cause us to issue an unlimited number of additional common units or other equity securities of equal rank with the common units, without unitholder approval, in a number of circumstances.

After the end of the subordination period, we may issue an unlimited number of limited partner interests of any type without the approval of our unitholders. Our partnership agreement does not give our unitholders the right to approve our issuance of equity securities ranking junior to the common units at any time.

The issuance of additional common units or other equity securities of equal or senior rank will have the following effects:

- our unitholders proportionate ownership interest in us will decrease;
- the amount of cash available for distribution on each unit may decrease;
- because a lower percentage of total outstanding units will be subordinated units, the risk that a shortfall in the payment of the minimum quarterly distribution will be borne by our common unitholders will increase;
- the relative voting strength of each previously outstanding unit may be diminished; and
- the market price of the common units may decline.

Sunoco, Inc. and its affiliates may engage in limited competition with us.

Sunoco, Inc. and its affiliates may engage in limited competition with us. Pursuant to the omnibus agreement, Sunoco, Inc. and its affiliates will agree not to engage in the business of purchasing crude oil at the wellhead or operating refined product or crude oil pipelines or terminals or LPG terminals in the continental United States. The omnibus agreement, however, does not apply to:

- any business operated by Sunoco, Inc. or any of its subsidiaries at the closing of our initial public offering;
- any logistics asset constructed by Sunoco, Inc. or any of its subsidiaries within a manufacturing or refining facility in connection with the operation of that facility;
- any business that Sunoco, Inc. or any of its subsidiaries acquires or constructs that has a fair market value of less than $5.0 million; and
- any business that Sunoco, Inc. or any of its subsidiaries acquires or constructs that has a fair market value of $5.0 million or more if we have been offered the opportunity to purchase the business for fair market value, and we decline to do so with the concurrence of our conflicts committee.

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Upon a change of control of Sunoco, Inc. or a sale of the general partner by Sunoco, Inc., the non-competition provisions of the omnibus agreement may terminate.

Our general partner may cause us to borrow funds in order to make cash distributions, even where the purpose or effect of the borrowing benefits the general partner or its affiliates.

In some instances, our general partner may cause us to borrow funds from affiliates of Sunoco, Inc. or from third parties in order to permit the payment of cash distributions. These borrowings are permitted even if the purpose and effect of the borrowing is to enable us to make a distribution on the subordinated units, to make incentive distributions, or to hasten the expiration of the subordination period.

Our general partner has a limited call right that may require you to sell your common units at an undesirable time or price.

If at any time our general partner and its affiliates own more than 80% of the common units, our general partner will have the right, but not the obligation, which it may assign to any of its affiliates or to us, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price not less than their then-current market price. As a result, you may be required to sell your common units at an undesirable time or price and may not receive any return on your investment. You may also incur a tax liability upon a sale of your units.

Tax Risks to Common Unitholders

Prospective purchasers of our common units are encouraged to read Material Tax Consequences for a more complete discussion of the expected and potential material income tax consequences of owning and disposing of our common units.

The IRS could treat us as a corporation, which would substantially reduce the cash available for distribution to unitholders.

The federal income tax benefit of an investment in us depends largely on our being treated as a partnership for federal income tax purposes. We have not requested, and do not plan to request, a ruling from the IRS on this or any other matter affecting us.

If we were treated as a corporation for federal income tax purposes, we would pay tax on our income at corporate rates, currently 35%, distributions would generally be taxed again to you as corporate distributions, and no income, gains, losses, or deductions would flow through to you. Because a tax would be imposed upon us as an entity, the cash available for distribution to you would be substantially reduced. Treatment of us as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to you and thus would likely result in a substantial reduction in the value of the common units.

Current law may change so as to cause us to be treated as a corporation for federal income tax purposes or otherwise to be subject to entity-level taxation. The partnership agreement provides that, if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal, state, or local income tax purposes, the minimum quarterly distribution amount and the target distribution amounts will be adjusted to reflect the impact of that law on us.

A successful IRS contest of the federal income tax positions we take may adversely impact the market for our common units, and the costs of any contest will be borne by our unitholders and our general partner.

We have not requested any ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes or any other matter affecting us. The IRS may adopt positions that differ from our counsel s conclusions expressed in this prospectus. It may be necessary to resort to administrative or court proceedings to

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sustain some or all of our counsel s conclusions or the positions we take. A court may not agree with all our counsel s conclusions or the positions we take. Any contest with the IRS may materially and adversely impact the market for our common units and the prices at which common units trade. In addition, our costs of any contest with the IRS will be borne indirectly by our unitholders and our general partner.

A unitholder may be required to pay taxes on income from us even if that unitholder does not receive any cash distributions from us.

A unitholder will be required to pay federal income taxes and, in some cases, state, local, and foreign income taxes on that unitholder s share of our taxable income, whether or not cash distributions are received from us. A unitholder may not receive cash distributions equal to that unitholder s share of our taxable income or even the tax liability that results from that income.

Tax gain or loss on the disposition of our common units could be different than expected.

If you sell your common units, you will recognize gain or loss equal to the difference between the amount realized and your tax basis in those common units. Prior distributions in excess of the total net taxable income you were allocated for a common unit, which decreased your tax basis in that common unit, will, in effect, become taxable income to you if the common unit is sold at a price greater than your tax basis in that common unit, even if the price you receive is less than your original cost. A substantial portion of the amount realized, whether or not representing gain, may be ordinary income to you. Should the IRS successfully contest some positions we take, you could recognize more gain on the sale of units than would be the case under those positions, without the benefit of decreased income in prior years. In addition, if you sell your units, you may incur a tax liability in excess of the amount of cash you receive from the sale.

Tax-exempt entities, regulated investment companies, and foreign persons face unique tax issues from owning common units that may result in adverse tax consequences to them.

Investment in common units by tax-exempt entities, such as individual retirement accounts (known as IRAs), regulated investment companies (known as mutual funds), and non-U.S. persons raises issues unique to them. For example, virtually all of our income allocated to organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, will be unrelated business income and will be taxable to them. Very little of our income will be qualifying income to a regulated investment company. Distributions to non-U.S. persons will be reduced by withholding taxes at the highest effective rate applicable to individuals, and non-U.S. persons will be required to file federal income tax returns and pay tax on their share of our taxable income.

We have registered as a tax shelter. This may increase the risk of an IRS audit of us or a unitholder.

We have registered as a tax shelter with the Secretary of the Treasury. The IRS requires that some types of entities, including some partnerships, register as tax shelters in response to the perception that they claim tax benefits that the IRS may believe to be unwarranted. As a result, we may be audited by the IRS and tax adjustments could be made. Any unitholder owning less than a 1% profits interest in us has very limited rights to participate in the income tax audit process. Further, any adjustments in our tax returns will lead to adjustments in a unitholder s tax returns and may lead to audits of a unitholder s tax returns and adjustments of items unrelated to us. A unitholder will bear the cost of any expense incurred in connection with an examination of that unitholder s personal tax return.

We will treat each purchaser of units as having the same tax benefits without regard to the units purchased. The IRS may challenge this treatment, which could adversely affect the value of the common units.

Because we cannot match transferors and transferees of common units and because of other reasons, we will take depreciation and amortization positions that may not conform to all aspects of the Treasury regulations.

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A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to unitholders. It also could affect the timing of these tax benefits or the amount of gain from the sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to a unitholder s tax returns.

Unitholders will likely be subject to state, local, and foreign taxes and return filing requirements as a result of investing in our common units.

In addition to federal income taxes, unitholders will likely be subject to other taxes, such as state, local, and foreign income taxes, unincorporated business taxes and estate, inheritance, or intangible taxes that are imposed by the various jurisdictions in which we do business or own property. Unitholders will likely be required to file state, local, and foreign income tax returns and pay state, local, and foreign income taxes in some or all of the various jurisdictions in which we do business or own property and may be subject to penalties for failure to comply with those requirements. We own property and conduct business in Indiana, Kansas, Louisiana, Michigan, New Jersey, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, Texas, and Ontario, Canada. Of those states, only Texas does not currently impose a state income tax. We may do business or own property in other states or foreign countries in the future. It is the responsibility of unitholders to file all federal, state, local, and foreign tax returns. Our counsel has not rendered an opinion on the state, local, or foreign tax consequences of an investment in our common units.

Risks relating to the Debt Securities

References in these Risks relating to the Debt Securities to we, us, and our means Sunoco Logistics Partners Operations L.P.

We may not be able to generate sufficient cash flow to meet our debt service obligations.

Our ability to make payments on and to refinance our indebtedness and to fund planned expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

In the future, we may not be able to generate sufficient cash flow from operations, realize currently anticipated operating improvements or borrow amounts under our revolving credit facility sufficient to fund our liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. We may not be able to refinance any of our indebtedness on or before maturity. We may not be able to refinance any of our indebtedness on commercially reasonable terms or at all.

We are a holding company. We conduct our operations through our subsidiaries and depend on cash flow from our subsidiaries to service our debt obligations.

We are a holding company. We conduct our operations through our subsidiaries. As a result, our cash flow and ability to service our debt is dependent upon the earnings of our subsidiaries. In addition, we are dependent on the distribution of earnings, loans or other payments from our subsidiaries to us. Any payment of dividends, distributions, loans or other payments from our subsidiaries to us could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries also will be contingent upon the profitability of our subsidiaries. If we are unable to obtain funds from our subsidiaries we may not be able to pay interest or principal on our debt securities when due or to obtain the necessary funds from other sources.

We could incur a substantial amount of debt in the future, which could prevent us from fulfilling our debt obligations.

We are permitted to incur additional debt, subject to certain limitations under our revolving credit facility and, in the case of secured debt, under the indenture governing the notes. If we incur additional debt in the future, our increased leverage could, for example:

- make it more difficult for us to satisfy our obligations under our debt securities or other indebtedness and, if we fail to comply with the requirements of the other indebtedness, could result in an event of default under our debt securities or such other indebtedness;
- require us to dedicate a substantial portion of our cash flow from operations to required payments on indebtedness, thereby reducing the availability of cash flow from working capital, capital expenditures and other general corporate activities;
- limit our ability to obtain additional financing in the future for working capital, capital expenditures and other general corporate activities;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- detract from our ability to successfully withstand a downturn in our business or the economy generally; and
- place us at a competitive disadvantage against less leveraged competitors.

In the event of our bankruptcy or liquidation, holders of our debt securities will be paid from any assets remaining after payments to any holders of secured debt and debt of our non-guarantor subsidiaries.

The debt securities will be general unsecured obligations of our Subsidiary Guarantors, and effectively subordinated to any secured debt that we may have in the future to the extent of the value of the assets securing that debt. We currently have approximately $4.1 million of secured indebtedness. We may also incur additional secured indebtedness provided certain conditions are met. In the event any of our subsidiaries do not guarantee our debt securities in the future, those debt securities will be effectively subordinated to the liabilities of any of these non-guarantor subsidiaries.

If we are declared bankrupt or insolvent, or are liquidated, the holders of our secured debt and any debt of our non-guarantor subsidiaries will be entitled to be paid from our assets before any payment may be made with respect to our debt securities. If any of the foregoing events occur, we cannot assure you that we will have sufficient assets to pay amounts due on our secured debt and our debt securities.

The subsidiary guarantees could be deemed to be fraudulent conveyances under certain circumstances, and a court may try to subordinate or void the subsidiary guarantees.

Under federal bankruptcy laws and comparable provisions of state fraudulent transfer laws, a guarantee by a subsidiary could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by its guarantee received less than reasonably equivalent fair value or fair consideration for the incurrence of such guarantee; and

- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which the guarantor s remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

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In addition, any payment by that subsidiary guarantor pursuant to its guarantee could be voided and required to be returned to the guarantor, or to a fund for the benefit of the creditors of the guarantor. The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a guarantor would be considered insolvent if:

the sum of its assets, including contingent liabilities were greater than the fair saleable value of all of its assets;