BP PLC
Form 6-K
March 27, 2015
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

for the period ended March, 2015

BP p.l.c.
(Translation of registrant's name into English)

1 ST JAMES'S SQUARE, LONDON, SW1Y 4PD, ENGLAND
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F |X| Form 40-F
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Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes --------------- No |X| ----------------

27 March 2015

BP p.l.c.
Fourth quarter interim dividend for 2014
Allotments for Scrip Dividend Programme

Ordinary shares
BP p.l.c. confirms the allotment and issue of 15,707,322 ordinary shares of US$0.25 each ('shares') to shareholders who elected to receive ordinary shares (ISIN number GB0007980591) under the Scrip Dividend Programme as an alternative for the fourth quarter interim dividend for 2014, payable on 27 March 2015. This allotment and issue includes the election made by the Depositary, JPMorgan Chase Bank in order to issue ADSs to ADS holders who elected to receive ADSs under the Scrip Dividend Programme, as outlined below. The shares rank pari passu with the existing issued ordinary shares of BP p.l.c.

Following the issue of the above shares, the number of ordinary shares in issue will be 20,021,668,615 of which 1,767,356,771 are held as treasury shares leaving a balance 18,254,311,844 ordinary shares with voting rights.

Application has been made to the Financial Conduct Authority for the shares to be admitted to the Official List and to the London Stock Exchange for the shares to be admitted to trading. Dealings in the shares are expected to commence on 27 March 2015.

American Depositary Shares ('ADSs')
In accordance with the terms of the Scrip Dividend Programme for ADS holders and the Deposit Agreement between BP p.l.c. and the Depositary, JPMorgan Chase Bank, 1,239,103.37 ADRs (ISIN number US0556221044) (each representing 6 ordinary shares) are to be issued to ADS holders who elected to receive ADSs under the Scrip Dividend Programme. This number reflects an adjustment for the fee payable to the Depositary under the Deposit Agreement ($0.05 per ADS). Prior to the 2012 first quarter dividend payment stamp duty reserve tax ("SDRT") of 1.5% was deducted from this calculation, but following a tax tribunal decision in 2012, HM Revenue & Customs will no longer seek to impose 1.5% SDRT on issues of UK shares and securities to non-EU clearance services and depositary receipt systems. Application has been made to the New York Stock Exchange for the listing of the ADSs on the New York Stock Exchange. Dealings in the ADSs are expected to commence on 27 March 2015.

Details of the fourth quarter dividend are available at www.bp.com/dividends and details of the Scrip Dividend Programme are available at www.bp.com/scrip.

Jens Bertelsen
Deputy Secretary

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BP p.l.c.
(Registrant)

Dated: 27 March, 2015

/s/ J. BERTELSEN
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J. BERTELSEN
Deputy Company Secretary

ed below: a. ten (10) Board Members to be elected by the holders of Common Shares and Municipal Auction Rate Cumulative Preferred Shares ("MuniPreferred"), voting together as a single class; and b. two (2) Board Members to be elected by the holders of MuniPreferred only, voting separately as a single class. 2. To transact such other business as may properly come before the Annual Meeting. Shareholders of record at the close of business on August 26, 2003 are entitled to notice of and to vote at the Annual Meeting. ALL SHAREHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING. IN ORDER TO AVOID DELAY AND ADDITIONAL EXPENSE TO YOUR FUND, AND TO ASSURE THAT YOUR SHARES ARE REPRESENTED, PLEASE VOTE AS PROMPTLY AS POSSIBLE, WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING. YOU MAY VOTE BY MAIL, TELEPHONE OR OVER THE INTERNET. TO VOTE BY MAIL, PLEASE MARK, SIGN, DATE AND MAIL THE ENCLOSED PROXY CARD. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES. TO VOTE BY TELEPHONE, PLEASE CALL THE TOLL-FREE NUMBER LOCATED ON YOUR PROXY CARD, ENTER THE CONTROL NUMBER PROVIDED ON YOUR PROXY CARD, AND FOLLOW THE RECORDED INSTRUCTIONS, USING YOUR PROXY CARD AS A GUIDE. TO VOTE OVER THE INTERNET, GO TO WWW.PROXYVOTE.COM, ENTER THE CONTROL NUMBER PROVIDED ON THE PROXY CARD, AND FOLLOW THE INSTRUCTIONS, USING YOUR PROXY CARD AS A GUIDE. Jessica R. Droeger Vice President and Secretary JOINT PROXY STATEMENT SEPTEMBER 19, 2003 333 West Wacker Drive Chicago, Illinois 60606 (800) 257-8787 NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND (NFZ) NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 2 (NKR) NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 (NXE) NUVEEN ARIZONA PREMIUM INCOME MUNICIPAL FUND, INC. (NAZ) NUVEEN CONNECTICUT DIVIDEND ADVANTAGE MUNICIPAL FUND (NFC) NUVEEN CONNECTICUT DIVIDEND ADVANTAGE MUNICIPAL FUND 2 (NGK) NUVEEN CONNECTICUT DIVIDEND ADVANTAGE MUNICIPAL FUND 3 (NGO) NUVEEN CONNECTICUT PREMIUM INCOME MUNICIPAL FUND (NTC) NUVEEN GEORGIA DIVIDEND ADVANTAGE MUNICIPAL FUND (NZX) NUVEEN GEORGIA DIVIDEND ADVANTAGE MUNICIPAL FUND 2 (NKG) NUVEEN GEORGIA PREMIUM INCOME MUNICIPAL FUND (NPG) NUVEEN MARYLAND DIVIDEND ADVANTAGE MUNICIPAL FUND (NFM) NUVEEN MARYLAND DIVIDEND ADVANTAGE MUNICIPAL FUND 2 (NZR) NUVEEN MARYLAND DIVIDEND ADVANTAGE MUNICIPAL FUND 3 (NWI) NUVEEN MARYLAND PREMIUM INCOME MUNICIPAL FUND (NMY) NUVEEN INSURED MASSACHUSETTS TAX-FREE ADVANTAGE MUNICIPAL FUND (NGX) NUVEEN MASSACHUSETTS DIVIDEND ADVANTAGE MUNICIPAL FUND (NMB) NUVEEN MASSACHUSETTS PREMIUM INCOME MUNICIPAL FUND (NMT) NUVEEN MICHIGAN DIVIDEND ADVANTAGE MUNICIPAL FUND (NZW) NUVEEN MICHIGAN PREMIUM INCOME MUNICIPAL FUND, INC. (NMP) NUVEEN MICHIGAN QUALITY INCOME MUNICIPAL FUND, INC. (NUM) NUVEEN MISSOURI PREMIUM INCOME MUNICIPAL FUND (NOM) NUVEEN NORTH CAROLINA DIVIDEND ADVANTAGE MUNICIPAL FUND (NRB) NUVEEN NORTH CAROLINA DIVIDEND ADVANTAGE MUNICIPAL FUND 2 (NNO) NUVEEN NORTH CAROLINA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 (NII) NUVEEN NORTH CAROLINA PREMIUM INCOME MUNICIPAL FUND (NNC)

NUVEEN OHIO DIVIDEND ADVANTAGE MUNICIPAL FUND (NXI) NUVEEN OHIO DIVIDEND ADVANTAGE MUNICIPAL FUND 2 (NBJ) NUVEEN OHIO DIVIDEND ADVANTAGE MUNICIPAL FUND 3 (NVJ) NUVEEN OHIO QUALITY INCOME MUNICIPAL FUND, INC. (NUO) NUVEEN TEXAS QUALITY INCOME MUNICIPAL FUND (NTX) NUVEEN VIRGINIA DIVIDEND ADVANTAGE MUNICIPAL FUND (NGB) NUVEEN VIRGINIA DIVIDEND ADVANTAGE MUNICIPAL FUND 2 (NNB) NUVEEN VIRGINIA PREMIUM INCOME MUNICIPAL FUND (NPV) 1 GENERAL INFORMATION This Joint Proxy Statement is furnished in connection with the solicitation by the Board of Directors or Trustees, as applicable (each a "Board" and collectively, the "Boards," and each Director or Trustee a "Board Member" and collectively, the "Board Members") of each of Nuveen Arizona Dividend Advantage Municipal Fund ("Arizona Dividend"), Nuveen Arizona Dividend Advantage Municipal Fund 2 ("Arizona Dividend 2"), Nuveen Arizona Dividend Advantage Municipal Fund 3 ("Arizona Dividend 3"), Nuveen Connecticut Dividend Advantage Municipal Fund ("Connecticut Dividend"), Nuveen Connecticut Dividend Advantage Municipal Fund 2 ("Connecticut Dividend 2"), Nuveen Connecticut Dividend Advantage Municipal Fund 3 ("Connecticut Dividend 3"), Nuveen Connecticut Premium Income Municipal Fund ("Connecticut Premium"), Nuveen Georgia Dividend Advantage Municipal Fund ("Georgia Dividend"), Nuveen Georgia Dividend Advantage Municipal Fund 2 ("Georgia Dividend 2"), Nuveen Georgia Premium Income Municipal Fund ("Georgia Premium"), Nuveen Maryland Dividend Advantage Municipal Fund ("Maryland Dividend"), Nuveen Maryland Dividend Advantage Municipal Fund 2 ("Maryland Dividend 2"), Nuveen Maryland Dividend Advantage Municipal Fund 3 ("Maryland Dividend 3"), Nuveen Maryland Premium Income Municipal Fund ("Maryland Premium"), Nuveen Insured Massachusetts Tax-Free Advantage Municipal Fund ("Massachusetts Tax-Free"), Nuveen Massachusetts Dividend Advantage Municipal Fund ("Massachusetts Dividend"), Nuveen Massachusetts Premium Income Municipal Fund ("Massachusetts Premium"), Nuveen Michigan Dividend Advantage Municipal Fund ("Michigan Dividend"), Nuveen Missouri Premium Income Municipal Fund ("Missouri Premium"), Nuveen North Carolina Dividend Advantage Municipal Fund ("North Carolina Dividend"), Nuveen North Carolina Dividend Advantage Municipal Fund 2 ("North Carolina Dividend 2"), Nuveen North Carolina Dividend Advantage Municipal Fund 3 ("North Carolina Dividend 3"), Nuveen North Carolina Premium Income Municipal Fund ("North Carolina Premium"), Nuveen Ohio Dividend Advantage Municipal Fund ("Ohio Dividend"), Nuveen Ohio Dividend Advantage Municipal Fund 2 ("Ohio Dividend 2"), Nuveen Ohio Dividend Advantage Municipal Fund 3 ("Ohio Dividend 3"), Nuveen Texas Quality Income Municipal Fund ("Texas Quality"), Nuveen Virginia Dividend Advantage Municipal Fund ("Virginia Dividend"), Nuveen Virginia Dividend Advantage Municipal Fund 2 ("Virginia Dividend 2") and Nuveen Virginia Premium Income Municipal Fund ("Virginia Premium"), each a Massachusetts business trust, (are collectively referred to as the "Massachusetts Business Trusts"), and Nuveen Arizona Premium Income Municipal Fund, Inc. ("Arizona Premium"), Nuveen Michigan Premium Income Municipal Fund, Inc. ("Michigan Premium"), Nuveen Michigan Quality Income Municipal Fund, Inc. ("Michigan Quality"), and Nuveen Ohio Quality Income Municipal Fund, Inc. ("Ohio Quality"), each a Minnesota corporation (collectively referred to as the "Minnesota Corporations"), (individually, the Massachusetts Business Trusts and Minnesota Corporations are referred to as a "Fund" and collectively, the "Funds"), of proxies to be voted at the Annual Meeting of Shareholders to be held on October 22, 2003 (for each Fund, an "Annual Meeting" and collectively, the "Annual Meetings"), and at any and all adjournments thereof. On the matters coming before each Annual Meeting as to which a choice has been specified by shareholders on the proxy, the shares will be voted accordingly. If no choice is so specified, the shares will be voted FOR the election of the nominees as listed in this Joint Proxy Statement. Shareholders who execute proxies may revoke them at any time before they are voted by filing with that Fund a written notice of revocation, by delivering a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person. 2 This Joint Proxy Statement is first being mailed to shareholders on or about September 19, 2003. The Board of each Fund has determined that the use of this Joint Proxy Statement for each Annual Meeting is in the best interest of each Fund and its shareholders in light of the similar matters being considered and voted on by the shareholders. The following table indicates which shareholders are solicited with respect to each matter:

MATTER	COMMON SHARES	MUNIPREFERRED(1)
1.a Election of ten (10) Board Members by all shareholders	X	X
1.b Election of two (2) Board Members by MuniPreferred only		X

(1) "MuniPreferred" means "Municipal Auction Rate Cumulative Preferred Shares." A quorum of shareholders is required to take action at each Annual Meeting. A majority of the shares entitled to vote at each Annual Meeting,

represented in person or by proxy, will constitute a quorum of shareholders at that Annual Meeting, except that for the election of the two Board Member nominees to be elected by holders of MuniPreferred of each Fund, 33 1/3% of the MuniPreferred shares entitled to vote and represented in person or by proxy will constitute a quorum. Votes cast by proxy or in person at each Annual Meeting will be tabulated by the inspectors of election appointed for that Annual Meeting. The inspectors of election will determine whether or not a quorum is present at the Annual Meeting. The inspectors of election will treat abstentions and "broker non-votes" (i.e., shares held by brokers or nominees, typically in "street name," as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote and (ii) the broker or nominee does not have discretionary voting power on a particular matter) as present for purposes of determining a quorum. For purposes of determining the approval of the matter submitted for a vote of the shareholders of each Minnesota Corporation, abstentions and broker non-votes will be treated as shares voted against the election of Board Members. For purposes of determining the approval of the matter submitted for a vote of the shareholders of the Massachusetts Business Trusts, abstentions and broker non-votes will have no effect on the election of Board Members. The details of the proposal to be voted on by the shareholders of each Fund and the vote required for approval of the proposal are set forth under the description of the proposal below. Shares of MuniPreferred held in "street name" as to which voting instructions have not been received from the beneficial owners or persons entitled to vote as of one business day before the meeting, or, if adjourned, one business day before the day to which the meeting is adjourned, and that would otherwise be treated as "broker non-votes" may, pursuant to Rule 452 of the New York Stock Exchange, be voted by the broker on each item in the same proportion as the votes cast by all MuniPreferred shareholders as a class who have voted on that item or in the same proportion as the votes cast by all MuniPreferred shareholders of a series who have voted on that item. Rule 452 permits proportionate voting of MuniPreferred 3 with respect to a particular item if, among other things, (i) a minimum of 30% of the shares of MuniPreferred or shares of a series of MuniPreferred outstanding has been voted by the holders of such shares with respect to such item and (ii) less than 10% of the shares of MuniPreferred or shares of a series of MuniPreferred outstanding has been voted by the holders of such shares against such item. For the purpose of meeting the 30% test, abstentions will be treated as shares "voted" and, for the purpose of meeting the 10% test, abstentions will not be treated as shares "voted" against the item. Those persons who were shareholders of record at the close of business on August 26, 2003 will be entitled to one vote for each share held. As of August 26, 2003, the shares of the Funds were issued and outstanding as follows: -- FUND TICKER SYMBOL* COMMON SHARES MUNIPREFERRED -- Arizona Dividend (NFZ) 1,542,338 480 Series T -- Arizona Dividend 2 (NKR) 2,419,197 740 Series W -- Arizona Dividend 3 (NXE) 3,067,117 880 Series M -- Arizona Premium (NAZ) 4,432,611 1200 Series TH -- Connecticut Dividend (NFC) 2,552,922 780 Series T -- Connecticut Dividend 2 (NGK) 2,307,335 700 Series W -- Connecticut Dividend 3 (NGO) 4,346,749 1280 Series F -- Connecticut Premium (NTC) 5,306,972 1532 Series TH -- Georgia Dividend (NZX) 1,958,112 600 Series M -- Georgia Dividend 2 (NKG) 4,552,881 1320 Series F -- Georgia Premium (NPG) 3,780,665 1112 Series TH -- Maryland Dividend (NFM) 4,159,475 1280 Series M -- Maryland Dividend 2 (NZR) 4,168,600 1280 Series F -- Maryland Dividend 3 (NWI) 5,357,697 1560 Series T -- Maryland Premium (NMY) 10,565,159 1404 Series W 1760 Series TH -- Massachusetts Tax-Free (NGX) 2,709,547 820 Series W -- Massachusetts Dividend (NMB) 1,945,840 600 Series T -- Massachusetts Premium (NMT) 4,712,071 1360 Series TH -- Michigan

Dividend (NZW) 2,058,899 640 Series W -- Michigan Premium (NMP) 7,705,914 840 Series M 1400 Series TH -- Michigan Quality (NUM) 11,634,006 3200 Series TH 560 Series F -- Missouri Premium (NOM) 2,227,244 640 Series TH -- North Carolina Dividend (NRB) 2,243,993 680 Series T -- 4 -- FUND TICKER SYMBOL* COMMON SHARES MUNIPREFERRED -- North Carolina Dividend 2 (NNO) 3,732,748 1120 Series F -- North Carolina Dividend 3 (NII) 3,920,718 1120 Series W -- North Carolina Premium (NNC) 6,311,464 1872 Series TH -- Ohio Dividend (NXI) 4,223,803 1240 Series W -- Ohio Dividend 2 (NBJ) 3,114,060 960 Series F -- Ohio Dividend 3 (NVJ) 2,157,265 660 Series T -- Ohio Quality (NUO) 9,617,475 680 Series M 1400 Series TH 1000 Series TH2 -- Texas Quality (NTX) 9,470,787 760 Series M 2000 Series TH -- Virginia Dividend (NGB) 3,118,735 960 Series W -- Virginia Dividend 2 (NNB) 5,687,817 1680 Series M -- Virginia Premium (NPV) 8,810,000 832 Series T 1720 Series TH -- * The Common shares of all the Funds are listed on the American Stock Exchange, except NAZ, NTC, NMY, NMT, NMP, NUM, NNC, NUO, NTX, and NPV, which are traded on the New York Stock Exchange. 1. ELECTION OF BOARD MEMBERS OF EACH FUND GENERAL Currently, two separate board clusters oversee the funds in the Nuveen family of funds. One board cluster comprised of the same board members oversees the funds managed by Nuveen Advisory Corp. ("NAC" or the "Adviser") and one board cluster comprised of the same board members oversees all but one of the funds managed by Nuveen Institutional Advisory Corp. ("NIAC"). Each current board cluster has a total of six board members who are not "interested persons" (as that term is defined in the Investment Company Act of 1940, as amended (the "1940 Act")) and who are not affiliated with Nuveen or a fund's investment adviser (the "Independent Board Members") and one board member who is an "interested person." Below is a list of the board members of each board cluster. The Boards of each Fund have proposed to consolidate both board clusters into a single board cluster so that the same individuals serve on the boards of most of the Nuveen funds. All individuals serving on both board clusters are nominated to serve on the combined board. 5 The following is a list of the nominees under the proposal who are continuing Board Members of each Fund and the nominees who are new board members: CONTINUING BOARD MEMBERS (NAC BOARD CLUSTER): Timothy R. Schwertfeger* William E. Bennett** Robert P. Bremner Lawrence H. Brown Anne E. Impellizzeri Peter R. Sawers William J. Schneider Judith M. Stockdale NEW BOARD MEMBER NOMINEES (NIAC BOARD CLUSTER): Jack B. Evans William L. Kissick Thomas E. Leafstrand Sheila W. Wellington -- * Interested person. Mr. Schwertfeger currently serves on both board clusters. ** Mr. Bennett, currently a member of the NIAC board cluster, was appointed to the board of the NAC funds on July 29, 2003 and is now being nominated for election by shareholders. In part, the proposal to create a single board is being recommended because of the large number of retirements that will occur over the next few years. Within two years, the aggregate number of Independent Board Members that serve on both board clusters (currently 12) is expected to fall to six, due to a number of retirements because of age and/or tenure limitations for board membership. Combining the board will avoid the need to add new board members to each board cluster at various later dates to maintain the current size and structure of each board cluster and thereby avoid the costs associated with multiple meetings to fill such vacancies. In addition, combining the board ensures that each Fund will gain new board members that are already knowledgeable about Nuveen and investment companies in general. Historically, the two separate board clusters have had separate meetings but often have reviewed similar policy issues, contractual arrangements and other matters. Among other potential efficiencies, the Board of each Fund believes that consolidating the board clusters into one board would reduce the duplication of board materials and reports covering the same issues and would avoid the need for repeated presentation of the same material by the same personnel at different meetings. This would permit the Adviser and its personnel to focus on non-administrative matters. In addition, a single board overseeing all operations of the Nuveen family of funds will have a better picture of all issues facing shareholders. At its May 15, 2003 meeting, each board cluster reviewed the compensation paid to Independent Board Members and determined that compensation should be increased because of the expanded responsibilities of the Board Members due to (a) the increase in the number and types of investment companies overseen by the Board Members and (b) recent additional legal and regulatory requirements. Effective July 1, 2003, for all Nuveen Funds overseen, Independent Board Members receive a $65,000 annual retainer plus (a) a fee of $2,000 per day for attendance in person or by telephone at a regularly scheduled meeting of 6 the Board; (b) a fee of $1,000 per day for attendance in person where such in-person attendance is required and $500 per day for attendance by telephone or in person where in-person attendance is not required at a special, non-regularly scheduled, board meeting; (c) a fee of $1,000 per day for attendance in person at an Audit Committee meeting where in-person attendance is required and $500 per day for attendance by telephone or in person where in-person attendance is not required; (d) a fee of $500 per day for attendance in person or by telephone for a meeting of the dividend committee; and (e) a fee of $500 per day for attendance in person at all other committee meetings on a day on which no regularly scheduled Board meeting is held in which in-person attendance is required and $250 per day for attendance by telephone or in person at such meetings where in-person attendance is not required, plus, in each case, expenses incurred in attending such meetings. Compensation to the Independent Board Members is allocated among the Nuveen family of funds based on assets per fund. The Boards do not anticipate any further change in the compensation schedule as a result of the board consolidation. Prior to July 1, 2003, for all Nuveen Funds overseen, the continuing Independent Board Members of the Funds received a $60,000 annual retainer for serving as a board member and a $1,750 fee per day for attendance in person or by telephone at all meetings (including any committee meetings) held on a day on which a regularly scheduled Board meeting was held, a $1,000 fee per day for attendance in person or a $500 fee per day for attendance by telephone at all meetings (including any committee meetings) held on a day on which no regular Board meeting was held, and a $500 fee per day for attendance in person or $250 if by telephone at a meeting of any committee, plus in each case, expenses incurred in attending such meetings. The proposal to combine boards, which increases the number of Board Members for each Fund, will increase the total compensation paid by each Fund to Board Members. Management, however, believes that such increase in compensation is not material to each Fund and is justified by the benefits to each Fund and its shareholders. Moreover, as the size of the combined board declines due to retirements over the next two years, the total compensation paid by a Fund to Independent Board Members will decrease to the extent fewer board members will be compensated. At each Fund's Annual Meeting, twelve (12) Board Members are nominated to be elected to serve until the next Annual Meeting or until their successors shall have been duly elected and qualified. Under the terms of each Fund's organizational documents, under normal circumstances holders of MuniPreferred are entitled to elect two (2) Board Members, and the remaining Board Members are to be elected by holders of Common Shares and MuniPreferred, voting together as a single class. a. Ten (10) Board Members are to be elected by holders of Common Shares and MuniPreferred, voting together as a single class. Board Members Bennett, Bremner, Brown, Evans, Impellizzeri, Kissick, Leafstrand, Sawers, Stockdale and Wellington are nominees for election by all shareholders. b. Holders of MuniPreferred, each series voting together as a single class, are entitled to elect two (2) of the Board Members. Board Members Schneider and Schwertfeger are nominees for election by holders of MuniPreferred. 7 FOR ARIZONA PREMIUM, MICHIGAN PREMIUM, MICHIGAN QUALITY AND OHIO QUALITY. The affirmative vote of a majority of the shares present and entitled to vote at the Annual Meeting will be required to elect Board Members of that Fund. FOR ARIZONA DIVIDEND, ARIZONA DIVIDEND 2, ARIZONA DIVIDEND 3, CONNECTICUT DIVIDEND, CONNECTICUT DIVIDEND 2, CONNECTICUT DIVIDEND 3, CONNECTICUT PREMIUM, GEORGIA DIVIDEND, GEORGIA DIVIDEND 2, GEORGIA PREMIUM, MARYLAND DIVIDEND, MARYLAND DIVIDEND 2, MARYLAND DIVIDEND 3, MARYLAND PREMIUM, MASSACHUSETTS TAX-FREE, MASSACHUSETTS DIVIDEND, MASSACHUSETTS PREMIUM, MICHIGAN DIVIDEND, MISSOURI PREMIUM, NORTH CAROLINA DIVIDEND, NORTH CAROLINA DIVIDEND 2, NORTH CAROLINA DIVIDEND 3, NORTH CAROLINA PREMIUM, OHIO DIVIDEND, OHIO DIVIDEND 2, OHIO DIVIDEND 3, TEXAS QUALITY, VIRGINIA DIVIDEND, VIRGINIA DIVIDEND 2, AND VIRGINIA

PREMIUM. The affirmative vote of a plurality of the shares present and entitled to vote at the Annual Meeting will be required to elect the Board Members of those Funds. It is the intention of the persons named in the enclosed proxy to vote the shares represented thereby for the election of the nominees listed below unless the proxy is marked otherwise. Each of the nominees has agreed to serve as a Board Member of each Fund if elected. However, should any nominee become unable or unwilling to accept nomination for election, the proxies will be voted for substitute nominees, if any, designated by that Fund's present Board. All of the continuing Board Member nominees were last elected to the Board at the 2002 annual meeting of shareholders except Mr. Bennett who was appointed to the NAC Board on July 29, 2003. Other than Mr. Schwertfeger, none of the Board Member nominees have ever been a director or an employee of Nuveen Investments, Inc. ("Nuveen") or any affiliate. THE BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ELECTION OF THE NOMINEES NAMED BELOW. 8 BOARD NOMINEES

NUMBER OF PORTFOLIOS IN FUND COMPLEX OTHER POSITION(S) TERM OF OFFICE OVERSEEN DIRECTORSHIPS NAME, ADDRESS AND HELD AND LENGTH OF PRINCIPAL OCCUPATION(S) BY BOARD HELD BY BIRTH DATE WITH FUND TIME SERVED** DURING PAST 5 YEARS MEMBER TRUSTEE

Nominees who are not interested persons of the Funds CONTINUING BOARD MEMBERS William E. Bennett Nominee Term: Annual Private Investor; previously President 140 N/A 333 West Wacker Drive Length of Service: and C.E.O., Draper & Kramer, Inc. Chicago, IL 60606 Since 2001 (1995-1998). Prior thereto, Mr. Bennett (10/16/46) was Executive Vice President and Chief Credit Officer of First Chicago Corporation and its principal subsidiary, The First National Bank of Chicago. Robert P. Bremner Board Term: Annual Private Investor and Management 134 N/A 333 West Wacker Drive Member Length of Service: Consultant. Chicago, IL 60606 Since 1996 (8/22/40) Lawrence H. Brown Board Term: Annual Retired (August 1989) as Senior Vice 134 N/A 333 West Wacker Drive Member Length of Service: President of The Northern Trust Company; Chicago, IL 60606 Since 1993 Director of the United Way of Highland (7/29/34) Park-Highwood (since 2002). Anne E. Impellizzeri Board Term: Annual Retired; formerly, Executive Director 134 N/A 333 West Wacker Drive Member Length of Service: (1998-2001) of Manitoga/The Russel Chicago, IL 60606 Since 1994 Wright Design Center; prior thereto, (1/26/33) President and Chief Executive Officer of Blanton-Peale Institute; prior thereto, Vice President, Metropolitan Life Insurance Co. 9

NUMBER OF PORTFOLIOS IN FUND COMPLEX OTHER POSITION(S) TERM OF OFFICE OVERSEEN DIRECTORSHIPS NAME, ADDRESS AND HELD AND LENGTH OF PRINCIPAL OCCUPATION(S) BY BOARD HELD BY BIRTH DATE WITH FUND TIME SERVED** DURING PAST 5 YEARS MEMBER TRUSTEE

-- Peter R. Sawers Board Term: Annual Adjunct Professor of Business and 134 N/A 333 West Wacker Drive Member Length of Service: Economics, University of Dubuque, Iowa; Chicago, IL 60606 Since 1991 formerly (1991-2000) Adjunct Professor, (4/3/33) Lake Forest Graduate School of Management, Lake Forest, Illinois; Director, Executive Service Corps of Chicago; prior thereto, Executive Director, Towers Perrin Australia, a management consulting firm; Chartered Financial Analyst; Certified Management Consultant. William J. Schneider Board Term: Annual Senior Partner and Chief Operating 134 N/A 333 West Wacker Drive Member Length of Service: Officer, Miller-Valentine Group, Vice Chicago, IL 60606 Since 1996 President, Miller-Valentine Realty, a (9/24/44) development and contract company; Chair, Miami Valley Hospital; Chair, Miami Valley Economic Development Coalition; formerly, Member, Community Advisory Board, National City Bank, Dayton, Ohio; and Business Advisory Council, Cleveland Federal Reserve Bank. Judith M. Stockdale Board Term: Annual Executive Director, Gaylord and Dorothy 134 N/A 333 West Wacker Drive Member Length of Service: Donnelley Foundation (since 1994); prior Chicago, IL 60606 Since 1997 thereto, Executive Director, Great Lakes (12/29/47) Protection Fund (from 1990 to 1994). 10

NUMBER OF PORTFOLIOS IN FUND COMPLEX OTHER POSITION(S) TERM OF OFFICE OVERSEEN DIRECTORSHIPS NAME, ADDRESS AND HELD AND LENGTH OF PRINCIPAL OCCUPATION(S) BY BOARD HELD BY BIRTH DATE WITH FUND TIME SERVED** DURING PAST 5 YEARS MEMBER

TRUSTEE
-- NEW BOARD MEMBERS Jack B. Evans Nominee Term: Annual President, The Hall-Perrine Foundation 70 See Principal 333 West Wacker Drive Length of Service: (a private philanthropic corporation); Occupation Chicago, IL 60606 Since 1999 Director, Alliant Energy; Director and description. (10/22/48) Vice Chairman United Fire & Casualty Company; Director, Federal Reserve Bank of Chicago; previously President and Chief Operating Officer, SCI Financial Group, Inc. (a regional financial services firm). William L. Kissick Nominee Term: Annual Professor Emeritus, School of Medicine 70 N/A 333 West Wacker Drive Length of Service: and the Wharton School of Management and Chicago, IL 60606 Since 1992 former Chairman, Leonard Davis Institute (7/29/32) of Health Economics, University of Pennsylvania; Adjunct Professor, Health Policy and Management, Yale University. Thomas E. Leafstrand Nominee Term: Annual Retired; previously, Vice President in 70 N/A 333 West Wacker Drive Length of Service: charge of Municipal Underwriting, Chicago, IL 60606 Since 1992 Trading, and Dealer Sales at The (11/11/31) Northern Trust Company. Sheila W. Wellington Nominee Term: Annual President of Catalyst (a not-for-profit 70 N/A 333 West Wacker Drive Length of Service: organization focusing on women's Chicago, IL 60606 Since 1994 leadership development in business and (2/24/32) the professions). 11

NUMBER OF PORTFOLIOS IN FUND COMPLEX OTHER POSITION(S) TERM OF OFFICE OVERSEEN DIRECTORSHIPS NAME, ADDRESS AND HELD AND LENGTH OF PRINCIPAL OCCUPATION(S) BY BOARD HELD BY BIRTH DATE WITH FUND TIME SERVED** DURING PAST 5 YEARS MEMBER TRUSTEE
-- Nominee who is an interested person* of the Funds CONTINUING BOARD MEMBER Timothy R. Schwertfeger Chairman of Term: Annual Chairman and Director (since 1996) of 140 See Principal 333 West Wacker Drive the Board Length of Service: Nuveen Investments, Inc. and Nuveen Occupation Chicago, IL 60606 and Since 1996 Investments, LLC; Director (since 1992) description. (3/28/49) Director/ and Chairman (since 1996) of Nuveen Trustee Advisory Corp. and Nuveen Institutional Advisory Corp.; Chairman and Director (since 1997) of Nuveen Asset Management, Inc.; Director (since 1996) of Institutional Capital Corporation; Chairman and Director (since 1999) of Rittenhouse Asset Management, Inc.; Chairman of Nuveen Investments Advisers Inc. (since 2002).
-- * "Interested Person" as defined in the Investment Company Act of 1940, as amended, by reason of being an officer and director of the Fund's Adviser. ** Length of Service indicates the year in which the individual became a Trustee or Director of a fund in the Nuveen fund complex. 12 BENEFICIAL OWNERSHIP The following table lists the dollar range and number of common shares beneficially owned by each Board Member nominee in each Fund and in all Nuveen Funds overseen by the Board Member nominees as of March 31, 2003:
-- DOLLAR RANGE AND NUMBER OF COMMON SHARES
-- BOARD MEMBER ARIZONA ARIZONA ARIZONA ARIZONA CONNECTICUT CONNECTICUT CONNECTICUT NOMINEES DIVIDEND DIVIDEND 2 DIVIDEND 3 PREMIUM DIVIDEND DIVIDEND 2 DIVIDEND 3
-- Robert P. Bremner 0 0 0 0 0 0 0 Lawrence H. Brown 0 0 0 0 0 0 0 Anne E. Impellizzeri 0 0 0 0 0 0 0 Peter R. Sawers 0 0 0 0 0 0 0 William J. Schneider 0 0 0 0 0 0 0 Judith M. Stockdale 0 0 0 0 0 0 0 Timothy R. Schwertfeger 0 0 0 0 0 0 0 William E. Bennett 0 0 0 0 0 0 0 Jack B. Evans 0 0 0 0 0 0 0 William L. Kissick 0 0 0 0 0 0 0 Thomas E. Leafstrand 0 0 0 0 0 0 0 Sheila W. Wellington 0 0 0 0 0 0 0 --
-- DOLLAR RANGE AND NUMBER OF COMMON SHARES
-- BOARD MEMBER CONNECTICUT GEORGIA GEORGIA GEORGIA MARYLAND MARYLAND MARYLAND NOMINEES PREMIUM DIVIDEND DIVIDEND 2 PREMIUM DIVIDEND DIVIDEND 2 DIVIDEND 3
-- Robert P. Bremner 0 0 0 0 0 0 0 Lawrence H. Brown 0 0 0 0 0 0 0 Anne E. Impellizzeri 0 0 0 0 0 0 0 Peter R. Sawers 0 0 0 0 0 0 0 William J.

Schneider 0 0 0 0 0 0 0 Judith M. Stockdale 0 0 0 0 0 0 0 Timothy R. Schwertfeger 0 0 0 0 0 0 0 William E. Bennett 0 0 0 0 0 0 0 Jack B. Evans 0 0 0 0 0 0 0 William L. Kissick 0 0 0 0 0 0 0 Thomas E. Leafstrand 0 0 0 0 0 0 0 Sheila W. Wellington 0 0 0 0 0 0 0 -- 13
-- DOLLAR RANGE AND NUMBER OF COMMON SHARES
-- BOARD MEMBER MARYLAND MASSACHUSETTS MASSACHUSETTS MASSACHUSETTS MICHIGAN MICHIGAN MICHIGAN NOMINEES PREMIUM TAX-FREE DIVIDEND PREMIUM DIVIDEND PREMIUM QUALITY -- Robert P. Bremner 0 0 0 0 0 0 0 Lawrence H. Brown 0 0 0 0 0 0 0 Anne E. Impellizzeri 0 0 0 0 0 0 0 Peter R. Sawers 0 0 0 0 0 0 0 William J. Schneider 0 0 0 0 0 0 0 Judith M. Stockdale 0 0 0 0 0 0 0 Timothy R. Schwertfeger 0 0 0 0 0 0 0 William E. Bennett 0 0 0 0 0 0 0 Jack B. Evans 0 0 0 0 0 0 0 William L. Kissick 0 0 0 0 0 0 0 Thomas E. Leafstrand 0 0 0 0 0 0 0 Sheila W. Wellington 0 0 0 0 0 0 0 --
-- DOLLAR RANGE AND NUMBER OF COMMON SHARES -- NORTH NORTH NORTH NORTH BOARD MEMBER MISSOURI CAROLINA CAROLINA CAROLINA CAROLINA OHIO OHIO NOMINEES PREMIUM DIVIDEND DIVIDEND 2 DIVIDEND 3 PREMIUM DIVIDEND DIVIDEND 2 -- Robert P. Bremner 0 0 0 0 0 0 0 Lawrence H. Brown 0 0 0 0 0 0 0 Anne E. Impellizzeri 0 0 0 0 0 0 0 Peter R. Sawers 0 0 0 0 0 0 0 William J. Schneider 0 0 0 0 0 0 0 Judith M. Stockdale 0 0 0 0 0 0 0 Timothy R. Schwertfeger 0 0 0 0 0 0 0 William E. Bennett 0 0 0 0 0 0 0 Jack B. Evans 0 0 0 0 0 0 0 William L. Kissick 0 0 0 0 0 0 0 Thomas E. Leafstrand 0 0 0 0 0 0 0 Sheila W. Wellington 0 0 0 0 0 0 0 -- 14
-- DOLLAR RANGE AND NUMBER OF COMMON SHARES
-- AGGREGATE DOLLAR RANGE OF EQUITY SECURITIES IN ALL REGISTERED INVESTMENT COMPANIES OVERSEEN BY BOARD MEMBER NOMINEES IN BOARD MEMBER OHIO OHIO TEXAS VIRGINIA VIRGINIA VIRGINIA FAMILY OF INVESTMENT NOMINEES DIVIDEND 3 QUALITY QUALITY DIVIDEND DIVIDEND 2 PREMIUM COMPANIES(1) -- Robert P. Bremner 0 0 0 0 0 0 $0 Lawrence H. Brown 0 0 0 0 0 0 Over $100,000 Anne E. Impellizzeri 0 0 0 0 0 0 $10,001 - $50,000 Peter R. Sawers 0 0 0 0 0 0 Over $100,000 William J. Schneider 0 0 0 0 0 0 Over $100,000 Judith M. Stockdale 0 0 0 0 0 0 $10,001 - $50,000 Timothy R. 0 0 0 0 0 0 Over $100,000 Schwertfeger William E. Bennett 0 0 0 0 0 0 $50,001 - $100,000 Jack B. Evans 0 0 0 0 0 0 Over $100,000 William L. Kissick 0 0 0 0 0 0 $50,001 - $100,000 Thomas E. Leafstrand 0 0 0 0 0 0 Over $100,000 Sheila W. Wellington 0 0 0 0 0 0 Over $100,000
-- (1) The amounts reflect the aggregate dollar range of equity securities and the number of shares beneficially owned by the Board Member in the Funds and in all Nuveen funds overseen by each Board Member. As of March 31, 2003, neither the Board Member nominees, nor the Board Member nominees and officers as a group, beneficially owned shares in any Fund. The information as to beneficial ownership is based on statements furnished by each Board Member nominee and officer. On March 31, 2003, continuing Board Members and executive officers as a group beneficially owned 578,368 common shares of all funds managed by NAC and NIAC (includes Deferred Units and shares held by the executive officers in Nuveen's 401(k)/profit sharing plan). Each continuing Board Member's individual beneficial shareholdings of each Fund constitute less than 1% of the outstanding shares of each Fund. As of August 26, 2003, the continuing Board Members and executive officers as a group beneficially owned less than 1% of the outstanding common shares of each Fund. As of August 26, 2003, the Board Member nominees and executive officers of the Funds did not own any shares of MuniPreferred. As of August 26, 2003, no shareholder beneficially owned more than 5% of any class of shares of any Fund. COMPENSATION The Board Members affiliated with Nuveen or the Adviser serve without any compensation from the Funds. The Independent Board Members are paid an annual retainer and fees and expenses for Board meetings and committee meetings as described above. The annual retainer, fees and expenses are allocated among the funds managed by the Adviser on the basis of relative net asset sizes although Fund management may, in its discretion, establish a minimum amount to be allocated to each Fund. The Boards of certain Nuveen Funds (the 15

"Participating Funds") established a Deferred Compensation Plan for Independent Board Members ("Deferred Compensation Plan"). Under the Deferred Compensation Plan, Independent Board Members of the Participating Funds may defer receipt of all, or a portion, of the compensation they earn for their services to the Participating Funds, in lieu of receiving current payments of such compensation. Any deferred amount is treated as though an equivalent dollar amount had been invested in shares of one or more eligible Nuveen funds. Each Independent Board Member, other than Mr. Brown, has elected to defer at least a portion of their fees. None of the Funds, except Michigan Quality, is a Participating Fund. The table below shows, for each continuing Board Member who is not affiliated with Nuveen or the Adviser, the aggregate compensation (i) paid by each Fund to each continuing Board Member for its last fiscal year and (ii) paid (including deferred fees) for service on the boards of the Nuveen open-end and closed-end Funds managed by NAC ("NAC Funds") and NIAC ("NIAC Funds") for the calendar year ended 2002. Mr. Schwertfeger, a Board Member who is an interested person of each Fund, does not receive any compensation from a Fund or any Nuveen funds. AGGREGATE COMPENSATION FROM THE FUNDS -- ARIZONA ARIZONA ARIZONA ARIZONA CONNECTICUT CONNECTICUT CONNECTICUT CONTINUING BOARD MEMBERS DIVIDEND DIVIDEND 2 DIVIDEND 3 PREMIUM DIVIDEND DIVIDEND 2 DIVIDEND 3 -------------------------- -- Robert P. Bremner $ 89 $ 128 $ 118 $ 201 $ 113 $ 104 $ 97 Lawrence H. Brown $ 90 $ 130 $ 123 $ 204 $ 115 $ 108 $ 103 Anne E. Impellizzeri $ 89 $ 128 $ 118 $ 201 $ 113 $ 104 $ 97 Peter R. Sawers $ 88 $ 126 $ 152 $ 197 $ 110 $ 110 $ 144 William J. Schneider $ 89 $ 127 $ 117 $ 199 $ 112 $ 103 $ 95 Judith M. Stockdale $ 89 $ 127 $ 117 $ 199 $ 105 $ 97 $ 89 -- AGGREGATE COMPENSATION FROM THE FUNDS --- CONNECTICUT GEORGIA GEORGIA GEORGIA MARYLAND MARYLAND MARYLAND CONTINUING BOARD MEMBERS PREMIUM DIVIDEND DIVIDEND 2 PREMIUM DIVIDEND DIVIDEND 2 DIVIDEND 3 ----------------------------- --- Robert P. Bremner $ 224 $ 88 $ 101 $ 161 $ 180 $ 180 $ 118 Lawrence H. Brown $ 228 $ 89 $ 107 $ 164 $ 183 $ 184 $ 124 Anne E. Impellizzeri $ 224 $ 88 $ 101 $ 161 $ 180 $ 180 $ 118 Peter R. Sawers $ 219 $ 86 $ 151 $ 158 $ 176 $ 176 $ 174 William J. Schneider $ 222 $ 87 $ 99 $ 159 $ 178 $ 178 $ 115 Judith M. Stockdale $ 215 $ 80 $ 93 $ 153 $ 171 $ 172 $ 109 -- AGGREGATE COMPENSATION FROM THE FUNDS --- MARYLAND MASSACHUSETTS MASSACHUSETTS MASSACHUSETTS MICHIGAN MICHIGAN MICHIGAN CONTINUING BOARD MEMBERS PREMIUM TAX-FREE DIVIDEND PREMIUM DIVIDEND PREMIUM QUALITY(1) ------------------------ --- Robert P. Bremner $ 438 $ 29 $ 88 $ 199 $ 111 $ 364 $ 558 Lawrence H. Brown $ 445 $ 80 $ 90 $ 203 $ 113 $ 370 $ 567 Anne E. Impellizzeri $ 438 $ 29 $ 88 $ 199 $ 111 $ 364 $ 558 Peter R. Sawers $ 427 $ 128 $ 86 $ 195 $ 109 $ 356 $ 546 William J. Schneider $ 432 $ 29 $ 87 $ 197 $ 110 $ 360 $ 552 Judith M. Stockdale $ 426 $ 29 $ 81 $ 191 $ 110 $ 360 $ 552 -- 16 AGGREGATE COMPENSATION FROM THE FUNDS --- NORTH NORTH NORTH NORTH MISSOURI CAROLINA CAROLINA CAROLINA CAROLINA OHIO OHIO CONTINUING BOARD MEMBERS PREMIUM DIVIDEND DIVIDEND 2 DIVIDEND 3 PREMIUM DIVIDEND DIVIDEND 2 ------------------------------ --- Robert P. Bremner $ 97 $ 101 $ 163 $ 88 $ 266 $ 204 $ 157 Lawrence H. Brown $ 99 $ 102 $ 166 $ 93 $ 271 $ 207 $ 160 Anne E. Impellizzeri $ 97 $ 101 $ 163 $ 88 $ 266 $ 204 $ 157 Peter R. Sawers $ 95 $ 98 $ 159 $ 130 $ 260 $ 200 $ 154 William J. Schneider $ 96 $ 99 $ 161 $ 86 $ 263 $ 202 $ 156 Judith M. Stockdale $ 89 $ 93 $ 154 $ 80 $ 257 $ 202 $ 156 -- AGGREGATE COMPENSATION FROM THE FUNDS --- TOTAL COMPENSATION FROM NUVEEN FUNDS PAID OHIO OHIO TEXAS VIRGINIA VIRGINIA VIRGINIA TO BOARD CONTINUING BOARD MEMBERS DIVIDEND(3) QUALITY QUALITY DIVIDEND DIVIDEND 2 PREMIUM MEMBERS ------------------------------ --- Robert P. Bremner $ 116 $ 478 $ 431 $ 136 $ 243 $ 372 $ 77,500 Lawrence H. Brown $ 118 $ 511 $ 439 $ 139 $ 248 $ 379 $ 82,000 Anne E. Impellizzeri $ 116 $ 478 $

431 $ 136 $ 243 $ 372 $ 77,500 Peter R. Sawers $ 114 $ 468 $ 422 $ 133 $ 238 $ 363 $ 79,250 William J. Schneider $ 115 $ 473 $ 427 $ 135 $ 240 $ 368 $ 77,500 Judith M. Stockdale $ 115 $ 498 $ 427 $ 128 $ 234 $ 361 $ 77,750 --- (1) Includes deferred fees. Pursuant to a deferred compensation agreement with certain of the Funds, deferred amounts are treated as though an equivalent dollar amount has been invested in shares of one or more eligible Nuveen Funds. Total deferred fees for the Funds (including the return from the assumed investment in the eligible Nuveen Funds) payable are: DEFERRED FEES --- CONTINUING BOARD MEMBERS MICHIGAN QUALITY ------------------------ ---------------- Robert P. Bremner $ 46 Lawrence H. Brown $ 0 Anne E. Impellizzeri $256 Peter R. Sawers $317 William J. Schneider $320 Judith M. Stockdale $ 80 Nuveen Investments, Inc. maintains charitable contributions programs to encourage the active support and involvement of individuals in the civic activities of their community. These programs include a matching contributions program and a direct contributions program. The Independent Board Members of the funds managed by the Adviser are eligible to participate in the charitable contributions program of Nuveen Investments, Inc. Under the matching program, Nuveen Investments, Inc. will match the personal contributions of a Board Member to Section 501(c)(3) organizations up to an aggregate maximum amount of $10,000 during any calendar year. Under its direct (non-matching) program, Nuveen Investments, Inc. makes contributions to qualifying Section 501(c)(3) organizations, as approved by the Corporate Contributions Committee of Nuveen Investments, Inc. The Independent Board Members are also eligible to submit proposals to the committee requesting that contributions be made under this program to Section 501(c)(3) organizations identified by the Board Member, in an 17 aggregate amount not to exceed $5,000 during any calendar year. Any contribution made by Nuveen Investments, Inc. under the direct program is made solely at the discretion of the Corporate Contributions Committee. COMMITTEES The Board has five standing committees: the executive committee, the audit committee, the governance committee, the Dividend committee and the valuation committee. Peter R. Sawers and Timothy R. Schwertfeger currently serve as members of the executive committee of the Board of each Fund. The executive committee, which meets between regular meetings of the Board, is authorized to exercise all of the powers of the Board; provided that the scope of the powers of the executive committee, unless otherwise specifically authorized by the full Board, are limited to: (i) emergency matters where assembly of the full Board is impracticable (in which case management will take all reasonable steps to quickly notify each individual Board Member of the actions taken by the executive committee) or (ii) matters of an administrative or ministerial nature. The executive committee of each Fund held no meetings during their last fiscal year, except Arizona Dividend 3, Georgia Dividend 2, Connecticut Dividend 3, Maryland Dividend 3, Massachusetts Tax-Free and North Carolina Dividend 3 each held two meetings during the last fiscal year. Lawrence H. Brown and Timothy R. Schwertfeger are current members of the Dividend committee. The Dividend committee is authorized to declare distributions on the Funds' shares including, but not limited to, regular and special dividends, capital gains and ordinary income distributions. The Dividend committee of each Fund held four meetings during its last fiscal year, except Massachusetts Tax-Free held three Dividend committee meetings. Lawrence H. Brown and Judith M. Stockdale are current members of the valuation committee for each Fund. The valuation committee oversees the Fund's Pricing Procedures including, but not limited to, the review and approval of fair value pricing determinations made by Nuveen's Valuation Group. The valuation committee of each Fund held one meeting during its last fiscal year. Each Fund's Board has an audit committee composed of Independent Board Members and who are "independent" as that term is defined in Section 303.01(B)(2)(a) and (3) of the New York Stock Exchange's listing standards or Section 121(a) of the American Stock Exchange's listing standings, as applicable. The audit committee monitors the accounting and reporting policies and practices of the Funds, the quality and integrity of the financial statements of the Funds, compliance by the Funds with legal and regulatory requirements and the independence and performance of the external and internal auditors. The audit committee reviews the work and any recommendations of the Fund's independent auditors. Based on such review, it is authorized to make recommendations to the Board. A copy of the Audit Committee Charter is attached to the proxy statement as Appendix A. The audit committee of each Fund held three meetings during its last fiscal year. Nomination of those Board Members who are not "interested persons" of each Fund is committed to a governance committee composed of all Board Members who are not "interested persons" of that Fund. It identifies and recommends individuals to be nominated for election as non-interested Board Members. The committee also reviews matters relating to (1) the composition, duties, recruitment, independence and tenure of Board Members, 18 (2) the selection and review of committee assignments, and (3) Board Member education, board meetings and board

performance. The governance committee of each Fund held one meeting during its last fiscal year. In the event of a vacancy on the Board, the governance committee receives suggestions from various sources as to suitable candidates. Suggestions should be sent in writing to Lorna Ferguson, Vice President for Board Relations, Nuveen Investments, 333 West Wacker Drive, Chicago, IL 60606. The governance committee sets appropriate standards and requirements for nominations for new Board Members and reserves the right to interview all candidates and to make the final selection regarding the nomination of any new Board Members. The Board of each Fund held four regular quarterly meetings and three special board meetings during its last fiscal year, except Massachusetts Tax-Free held three regular board meetings. During the last fiscal year, each Board Member attended 75% or more of each Fund's Board meetings and the committee meetings (if a member thereof). 19 THE OFFICERS The following table sets forth information as of August 1, 2003 with respect to each officer, other than Mr. Schwertfeger, who is a Board Member and is included in the table relating to nominees for the Board. Officers receive no compensation from the Funds. The officers of each Fund are elected by the Board on an annual basis to serve until successors are elected and qualified. -- POSITION(S) TERM OF OFFICE NAME, ADDRESS AND HELD AND LENGTH OF PRINCIPAL OCCUPATION(S) BIRTHDATE WITH FUND TIME SERVED* DURING PAST 5 YEARS -- Gifford R. Zimmerman Chief Term: Annual Managing Director (since 2002), Assistant Secretary and 333 West Wacker Drive, Administrative Length of Service: Associate General Counsel, formerly, Vice President of Chicago, IL 60606 Officer Since 1988 Nuveen Investments, LLC; Managing Director (since 2002), (9/9/56) General Counsel and Assistant Secretary, formerly, Vice President of Nuveen Advisory Corp. and Nuveen Institutional Advisory Corp.; Managing Director (since 2002) and Assistant Secretary and Associate General Counsel, formerly Vice President (since 2000) of Nuveen Asset Management, Inc.; Assistant Secretary of Nuveen Investments, Inc. (since 1994); Assistant Secretary of NWQ Investment Management Company, LLC. (since 2002); Vice President and Assistant Secretary of Nuveen Investments Advisers Inc. (since 2002); Managing Director, Associate General Counsel and Assistant Secretary of Rittenhouse Asset Management, Inc. (since May 2003); Chartered Financial Analyst. Michael T. Atkinson Vice President Term: Annual Vice President (since 2002), formerly Assistant Vice 333 West Wacker Drive, and Assistant Length of Service: President (from 2000), previously, Associate of Nuveen Chicago, IL 60606 Secretary Since 2002 Investments, LLC. (2/3/66) Paul L. Brennan Vice President Term: Annual Vice President (since 2002), formerly Assistant Vice 333 West Wacker Drive Length of Service: President (since 1997) of Nuveen Advisory Corp.; Chicago, IL 60606 Since 1997 Chartered Financial Analyst and Certified Public (11/10/66) Accountant ---------------------- ------------- NUMBER OF PORTFOLIOS IN FUND COMPLEX NAME, ADDRESS AND SERVED BY BIRTHDATE OFFICER ---------------------- ------------- Gifford R. Zimmerman 140 333 West Wacker Drive, Chicago, IL 60606 (9/9/56) Michael T. Atkinson 140 333 West Wacker Drive, Chicago, IL 60606 (2/3/66) Paul L. Brennan 135 333 West Wacker Drive Chicago, IL 60606 (11/10/66) 20 -- POSITION(S) TERM OF OFFICE NAME, ADDRESS AND HELD AND LENGTH OF PRINCIPAL OCCUPATION(S) BIRTHDATE WITH FUND TIME SERVED* DURING PAST 5 YEARS -- Peter H. D'Arrigo Vice President Term: Annual Vice President of Nuveen Investments, LLC (since 1999); 333 West Wacker Drive, and Treasurer Length of Service: prior thereto, Assistant Vice President (from 1997); Vice Chicago, IL 60606 Since 1999 President and Treasurer (since 1999) of Nuveen (11/28/67) Investments, Inc.; Vice President and Treasurer (since 1999) of Nuveen Advisory Corp. and Nuveen Institutional Advisory Corp; Vice President and Treasurer of Nuveen Asset Management, Inc. (since 2002) and of Nuveen Investments Advisers Inc. (since 2002); Assistant Treasurer of NWQ Investments Management Company, LLC. (since 2002); Chartered Financial Analyst. Susan M. DeSanto Vice President Term: Annual Vice President of Nuveen Advisory Corp. (since 2001); 333 West Wacker Drive, Length of Service: previously, Vice President of Van Kampen Investment Chicago, IL 60606 Since 2001 Advisory Corp. (from 1998). (9/8/54) Jessica R. Droeger Vice President Term: Annual Vice President (since 2002) and Assistant General Counsel 333 West Wacker Drive, and Secretary Length of Service: (since 1998), formerly Assistant Vice President (from Chicago, IL 60606 Since 1998 1998) of Nuveen Investments, LLC; Vice President (since (9/24/64) 2002) and Assistant Secretary (from 1998), formerly Assistant Vice President of Nuveen Advisory Corp. and Nuveen Institutional Advisory Corp. Lorna C. Ferguson Vice President Term: Annual Vice President of Nuveen Investments, LLC (since 1998); 333 West Wacker Drive, Length of Service: Vice President (since 1998) of Nuveen Advisory Corp. and Chicago, IL 60606 Since 1998 Nuveen Institutional Advisory Corp. (10/24/45) William M. Fitzgerald Vice President Term: Annual Managing Director (since 2001), formerly Vice President 333 West Wacker Drive, Length of Service: (since 1995) of Nuveen Advisory Corp. and Nuveen Chicago, IL 60606 Since 1995 Institutional Advisory Corp.; Managing Director of Nuveen (3/2/64) Asset Management, Inc. (since 2001); Vice President of Nuveen Investments Advisers Inc. (since 2002); Chartered Financial Analyst. ---------------------- ------------- NUMBER OF PORTFOLIOS IN FUND COMPLEX NAME, ADDRESS AND SERVED BY BIRTHDATE OFFICER ---------------------- ------------- Peter H. D'Arrigo 140 333 West Wacker Drive, Chicago, IL 60606 (11/28/67) Susan M. DeSanto 140 333 West Wacker Drive, Chicago, IL 60606 (9/8/54) Jessica R. Droeger 140 333 West Wacker Drive, Chicago, IL 60606 (9/24/64) Lorna C. Ferguson 140 333 West Wacker Drive, Chicago, IL 60606 (10/24/45) William M. Fitzgerald 140 333 West Wacker Drive, Chicago, IL 60606 (3/2/64) 21 -- POSITION(S) TERM OF OFFICE NAME, ADDRESS AND HELD AND LENGTH OF PRINCIPAL OCCUPATION(S) BIRTHDATE WITH FUND TIME SERVED* DURING PAST 5 YEARS -- Stephen D. Foy Vice President Term: Annual Vice President (since 1993) and Funds Controller (since 333 West Wacker Drive, and Controller Length of Service: 1998) of Nuveen Investment, LLC; Vice President and Funds Chicago, IL 60606 Since 1993 Controller (since 1998) of Nuveen Investments, Inc.; (5/31/54) Certified Public Accountant. J. Thomas Futrell Vice President Term: Annual Vice President of Nuveen Advisory Corp.; Chartered 333 West Wacker Drive, Length of Service: Financial Analyst. Chicago, IL 60606 Since 1992 (7/5/55) Richard A. Huber Vice President Term: Annual Vice President of Nuveen Institutional Advisory Corp. 333 West Wacker Drive, Length of Service: (since 1998) and Nuveen Advisory Corp. (since 1997). Chicago, IL 60606 Since 1997 (3/26/63) Steven J. Krupa Vice President Term: Annual Vice President of Nuveen Advisory Corp. 333 West Wacker Drive, Length of Service: Chicago, IL 60606 Since 1990 (8/21/57) David J. Lamb Vice President Term: Annual Vice President of Nuveen Investments, LLC (since 2000); 333 West Wacker Drive, Length of Service: prior thereto, Assistant Vice President (from 1999); Chicago, IL 60606 Since 2000 formerly Associate of Nuveen Investments, LLC; Certified (3/22/63) Public Accountant. Tina M. Lazar Vice President Term: Annual Vice President of Nuveen Investments, LLC (since 1999); 333 West Wacker Drive, Length of Service: prior thereto, Assistant Vice President (since 1993) of Chicago, IL 60606 Since 2002 Nuveen Investments, LLC. (8/27/61) ---------------------- ------------- NUMBER OF PORTFOLIOS IN FUND COMPLEX NAME, ADDRESS AND SERVED BY BIRTHDATE OFFICER ---------------------- ------------- Stephen D. Foy 140 333 West Wacker Drive, Chicago, IL 60606 (5/31/54) J. Thomas Futrell 135 333 West Wacker Drive, Chicago, IL 60606 (7/5/55) Richard A. Huber 135 333 West Wacker Drive, Chicago, IL 60606 (3/26/63) Steven J. Krupa 135 333 West Wacker Drive, Chicago, IL 60606 (8/21/57) David J. Lamb 140 333 West Wacker Drive, Chicago, IL 60606 (3/22/63) Tina M. Lazar 140 333 West Wacker Drive, Chicago, IL 60606 (8/27/61) 22 -- POSITION(S) TERM OF OFFICE NAME, ADDRESS AND HELD AND LENGTH OF PRINCIPAL OCCUPATION(S) BIRTHDATE WITH FUND TIME SERVED* DURING PAST 5 YEARS -- Larry W. Martin Vice President Term: Annual Vice President, Assistant Secretary and Assistant General 333 West Wacker Drive, and Assistant Length of Service: Counsel of Nuveen Investments, LLC; Vice President and Chicago, IL 60606 Secretary Since 1988 Assistant Secretary of Nuveen Advisory Corp. and Nuveen (7/27/51) Institutional Advisory Corp.; Assistant Secretary of Nuveen Investments, Inc.; Assistant Secretary of Nuveen Asset Management, Inc. (since 1997); Vice President (since 2000), Assistant Secretary and Assistant General Counsel (since 1998) of Rittenhouse Asset Management, Inc.; Vice President and Assistant Secretary of Nuveen Investments Advisers Inc. (since 2002); Assistant Secretary of NWQ Investment Management Company, LLC (since 2002). Edward F. Neild, IV Vice President Term: Annual Managing Director (since 2002), formerly, Vice President 333 West Wacker Drive, Length of Service: (from 1996) of Nuveen Institutional Advisory Corp. and Chicago, IL 60606 Since 1996 Nuveen Advisory Corp.; Managing Director of Nuveen Asset (7/7/65) Management, Inc. (since 1999); Chartered Financial Analyst. Thomas J. O'Shaughnessy Vice President Term: Annual Vice President (since 2002), previously, Assistant Vice 333 West Wacker Drive, Length of Service: President (1998) of Nuveen Advisory Corp. Chicago, IL 60606 Since 1998 (9/4/60) Thomas C. Spalding Vice President Term: Annual Vice President of Nuveen Advisory Corp. and Nuveen 333

West Wacker Drive, Length of Service: Institutional Advisory Corp.; Chartered Financial Chicago, IL 60606 Since 1987 Analyst. (7/31/51) -- ------------------------------------ NUMBER OF PORTFOLIOS IN FUND COMPLEX NAME, ADDRESS AND SERVED BY BIRTHDATE OFFICER ----------------------- ------------- Larry W. Martin 140 333 West Wacker Drive, Chicago, IL 60606 (7/27/51) Edward F. Neild, IV 140 333 West Wacker Drive, Chicago, IL 60606 (7/7/65) Thomas J. O'Shaughnessy 135 333 West Wacker Drive, Chicago, IL 60606 (9/4/60) Thomas C. Spalding 135 333 West Wacker Drive, Chicago, IL 60606 (7/31/51) ----------------------- * Length of Service indicates the year the individual became an officer of a fund in the Nuveen fund complex. 23 AUDIT COMMITTEE REPORT The Audit Committee of the Board is responsible for assisting the Board in monitoring (1) the quality and integrity of the Fund's financial statements, (2) each Fund's compliance with regulatory requirements, and (3) the independence and performance of the Fund's independent and internal auditors. Among other responsibilities, the Committee reviews, in its oversight capacity, each Fund's annual financial statements with both management and the independent auditors and the Committee meets periodically with the independent and internal auditors to consider their evaluation of the Fund's financial and internal controls. The Committee also recommends to the Board the selection of each Fund's independent auditors. The Committee is currently composed of five Board Members and operates under a written charter adopted and approved by the Board. Each Committee member is independent as defined by New York Stock Exchange and American Stock Exchange listing standards, as applicable. The Committee, in discharging its duties, has met with and held discussions with management and each Fund's independent and internal auditors. The Committee has reviewed and discussed the audited financial statements with management. Management has represented to the independent auditors that each Fund's financial statements were prepared in accordance with generally accepted accounting principles. The Committee has also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (Communications with Audit Committees). Each Fund's independent auditors provided to the Committee the written disclosure required by Independent Standards Board Standard No. 1 (Independent Discussions with Audit Committees), and the Committee discussed with representatives of the independent auditor their firm's independence. As provided in the Audit Committee Charter, it is not the Committee's responsibility to determine, and the considerations and discussions referenced above do not ensure, that each Fund's financial statements are complete and accurate and presented in accordance with generally accepted accounting principles. Based on the Committee's review and discussions with management and the independent auditors, the representations of management and the report of the independent auditors to the Committee, the Committee has recommended that the Board include the audited financial statements in each Fund's Annual Report. The members of the Committee are: William E. Bennett* Robert P. Bremner Lawrence H. Brown Anne E. Impellizzeri Peter R. Sawers William J. Schneider Judith M. Stockdale -- * Mr. Bennett was appointed to the Board and the Audit Committee of the NAC Funds on July 29, 2003. 24 AUDIT AND RELATED FEES AUDIT FEES. The aggregate fees billed by Ernst & Young LLP for professional services for the audit of each Fund's financial statements for its most recently completed fiscal year were as follows: --- FINANCIAL INFORMATION AUDIT SYSTEMS DESIGN AND ALL OTHER FUND FEES IMPLEMENTATION FEES FEES --- Arizona Dividend $ 5,707 0 $2,651 Arizona Dividend 2 $ 6,084 0 $2,652 Arizona Dividend 3 $11,550 0 $1,827 Arizona Premium $ 6,786 0 $2,653 Connecticut Dividend $ 6,124 0 $2,652 Connecticut Dividend 2 $ 6,039 0 $2,652 Connecticut Dividend 3 $ 9,450 0 $1,827 Connecticut Premium $ 7,259 0 $2,654 Georgia Dividend $ 5,870 0 $2,652 Georgia Dividend 2 $ 9,450 0 $1,827 Georgia Premium $ 6,612 0 $2,653 Maryland Dividend $ 6,811 0 $2,653 Maryland Dividend 2 $ 6,818 0 $2,653 Maryland Dividend 3 $ 9,450 0 $1,828 Maryland Premium $ 9,425 0 $2,658 Massachusetts Tax-Free $ 7,350 0 $ 900 Massachusetts Dividend $ 5,878 0 $2,652 Massachusetts Premium $ 6,992 0 $2,654 Michigan Dividend $ 5,923 0 $2,652 Michigan Premium $ 8,385 0 $2,656 Michigan Quality $ 5,923 0 $2,652 Missouri Premium $ 5,961 0 $2,652 North Carolina Dividend $ 5,997 0 $2,652 North Carolina Dividend 2 $ 6,635 0 $2,653 North Carolina Dividend 3 $ 9,450 0 $1,827 North Carolina Premium $ 7,698 0 $2,655 Ohio Dividend $ 6,822 0 $2,653 Ohio Dividend 2 $ 6,368 0 $2,653 Ohio Dividend 3 $ 5,968 0 $2,652 Ohio Quality $ 9,501 0 $2,658 Texas Quality $ 9,022 0 $2,658 Virginia Dividend $ 6,361 0 $2,653 Virginia Dividend 2 $ 7,457 0 $2,655 Virginia Premium $ 8,765 0 $2,657 --- 25 ALL NON-AUDIT FEES. The Audit

Committee has generally considered whether the receipt of non-audit fees by Ernst & Young LLP from the Fund is compatible with maintaining Ernst & Young LLP's independence. APPOINTMENT OF INDEPENDENT AUDITORS Each Board has appointed Ernst & Young LLP, independent public accountants, as independent auditors to audit the books and records of each Fund for its fiscal year. A representative of Ernst & Young LLP will be present at the meeting to make a statement, if such representative so desires, and to respond to shareholders' questions. Ernst & Young LLP has informed each Fund that it has no direct or indirect material financial interest in the Fund, Nuveen, the Adviser or any other investment company sponsored by Nuveen. SECTION 16(A) BENEFICIAL INTEREST REPORTING COMPLIANCE Section 30(h) of the 1940 Act and Section 16(a) of the Securities Exchange Act of 1934, as amended (the "1934 Act"), require Board Members and officers, the investment adviser, affiliated persons of the investment adviser and persons who own more than 10% of a registered class of the Funds' equity securities to file forms reporting their affiliation with that Fund and reports of ownership and changes in ownership of that Fund's shares with the Securities and Exchange Commission (the "SEC") and the New York Stock Exchange or American Stock Exchange, as applicable. These persons and entities are required by SEC regulation to furnish the Funds with copies of all Section 16(a) forms they file. Based on a review of these forms furnished to each Fund, each Fund believes that the Fund's Board Members and officers, investment adviser and affiliated persons of the investment adviser have complied with all applicable Section 16(a) filing requirements during its last fiscal year except that with respect to Arizona Dividend 2, Michigan Dividend, Ohio Dividend, Ohio Dividend 2, Ohio Dividend 3, Connecticut Dividend 2, Georgia Dividend, Maryland Dividend 2, North Carolina Dividend 2, and Virginia Dividend 2 a late filing was made on Form 3 on behalf of NAC. To the knowledge of management of the Funds, no shareholder of a Fund owns more than 10% of a registered class of a Fund's equity securities. INFORMATION ABOUT THE ADVISER The Adviser, located at 333 West Wacker Drive, Chicago, Illinois 60606, serves as investment adviser and manager for each Fund. The Adviser is a wholly owned subsidiary of Nuveen Investments, Inc., 333 West Wacker Drive, Chicago, Illinois 60606. Nuveen Investments, Inc., is approximately 79% owned by The St. Paul Companies, Inc. ("St. Paul"). St. Paul is located at 385 Washington Street, St. Paul, Minnesota 55102, and is principally engaged in providing property-liability insurance through subsidiaries. SHAREHOLDER PROPOSALS To be considered for presentation at the Annual Meeting of shareholders of any of the Funds to be held in 2004, a shareholder proposal submitted pursuant to Rule 14a-8 of the 1934 Act must be received at the offices of that Fund, 333 West Wacker Drive, Chicago, Illinois 60606, not later than May 22, 2004. A shareholder wishing to provide notice in the manner prescribed by Rule 14a-4(c)(1) of a proposal submitted outside of the process of Rule 14a-8 26 must submit such written notice to the Fund not later than August 5, 2004. Timely submission of a proposal does not mean that such proposal will be included. EXPENSES OF PROXY SOLICITATION The cost of preparing, printing and mailing the enclosed proxy, accompanying notice and proxy statement will be paid by the Funds. All other costs in connection with the solicitation of proxies, will be paid by the Funds pro rata based on the number of shareholder accounts. Additional solicitation may be made by letter, telephone or telegraph by officers or employees of Nuveen or the Adviser, or by dealers and their representatives. FISCAL YEAR The last fiscal year end for each Fund except Arizona Dividend, Arizona Dividend 2, Arizona Dividend 3, Arizona Premium, Michigan Dividend, Michigan Premium, Michigan Quality, Ohio Dividend, Ohio Dividend 2, Ohio Dividend 3, Ohio Quality, and Texas Quality was May 31, 2003. The last fiscal year end for Arizona Dividend, Arizona Dividend 2, Arizona Dividend 3, Arizona Premium, Michigan Dividend, Michigan Premium, Michigan Quality, Ohio Dividend, Ohio Dividend 2, Ohio Dividend 3, Ohio Quality, and Texas Quality was July 31, 2003. ANNUAL REPORT DELIVERY Annual reports were sent to shareholders of record of each Fund following each Fund's fiscal year end. Each Fund will furnish, without charge, a copy of its annual report and/or semi-annual report as available upon request. Such written or oral requests should be directed to such Fund at 333 West Wacker Drive, Chicago, Illinois 60606 or by calling 1-800-257-8787. Please note that only one annual report or proxy statement may be delivered to two or more shareholders of a Fund who share an address, unless the Fund has received instructions to the contrary. To request a separate copy of an annual report or proxy statement, or, for instructions as to how to request a separate copy of such documents or as to how to request a single copy if multiple copies of such documents are received, shareholders should contact the applicable Fund at the address and phone number set forth above. GENERAL Management does not intend to present and does not have reason to believe that any other items of business will be presented at any Annual Meeting. However, if other matters are properly presented to the Annual Meeting for a vote, the proxies will be voted by the persons acting under the proxies upon such matters in accordance with their judgment of the best interests of the Fund. A list of shareholders entitled to be present and to vote at each Annual Meeting will be available at the offices of the Funds, 333 West Wacker Drive, Chicago, Illinois, for inspection by any shareholder during regular business hours beginning ten days prior to the date of that Annual Meeting. Failure of a quorum to be present at any Annual Meeting will necessitate adjournment and will subject that Fund to additional expense. The persons named in the enclosed proxy may also move for an adjournment of any Annual Meeting to permit further solicitation of proxies 27 with respect to any of the proposals if they determine that adjournment and further solicitation is reasonable and in the best interests of the shareholders. Under each Fund's By-Laws, an adjournment of a meeting requires the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting. IF YOU CANNOT BE PRESENT AT THE MEETING, YOU ARE REQUESTED TO FILL IN, SIGN AND RETURN THE ENCLOSED PROXY PROMPTLY. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES. Jessica R. Droeger Vice President and Secretary September 19, 2003 28 APPENDIX A NUVEEN MANAGEMENT INVESTMENT COMPANIES AUDIT COMMITTEES CHARTER Revised May, 2003 ORGANIZATION AND MEMBERSHIP There shall be a committee of each Board of Directors/Trustees of the Nuveen Management Investment Companies (the "Funds") to be known as the Audit Committee. The Audit Committee shall be composed of at least three Directors/Trustees. Audit Committee members shall be independent of the Funds and free of any relationship that, in the opinion of the Directors/Trustees, would interfere with their exercise of independent judgment as a Committee member. In particular, each member must meet the independence and experience requirements of the New York Stock Exchange, Section 10A of the Securities Exchange Act of 1934 (the "Exchange Act"), and the rules and regulations of the Securities and Exchange Commission (the "Commission"). Each such member of the Audit Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements. At least one such member shall have accounting or related financial management expertise, in each case as determined by the Directors/Trustees, exercising their business judgment (this person may also be the Committee's "financial expert"). The Board shall appoint the members of the Audit Committee, on the recommendation of the Governance Committee. STATEMENT OF POLICY The Audit Committee shall assist the Board in monitoring (1) the accounting and reporting policies and practices of the Management Investment Companies (hereafter referred to as "Funds" or individually "Fund"), (2) the quality and integrity of the financial statements of the Funds, (3) the Funds' compliance with legal and regulatory requirements and (4) the independent auditors' qualifications and independence, and the performance of the internal audit function and independent auditors. In doing so, the Audit Committee shall seek to maintain free and open means of communication among the Directors/Trustees, the independent auditors, the internal auditors and the management of Nuveen. The Audit Committee shall meet periodically with Nuveen management, the Funds' internal auditor, and the Funds' independent auditors, in separate executive sessions. The Audit Committee shall have the authority and resources in its discretion to retain special legal, accounting or other consultants to advise the Committee. The Audit Committee may request any officer or employee of Nuveen Investments, Inc. (or its affiliates) or the Funds' independent auditors or outside counsel to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Funds' independent auditors and internal auditors shall have unrestricted accessibility at any time to Committee members. 29 RESPONSIBILITIES Fund management has the primary responsibility to establish and maintain systems for accounting, reporting and internal control. The independent auditors have the primary responsibility to plan and implement an audit, with proper consideration given to the accounting, reporting and internal controls. The independent auditors are ultimately accountable to the Board and Audit Committee. It is the ultimate responsibility of the Audit Committee to select, retain, evaluate and replace the independent auditors and to determine their compensation, subject to ratification of the Board, if required. In carrying out its responsibilities the Audit Committee believes its policies and procedures should remain flexible, in order to react to changing conditions and requirements applicable to the Funds. The Audit Committee is responsible for the following: Fund Financial Statements: 1. Reviewing the annual audited financial statements with Fund management and the independent auditors including major issues regarding accounting and auditing principles and practices, and the Funds' disclosures in its periodic reports under "Management's Discussion and Analysis." 2. Requiring the independent auditors to deliver to the Chairman of the Committee a timely report on any issues relating to the significant accounting policies, management judgments and accounting estimates or other matters that would need to be communicated under Statement on Auditing Standards (SAS) No. 90, Audit Committee Communications (which amended SAS No. 61, Communication with Audit Committees), that arise during the auditors' review of the Funds' financial statements, which information the Chairman shall further communicate to the other members of the

Committee, as deemed necessary or appropriate in the Chairman's judgment. 3. Discussing with management the Funds' press releases regarding dividends, as well as financial information and guidance provided to analysts and rating agencies. This discussion may be done generally, consisting of discussing the types of information to be disclosed and the types of presentations to be made. The Chairman of the Audit Committee shall be authorized to have these discussions with management on behalf of the Audit Committee. 4. Discussing with management and the independent auditors significant financial reporting issues and judgments made in connection with the preparation of the Funds' financial statements, including any significant changes in the Funds' selection or application of accounting principles and any major issues as to the adequacy of the Funds' internal controls and any special audit steps adopted in light of control deficiencies. 5. Discussing with management and the independent auditors the effect of regulatory and accounting initiatives on the Funds' financial statements. 30 6. Reviewing and discussing reports from the independent auditors regarding (a) all critical accounting policies and practices to be used; (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative treatments and disclosures, and the treatment preferred by the independent auditors; and (c) other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences. 7. Discussing with management the Funds' major financial risk exposures and the steps management has taken to monitor and control these exposures, including the Funds' risk assessment and risk management policies. 8. Reviewing disclosures made to the Audit Committee by the Funds' principal executive officer and principal financial officer during their certification process for the Funds' periodic reports about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Funds' internal controls. With respect to the independent auditors: 1. Appointing or replacing the independent auditors, subject, if applicable, only to Board and shareholder ratification; and compensating and overseeing the work of the independent auditor (including the resolution of disagreements between management and the independent auditor regarding financial reporting), who shall report directly to the Audit Committee, for the purpose of preparing or issuing an audit report or related work. 2. Meeting with the independent auditors and Fund management to review the scope, fees, audit plans and staffing for the audit, for the current year. At the conclusion of the audit, reviewing such audit results, including the independent auditors' evaluation of the Funds' financial and internal controls, any comments or recommendations of the independent auditors, any audit problems or difficulties and management's response, any significant changes required from the originally planned audit programs and any adjustments to such statements recommended by the auditors. 3. Pre-approving all audit services and permitted non-audit services (including the fees and terms thereof) to be performed for the Funds by their independent auditors, subject to the de minimis exceptions for non-audit services described in Section 10A of the Exchange Act that the Audit Committee approves prior to the completion of the audit. The Chairman of the Audit Committee shall be authorized to give pre-approvals of such non-audit services on behalf of the Audit Committee. 4. Obtaining and reviewing a report from the independent auditors at least annually (including a formal written statement delineating all relationships between the auditors and the Funds) regarding (a) the independent auditor's internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by an 31 inquiry or investigation by governmental or professional authorities within the preceding five years, respecting one or more independent audits carried out by the firm; (c) any steps taken to deal with any such issues; and (d) all relationships between the independent auditor and the Funds and their affiliates; and evaluating the qualifications, performance and independence of the independent auditor, including their membership in the SEC practice section of the AICPA and their compliance with all applicable requirements for independence and peer review, and a review and evaluation of the lead partner, taking into account the opinions of management and the internal auditors, and discussing such reports with the independent auditors. The Audit Committee shall present its conclusions with respect to the independent auditor to the Board. 5. Reviewing any reports from the independent auditors mandated by Section 10A(b) of the Exchange Act regarding any illegal act detected by the independent auditor (whether or not perceived to have a material effect on the Funds' financial statements) and obtaining from the independent auditors any information about illegal acts in accordance with Section 10A(b). 6. Ensuring the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law, and further considering the rotation of the independent auditor firm itself. 7. Recommending to the Board of Directors policies for the Funds' or the Adviser's hiring of employees or former employees of the independent auditor who participated in the audit of the Funds. With respect to any internal auditor: 1. Reviewing the internal audit function as it relates to the Funds including the proposed programs for the coming year. It is not the obligation or responsibility of the Audit Committee to confirm the independence of any Nuveen internal auditors performing services relating to the Funds or to approve any termination or replacement of the Nuveen Manager of Internal Audit. 2. Receiving a summary of findings from any completed internal audits pertaining to the Funds and a progress report on the proposed internal audit plan for the Funds, with explanations for significant deviations from the original plan. Other responsibilities: 1. Reviewing with the Funds' and the Adviser's counsel legal matters that may have a material impact on the Fund's financial statements or compliance policies. 2. Receiving and reviewing periodic or special reports issued on exposure/ controls, irregularities and control failures related to the Funds. 3. Reviewing with the independent auditors, with any internal auditor and with Fund management, the adequacy and effectiveness of the accounting and financial controls of the Funds, and eliciting any recommendations for the 32 improvement of internal control procedures or particular areas where new or more detailed controls or procedures are desirable. Particular emphasis should be given to the adequacy of such internal controls to expose payments, transactions or procedures that might be deemed illegal or otherwise improper. 4. Reviewing the reports of examinations by regulatory authorities. 5. Discussing with management and the independent auditor any correspondence with regulators or governmental agencies that raises material issues regarding the Funds' financial statements or accounting policies. 6. Obtaining reports from management with respect to the Funds' policies and procedures regarding compliance with applicable laws and regulations. 7. Reporting to the Directors/Trustees on the results of the activities of the Committee. 8. Performing any special reviews, investigations or oversight responsibilities requested by the Directors/Trustees. 9. Preparing any report required by the rules of the SEC to be included in a proxy statement for a fund. 10. Reviewing and reassessing annually the adequacy of this charter and recommending to the Board of Directors/Trustees approval of any proposed changes deemed necessary or advisable by the Committee. Although the Audit Committee shall have the authority and responsibilities set forth in this Charter, it is not the responsibility of the Audit Committee to plan or conduct audits or to determine that the Funds' financial statements are complete and accurate and are in accordance with generally accepted accounting principles. That is the responsibility of management and the independent auditors. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditors or to ensure compliance with laws and regulations. 33 [NUVEEN INVESTMENTS LOGO] Nuveen Investments 333 West Wacker Drive Chicago, IL 60606-1286 (800) 257-8787 www.nuveen.com NFZ 1003 (NUVEEN LOGO) NUVEEN INVESTMENTS Nuveen Investments 333 West Wacker Dr. Chicago www.nuveen.com NAC Closed-End Funds [Insert Fund Name] Municipal Auction Rate Cumulative Preferred Shares 3 EASY WAYS TO VOTE YOUR PROXY 1. Automated Touch Tone Voting: Call toll-free 1-800-690-6903 and use the control number shown. 2. On the internet at www.proxyweb.com, enter the control number shown and follow the simple instructions. 3. Sign, Date and Return this proxy card using the enclosed postage-paid envelope, to Proxy Tabulator, PO Box 9122, Hingham, MA 02043. **** CONTROL NUMBER: 999 999 999 999 98 **** THIS PROXY IS SOLICITED BY THE BOARD OF [FUND NAME] FOR AN ANNUAL MEETING OF SHAREHOLDERS, OCTOBER 22, 2003. The Annual Meeting of shareholders will be held Wednesday, October 22, 2003 at 10:30 a.m. Central Time, in the 31st floor conference room of Nuveen Investments, Inc., 333 West Wacker Drive, Chicago, Illinois. At this meeting, you will be asked to vote on the proposal described in the proxy statement attached. The undersigned hereby appoints Timothy R. Schwertfeger, Jessica R. Droeger and Gifford R. Zimmerman, and each of them, with full power of substitution, proxies for the undersigned, to represent and vote the shares of the undersigned at the Annual Meeting of shareholders to be held on October 22, 2003 or any adjournment or adjournments thereof. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the annual meeting. PROPERLY EXECUTED PROXIES WILL BE VOTED AS SPECIFIED. IF NO SPECIFICATION IS MADE, SUCH SHARES WILL BE VOTED "FOR" THE ELECTION OF NOMINEES TO THE BOARD. WHETHER OR NOT YOU PLAN TO JOIN US AT THE MEETING, PLEASE COMPLETE, DATE AND SIGN YOUR PROXY CARD AND RETURN IT IN THE ENCLOSED ENVELOPE SO THAT YOUR VOTE WILL BE COUNTED. AS AN ALTERNATIVE, PLEASE CONSIDER VOTING BY TELEPHONE (800) 690-6903 OR OVER THE INTERNET (www.proxyweb.com). Date: --------------------------------- SIGN HERE EXACTLY AS NAME(S) APPEAR(S) ON LEFT. (Please sign in Box) -------------------------------------- -------------------------------------- NOTE: PLEASE SIGN YOUR NAME EXACTLY AS IT APPEARS ON THIS PROXY. IF SHARES ARE HELD JOINTLY, EACH HOLDER MUST SIGN THE

PROXY, IF YOU ARE SIGNING ON BEHALF OF AN ESTATE, TRUST OR CORPORATION, PLEASE STATE YOUR TITLE OR CAPACITY. Please fill in box(es) as shown using black or blue ink or number 2 pencil. [X] PLEASE DO NOT USE FINE POINT PENS. 1. Election of Board Members: (01) Timothy R. Schwertfeger (07) Judith M. Stockdale FOR NOMINEES WITHHOLD (02) William J. Schneider (08) William E. Bennett listed at left AUTHORITY (03) Robert P. Bremner (09) Jack B. Evans (except as marked to vote for all (04) Lawrence H. Brown (10) William L. Kissick to the contrary) nominees listed (05) Anne E. Impellizzeri (11) Thomas E. Leafstrand [ ] at left (06) Peter R. Sawers (12) Sheila W. Wellington [ ] (INSTRUCTION: To withhold authority to vote for any individual Nominee(s), write the number(s) of the nominee(s) on the line provided below.) -- (NUVEEN LOGO) NUVEEN INVESTMENTS Nuveen Investments 333 West Wacker Dr. Chicago www.nuveen.com NAC/NIAC Closed-End Funds [Insert Fund Name] Common Shares 3 EASY WAYS TO VOTE YOUR PROXY 1. Automated Touch Tone Voting: Call toll-free 1-800-690-6903 and use the control number shown. 2. On the internet at www.proxyweb.com, enter the control number shown and follow the simple instructions. 3. Sign, Date and Return this proxy card using the enclosed postage-paid envelope, to Proxy Tabulator, PO Box 9122, Hingham, MA 02043. **** CONTROL NUMBER: 999 999 999 999 98 **** THIS PROXY IS SOLICITED BY THE BOARD OF [FUND NAME] FOR AN ANNUAL MEETING OF SHAREHOLDERS, OCTOBER 22, 2003. The Annual Meeting of shareholders will be held Wednesday, October 22, 2003 at 10:30 a.m. Central Time, in the 31st floor conference room of Nuveen Investments, Inc., 333 West Wacker Drive, Chicago, Illinois. At this meeting, you will be asked to vote on the proposal described in the proxy statement attached. The undersigned hereby appoints Timothy R. Schwertfeger, Jessica R. Droeger and Gifford R. Zimmerman, and each of them, with full power of substitution, proxies for the undersigned, to represent and vote the shares of the undersigned at the Annual Meeting of shareholders to be held on October 22, 2003 or any adjournment or adjournments thereof. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the annual meeting. PROPERLY EXECUTED PROXIES WILL BE VOTED AS SPECIFIED. IF NO SPECIFICATION IS MADE, SUCH SHARES WILL BE VOTED "FOR" THE ELECTION OF NOMINEES TO THE BOARD. WHETHER OR NOT YOU PLAN TO JOIN US AT THE MEETING, PLEASE COMPLETE, DATE AND SIGN YOUR PROXY CARD AND RETURN IT IN THE ENCLOSED ENVELOPE SO THAT YOUR VOTE WILL BE COUNTED. AS AN ALTERNATIVE, PLEASE CONSIDER VOTING BY TELEPHONE (800) 690-6903 OR OVER THE INTERNET (www.proxyweb.com). Date: --------------------------------- SIGN HERE EXACTLY AS NAME(S) APPEAR(S) ON LEFT. (Please sign in Box) -- NOTE: PLEASE SIGN YOUR NAME EXACTLY AS IT APPEARS ON THIS PROXY. IF SHARES ARE HELD JOINTLY, EACH HOLDER MUST SIGN THE PROXY, IF YOU ARE SIGNING ON BEHALF OF AN ESTATE, TRUST OR CORPORATION, PLEASE STATE YOUR TITLE OR CAPACITY. Please fill in box(es) as shown using black or blue ink or number 2 pencil. [X] PLEASE DO NOT USE FINE POINT PENS. 1. Election of Board Members: (01) William E. Bennett (06) William L. Kissick FOR NOMINEES WITHHOLD (02) Robert P. Bremner (07) Thomas E. Leafstrand listed at left AUTHORITY (03) Lawrence H. Brown (08) Peter R. Sawers (except as marked to vote for all (04) Jack B. Evans (09) Judith M. Stockdale to the contrary) nominees listed (05) Anne E. Impellizzeri (10) Sheila W. Wellington [ ] at left [ ] (INSTRUCTION: To withhold authority to vote for any individual Nominee(s), write the number(s) of the nominee(s) on the line provided below.) -- ONT FACE="Times New Roman" SIZE="2" COLOR="#000000"> *Committee Evaluation.* Sunoco s individual committees conduct annual self-evaluations. The results are reviewed with the Governance Committee and the Board.

Ø *Individual Director Performance Evaluation.* Individual director evaluations are conducted annually by the Governance Committee. The results are shared with the individual director.

BOARD STRUCTURE

Committees of the Board: The Board makes all decisions of major importance to Sunoco; however, the Board has established five standing committees so that certain areas can be addressed in more depth.

Committee Structure: Sunoco s five standing committees are: the Audit Committee, the Compensation Committee, the Governance Committee, the Public Affairs Committee, and the Executive Committee. Each Committee has the authority to, as it deems appropriate, independently engage outside legal, accounting or other advisors or consultants. Additionally, each committee annually conducts a review and evaluation of the performance of such committee and its members. The current charters of each committee are published on Sunoco s website and will be mailed to shareholders upon written request. A summary of the responsibilities of each of the committees follows:

Ø *Audit Committee.* The Audit Committee assists the Board in its oversight of the integrity of Sunoco s financial statements and disclosures and other internal control processes and Sunoco s compliance with ethics policies and legal and regulatory requirements. This Committee prepares a report that is included in Sunoco s proxy statement. The Committee selects, retains, compensates, oversees and evaluates the independence and ability of the independent auditors, as well as selects, appoints and evaluates Sunoco s General Auditor. The Committee also provides oversight on Sunoco s guidelines and policies with respect to business risk matters and other matters deemed appropriate by the Committee. The Committee establishes procedures for handling complaints, including the anonymous, confidential treatment of those employees raising such complaints regarding Sunoco s accounting, internal accounting controls or auditing matters.

Ø *Compensation Committee.* The Compensation Committee reviews and approves Sunoco s compensation philosophy, reviews and approves the executive compensation programs, plans and awards, and reviews and approves Sunoco s short- and long-term incentive plans. The Committee issues an annual report on executive compensation in accordance with applicable rules and regulations. This report is included in Sunoco s proxy statement. The Committee also reviews and approves general employee pension benefit plans and other benefit plans as appropriate.

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- Ø *Governance Committee.* The Governance Committee reviews the role, composition, and structure of the Board and its committees. The Committee reviews and evaluates individual Board members each year prior to recommending the annual directors slate for election by shareholders at the Annual Meeting. The Committee identifies and reviews qualified individuals as potential new director candidates. The Committee consults with the CEO to review and consider recommendations regarding CEO succession and succession and development plans for the other executive officers. Additionally, the Committee sets and administers policies governing the level and form of directors compensation.

The Governance Committee monitors and reviews corporate governance issues and emerging trends and continually benchmarks the best practices and governance guidelines of its proxy peers, leading governance authorities and experts, as well as Sunoco s institutional investors. The Committee has specifically been charged with recommending to the Board, on an on-going basis, a set of corporate governance guidelines.

- Ø *Public Affairs Committee.* The Public Affairs Committee reviews Sunoco s policies, practices and performance in the areas of environmental protection, health and safety, equal employment opportunity and diversity practices, government affairs and corporate charitable contributions. The Committee assesses Sunoco s performance as a responsible corporate citizen and keeps the Board apprised of Sunoco s relationship with its constituencies. The Committee reviews management s position on important public affairs issues, and assures that Sunoco addresses critical public affairs issues from a perspective that considers the interests of Sunoco s various constituencies. The Committee also assumes oversight responsibility for the resolution of significant complaints from shareholders, and the proper handling of shareholder proposals that concern topics within its purview for inclusion in Sunoco s proxy statement.

- Ø *Executive Committee.* The Executive Committee exercises the authority of the Board during the intervals between meetings of the Board except for Board actions specifically excluded by law and except that no action shall be taken by this Committee if any member of the Committee has voted in opposition.

Committee Membership:

- Ø *Independence.* Each committee of the Board, except for the Executive Committee, is composed entirely of independent directors, as defined in the current New York Stock Exchange listing standards, as well as the proposed New York Stock Exchange standards filed with the Securities and Exchange Commission in August 2002. Audit Committee members are required to meet an additional NYSE independence criteria specifically, they may not receive any compensation from Sunoco other than their directors compensation. As a matter of policy, Sunoco s Board applies this additional requirement to members of the Compensation and Governance Committees.

- Ø *Other Qualifications.* The individual qualifications of committee members are reviewed annually for compliance with the various regulatory requirements mandated for the members of each particular committee. The Governance Committee recommends the members and chairs of the Committees to the Board.

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- *Rotation Policy.* Sunoco s Board does not have a practice of automatic rotation of committee chairs and members after a set time period. There are many reasons to maintain an individual director on a specific committee, including continuity and subject matter expertise necessary for an effective committee. However, the Governance Committee reviews the strengths and expertise of each director, as well as the current and anticipated needs for each committee and, at times, may rotate members based on committee needs.

Committee Agendas: Committee agendas are prepared by the Committee Secretary in consultation with the Committee Chair. Annual recurring events for each committee are circulated each year and used as preliminary agenda items. All committee members are free to include additional items on an agenda.

Committee Reporting: Each Committee Chair reports to the full Board on committee actions in a timely manner, but in no event later than the next Board meeting.

BOARD RESPONSIBILITIES

Review and Approve Sunoco s Strategic Direction, Annual Operating Plan and Major Corporate Actions:

- Each year, the Board and the senior management team participate in a two-day off-site meeting at which major long-term strategies and financial and other objectives and plans are discussed and approved.

- Annually the Board reviews and approves a three-year strategic plan, yearly goals and an annual operating plan for the Company.

- On an on-going basis, the Board reviews and approves all major corporate actions. The board also reviews political, regulatory and economic trends and developments that may impact Sunoco.

Monitor Sunoco s Performance:

- On an on-going basis during the year, the Board monitors Sunoco s performance against its annual operating plan and against the performance of its peers.

- On a regular basis at Board meetings and through periodic updating, the Board reviews Sunoco s financial performance with a particular focus on peer and competitive comparisons. These reviews include the views of management, as well as those of key investors and securities analysts.

Evaluate the CEO:

- Ø The CEO is the highest-ranking member of the management team. As such, he or she is accountable to the Board for Sunoco s management and performance.

- Ø Annually, the CEO meets with the independent directors to discuss the overall performance and direction of the Company, as well as his or her individual performance.

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- Following that discussion, the independent directors meet separately, at a meeting which is led by the Chair of the Governance Committee, to evaluate Sunoco s direction and performance and the individual performance of the CEO.
- The results of this evaluation are communicated to the CEO at an executive session of the Board.

Review and Approve Executive Compensation:

- The Board, through the Compensation Committee, reviews and approves the compensation plans for senior management to ensure they are appropriate, competitive and properly reflect Sunoco s goals and objectives.
- Annually, the CEO meets with the Compensation Committee to develop appropriate goals and objectives for the annual and longer term executive incentive plans, which are then reviewed with the entire Board.
- The Compensation Committee evaluates the CEO s performance in determining the CEO s compensation.

Review and Approve CEO and Management Succession Planning:

- The Board plans for succession of the CEO as well as the other senior management positions.
- To assist the Board, the CEO annually provides the Governance Committee with an assessment of senior managers and their potential to succeed him.
- The CEO also provides the Governance Committee with an assessment of persons considered potential successors to certain senior management positions.

Advise and Counsel Management:

- Advice and counsel to management occurs both through formal Board and Committee meetings and through informal, individual director s contacts with the CEO and other members of management at various levels throughout the Company.
- The information needed for the Board s decision-making will often be found within Sunoco, and directors have full access to management.
- The Board and its Committees have the right to, at any time, retain outside financial, legal or other advisors or consultants.

Monitor Ethical and Legal Compliance: The Board monitors ethical and legal compliance by ensuring the processes are in place for maintaining the integrity of the company the integrity of the financial statements and the integrity of compliance with laws and ethics (and with Sunoco s Code of Business Conduct and Ethics).

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BOARD AND EXECUTIVE COMPENSATION PROGRAM

Sunoco attempts to maintain fair and straightforward compensation programs at both the Board and executive levels which are designed to enhance shareholder value.

Director Compensation:

- Sunoco s Governance Committee, which is composed entirely of independent directors, sets and administers the policies that govern the level and form of director s compensation.
- Sunoco s Governance Committee directly engages an independent compensation consultant to advise them as to best practices and emerging trends in director compensation. The independent consultant also benchmarks Sunoco s director compensation as against the proxy peer group and general industry data, which is adjusted for each company s relative revenue and asset base.
- Sunoco s Governance Committee believes that a substantial portion of the total director compensation package should be in the form of Sunoco common shares and share equivalents in order to better align the interests of Sunoco s directors with the long-term interests of its shareholders.
- In order to further encourage a link between director and shareholder interests, the Committee adopted Director Stock Ownership Guidelines to which members of the Board of Directors are expected to adhere. Directors are expected to own shares or share equivalents equal to 5 times the total annual retainer within 5 years of joining the Sunoco Board.
- In addition to the Director Stock Ownership Guidelines, director-nominees are required to own at least $2,000 worth of Sunoco common shares prior to standing for election as a director for the first time.

Executive Compensation:

- Sunoco s Compensation Committee consists entirely of independent directors who have the sole authority to retain an independent compensation consultant to assist in the evaluation of CEO and senior executive compensation.
- Total compensation (cash and non-cash) for Sunoco s CEO and the senior executives is targeted at or below median levels as determined from an annual review of proxy peers, industry peers and general industry data, which is adjusted for each company s relative revenue and asset base.
- Sunoco s annual incentive program results in payments that are closely correlated with Sunoco s earnings, return on capital, and health, environmental and safety performance.

- Ø The annual incentive program applies to all salaried and most hourly employees. The basis for calculation is consistent for all participants.

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- Sunoco s long-term incentive awards (options and performance units) have generally been less than 1% of outstanding shares, even though since 1997, Sunoco has repurchased 25% of its outstanding shares.

- The long-term executive incentive plan does not permit re-pricing of options, strike prices below market prices or reloads of options.

- All of Sunoco s executive incentive plans qualify under IRS Section 162(m) as performance-based plans that enable Sunoco to fully deduct the plan payments.

- Sunoco maintains stock ownership guidelines for its approximately top 40 executives. The amount of stock required to be owned increases with the level of responsibility of each executive, with the CEO expected to own stock with a value at least equal to four times his base salary.

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Board and Committee Membership

During 2002, the Board of Directors held 7 meetings and had five committees consisting of an Audit Committee, a Compensation Committee, an Executive Committee, a Governance Committee, and a Public Affairs Committee. All directors attended at least 75% of the Board meetings and committee meetings of which they were members.

The table below provides Board committee membership as of March 6, 2003. The table also indicates the number of meetings held by each of the Board committees in 2002.

Name	Audit[1]	Compensation	Executive	Governance	Public Affairs
R. J. Darnall	x			x	x
J. G. Drosdick			x[2]		
U. F. Fairbairn		x			x
T. P. Gerrity	x[2]			x	
R. B. Greco	x		x	x	
J. G. Kaiser		x			x[2]
R. D. Kennedy		x	x	x[2]	x
R. H. Lenny	x				x
N. S. Matthews		x	x		x
R. A. Pew			x		x
G. J. Ratcliffe		x[2]		x	
Number of Meetings in 2002	13	6	3	3	3

NOTES TO TABLE:

1 All members of the Audit Committee are independent as defined in the current and proposed listing standards of the New York Stock Exchange.

2 Committee Chairperson.

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Directors   Compensation

As discussed in the Corporate Governance Guidelines, directors are compensated partially in Sunoco common stock or stock equivalents to better align their interests with those of shareholders. Currently, equity-based compensation represents a substantial portion of the total compensation package. The Chief Executive Officer (CEO) is not paid for his services as a director. The following table summarizes the compensation of Sunoco s directors during 2002.

Directors   Compensation Table

Type of Compensation	Value
Retainer (Cash Portion)	$ 18,400
Retainer (Stock-Based Portion)	$ 10,000[1]
Stock Option Value	$ 19,000[2]
Restricted Share Credit under Deferred Compensation Plan	$ 22,000[3]
TOTAL (excluding meeting fees and Committee Chair Retainer)	$ 69,400
Annual Retainer for Committee Chair	$ 2,000
Board or Committee Attendance Fee (per meeting)[4]	$ 1,250

NOTES TO TABLE:

1 Represents approximate dollar value on the date of grant of 275 shares of Sunoco common stock paid under the Directors   Retainer Stock Plan.

2 Represents approximate dollar value on the date of grant of 1,666 options to purchase Sunoco common stock awarded under the Sunoco Long-Term Performance Enhancement Plan II, as determined using the Black-Scholes option pricing model. The stock options have a ten-year term and are exercisable two years after the date of grant with an exercise price equal to the fair market value of Sunoco common stock on the date of grant.

3 Represents the approximate dollar value on the date of grant of 601 restricted share units that are not payable until death or other termination of Board service, calculated in accordance with the terms of the Directors   Deferred Compensation Plan.

4 A fee of $1,250 per day is also paid in cash for special meetings.

Directors   Deferred Compensation: The Directors   Deferred Compensation Plan permits independent directors to defer a portion of their compensation. Payments of compensation deferred under this plan are restricted in terms of the earliest and latest dates that payments may begin. Deferred compensation is designated as share units, cash units, or a combination of both. A share unit is treated as if it were invested in shares of Sunoco common stock, but it does not have voting rights. Dividend equivalents are credited to each Director in the form of additional share units. Share units are settled in cash, based upon the fair market value of Sunoco common stock at the time of payment. Cash units accrue interest at a rate based upon Sunoco s cost of borrowing.

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Long-Term Performance Enhancement Plan II: The Long-Term Performance Enhancement Plan II provides that stock option awards under the plan may be made to outside directors of the Company. The options generally have a ten-year term and are generally exercisable two years after the date of grant. The purchase price payable upon exercise of an option will not be less than the fair market value of a share of Sunoco Common Stock on the date the option was granted. The purchase price may be paid in cash or in shares of common stock.

Directors Stock Ownership Guidelines: Each outside director is expected to own Sunoco common stock with a market value equal to at least 5 times the total annual retainer. Included in the determination of stock ownership for purposes of these guidelines are all shares beneficially owned and any share units held in the Directors Deferred Compensation Plan. New directors are allowed a five-year phase-in period to comply with the guidelines. As of the February 7, 2003 record date, all of Sunoco s current directors were in compliance with these stock ownership guidelines (or, in the case of directors with less than five years of service, on track for compliance within the five-year period).

Directors & Officers Indemnification Agreements

Sunoco s bylaws require that Sunoco indemnify its directors and officers, to the extent permitted by Pennsylvania law, against any costs, expenses (including attorneys fees) and other liabilities to which they may become subject by reason of their service to Sunoco. To insure against such liabilities, Sunoco has purchased liability insurance for its directors and officers and has entered into indemnification agreements with its directors and certain key executive officers and other management personnel. This insurance and the indemnification agreements supplement the provisions in Sunoco s Articles of Incorporation which eliminate the potential monetary liability of directors and officers to Sunoco or its shareholders in certain situations as permitted by law.

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Directors & Officers Ownership of Sunoco Stock

The following table shows how much Sunoco common stock each director nominee and Named Executive Officer[1] beneficially owned as of December 31, 2002. No director or executive officer beneficially owns more than 1.0% of the common stock, and directors and executive officers as a group beneficially own approximately 1.9% of the common stock.

Directors & Officers Stock Ownership

Name	Shares of Common Stock Beneficially Owned[2]	Share Units and Share Equivalents[3]	Total
R. J. Darnall	2,000	3,318	5,318
M. H. R. Dingus[4]	98,073	2,648	100,721
J. G. Drosdick[4]	632,371	0	632,371
U. F. Fairbairn	385	3,621	4,006
B. G. Fischer[4]	79,541	0	79,541
T. P. Gerrity	1,755	9,797	11,552
R. B. Greco	2,460	6,419	8,879
T. W. Hofmann[4]	103,841	0	103,841
J. G. Kaiser	6,801	7,128	13,929
R. D. Kennedy	15,500	5,024	20,524
R. H. Lenny	1,000	2,306	3,306
J. H. Maness[4]	81,493	827	82,320

N. S. Matthews	1,000	9,158	10,158
R. W. Owens[4]	118,960	2,285	121,245
R. A. Pew[5]	77,534	3,863	81,397
G. J. Ratcliffe	1,000	7,347	8,347
C. K. Valutas[4]	84,373	0	84,373
All directors and executive officers as a group including those named above*[4,5]	1,450,147	63,740	1,513,887

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NOTES TO TABLE:

* Certain of the directors and executive officers also own common units representing limited partnership interests of Sunoco Logistics Partners L.P., Sunoco s 75.3% owned master limited partnership. The number of such common units beneficially owned by individuals listed in the Directors and Officers Stock Ownership Table as of December 31, 2002 are as follows: R. J. Darnall (10,000); M. H. R. Dingus (2,000); J. G. Drosdick (20,000); U. F. Fairbairn (2,500); B. G. Fischer (2,000); R. B. Greco (1,500); T. W. Hofmann (2,500); J. G. Kaiser (2,500); R. D. Kennedy (5,000); R. H. Lenny (1,000); J. H. Maness (13,100); N. S. Matthews (20,000); R. W. Owens (10,000); G. J. Ratcliffe (15,000); and C. K. Valutas (4,700). The total number of such common units owned by directors and executive officers as a group (22 persons) is 134,300. The number of common units of Sunoco Logistics Partners L.P. held by each individual is less than 1% of the outstanding common units as of December 31, 2002; the total number of such units held by the group is approximately 1% of the common units.

1 The Chief Executive Officer and the next six most highly compensated executive officers during the last fiscal year.

2 This column includes shares of Sunoco common stock held by directors and officers or by certain members of their families (for which the directors and officers have sole or shared voting or investment power), shares of Sunoco common stock they hold in SunCAP and SHARP, shares of Sunoco common stock earned by officers in connection with the 1999 Performance-Based Common Stock Unit Awards which were paid in January 2003, and shares of Sunoco common stock that directors and officers had the right to acquire within 60 days of December 31, 2002.

3 Includes share unit balances held under the Directors Deferred Compensation Plan and the Deferred Compensation Plan for executives, and share equivalent balances held by executives under Sunoco s Savings Restoration Plan (see footnote 4 on page 43). Although ultimately paid in cash, the value of share units and share equivalents mirrors the value of Sunoco common stock. Thus, the amounts ultimately realized by the directors and executives will reflect all changes in the market value of Sunoco common stock from the date of deferral and/or accrual until the date of payout. The share units and share equivalents do not have voting rights, but are credited with dividend equivalents in the form of additional share units or share equivalents.

4 The amounts of shares of common stock beneficially owned include shares of Sunoco common stock which the following persons have the right to acquire as a result of the exercise of stock options within 60 days after December 31, 2002 under certain Sunoco, Inc. plans:

Name	Shares
J. G. Drosdick	535,000
M. H. R. Dingus	82,545
B. G. Fischer	70,165
T. W. Hofmann	85,980
J. H. Maness	59,800
R. W. Owens	75,450
C. K. Valutas	69,060
All directors and executive	1,097,850

officers as a group (including those named above)

5 R. A. Pew has sole voting and investment power with respect to 61,484 shares of common stock beneficially owned, except that voting and investment power is shared for 16,050 shares.

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Equity Compensation Plan Information

The following table provides information as of December 31, 2002 with respect to Sunoco common stock that may be issued upon the exercise of options, warrants and rights under Sunoco s existing equity compensation plans, including the Long-Term Performance Enhancement Plan II, Long-Term Performance Enhancement Plan, Executive Long-Term Stock Investment Plan, Retainer Stock Plan for Outside Directors, and Employee Option Plan:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by shareholders:			
Stock options	4,531,310[1]	$ 31.29	
Common stock units	462,212[2]	[3]	
			2,727,309[4]
Equity compensation plans not approved by shareholders	159,204[5]	$ 28.00	0
Total	5,152,726	$ 31.18	2,727,309

1 Consists of stock options granted under the following shareholder-approved plans: Long-Term Performance Enhancement Plan II and the following expired shareholder-approved plans: Executive Long-Term Stock Incentive Plan and the Long-Term Performance Enhancement Plan. No additional awards may be granted under the expired plans.

2 Consists of common stock units awarded under the Long-Term Performance Enhancement Plan and the Long-Term Performance Enhancement Plan II. No additional awards may be granted under the Long-Term Performance Enhancement Plan.

3 Common stock units do not have an exercise price. Payout is based on meeting certain targeted performance criteria or length of employment.

4 Consists of 2,526,780 shares available for issuance under the Long-Term Performance Enhancement Plan II and 200,529 shares under the Retainer Stock Plan for Outside Directors.

5 Consists of stock options granted in 1993 and 1994 to employees (other than executives) under the Employee Option Plan.

The following is a description of the material features of the Company s only existing equity compensation plan that was not approved by shareholders.

Employee Option Plan: The Sunoco Board of Directors approved the adoption of the Employee Option Plan which provided for the award of stock options to all employees (other than executives) of the Company and certain subsidiaries. The awards, which have a ten-year term and are exercisable two years from the date of grant, permit optionees to purchase Sunoco common stock at the fair market value on the date of grant. Two million shares of Sunoco common stock were authorized for issuance under the plan. In 1993 and 1994, stock option awards totaling 1,721,385 and 241,895, respectively, were made to eligible employees. As of December 31, 2002, 159,204 options remain outstanding and unexercised. No additional awards can be made under this plan.

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PROPOSALS ON WHICH YOU MAY VOTE

Item 1. Election of Directors

There are 11 nominees for election this year. Detailed information on each nominee is provided on pages 26 to 29. All directors are elected annually, and serve a one-year term until the next Annual Meeting. If any director is unable to stand for re-election, the Board may reduce its size or designate a substitute. If a substitute is designated, proxy votes in favor of the original director candidate will be counted for the substituted candidate.

Your Board unanimously recommends a vote FOR each of these directors.

Nominees for the Board of Directors

ROBERT J. DARNALL Director since 2000
Age 64

Mr. Darnall is the former Chairman of the Board of Prime Advantage Corp. (an internet provider of strategic sourcing services and logistics management to industrial manufacturers), a position he held from February 2000 to January 2002, and its former Interim Chief Executive Officer, a position he held from February 2000 to March 2001. He retired as President and Chief Executive Officer of Ispat North America, Inc. (a carbon steel manufacturer) in January 2000, a position he had held since November 1998. He was Chairman, President and Chief Executive Officer of Inland Steel Industries, Inc. (a carbon steel manufacturer and processor/distributor of industrial materials) from September 1992 to October 1998. Mr. Darnall is also a director of Cummins, Inc.; Household International, Inc.; Pactiv Corporation; United States Steel Corporation; and The Federal Reserve Bank of Chicago.

JOHN G. DROSDICK Director since 1996
Age 59

Mr. Drosdick was elected Chairman and Chief Executive Officer in May 2000. Mr. Drosdick has been a director and President of Sunoco since December 1996. He was also Chief Operating Officer from December 1996 to May 2000. Mr. Drosdick is Chairman of the Board of Sunoco Logistics Partners L.P., the Company s 75.3 percent owned master limited partnership. He is also a director of Lincoln National Corporation and United States Steel Corporation.

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Nominees for the Board of Directors

URSULA F. FAIRBAIRN Director since 2001
Age 60
Ms. Fairbairn is Executive Vice President, Human Resources & Quality, American Express Co. (a diversified global travel and financial services company), a position she has held since December 1996. Previously, Ms. Fairbairn was Senior Vice President, Human Resources at Union Pacific Corporation (a transportation company) from 1990 until November 1996. She is also a director of Air Products and Chemicals, Inc. and VF Corporation.

THOMAS P. GERRITY Director since 1990
Age 61
Dr. Gerrity is a Professor of Management at The Wharton School (the business school) of the University of Pennsylvania, a position he has held since 1990. He also served as Dean of The Wharton School from July 1990 through July 1999. He is also a director of CVS Corporation; Fannie Mae; Internet Capital Group, Inc.; Knight Ridder; and is a trustee of the Morgan Stanley Institutional Funds.

ROSEMARIE B. GRECO Director since 1998
Age 56

Ms. Greco was appointed Director, Office of Health Care Reform for the Commonwealth of Pennsylvania in January 2003. She was founding Principal of GRECOventures Ltd. (a business investment and consulting partnership), a position she held from January 1999 until January 2003. Ms. Greco was Co-Chair of the Private Industry Council of Philadelphia (a private non-profit organization that is a resource for workforce development and job training) from August 1998 to December 1998, and Interim President and Chief Executive Officer of the Council from April 1998 to August 1998. From January 1998 until April 1998, she did consulting work. Ms. Greco was President of CoreStates Financial Corp. (parent company of CoreStates Bank) from May 1996 until August 1997, and President and Chief Executive Officer of CoreStates Bank (a financial institution) from August 1994 until August 1997. She remained affiliated with CoreStates in an advisory capacity from August 1997 until the end of January 1998. Ms. Greco served as Chief Banking Officer of CoreStates Financial Corp. from August 1994 to June 1996; Chief Retail Services Officer from October 1993 to August 1994; and was a bank director from April 1992 to August 1997. She was the President and Chief Executive Officer of CoreStates First Pennsylvania Bank Division of CoreStates Bank from March 1991 to August 1994. Ms. Greco is also a director of Exelon Corp.; Pennsylvania Real Estate Investment Trust; and is a trustee of the SEI I Mutual Funds of SEI Investments.

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Nominees for the Board of Directors

JAMES G. KAISER Director since 1993
Age 60

Mr. Kaiser is Chairman, Chief Executive Officer and a director of Avenir Partners, Inc. (an automobile business), a position that he has held since December 1998, and President and a director of Kaiser Services, LLC (a business development company), a position that he has held since December 1998. Mr. Kaiser was engaged in developing businesses from January 1996 until December 1998. He retired as President, Chief Executive Officer and director of Quanterra Incorporated in January 1996, positions he had held since June 1994. Quanterra succeeded to businesses of the environmental analytical services division of International Technology Corporation and Enseco (a unit of Corning Incorporated) for which Mr. Kaiser had been President and Chief Executive Officer since June 1992. Previously, he had served as Senior Vice President and General Manager of Corning s Technical Products Division and Latin America/Asia Pacific Exports Group since 1984. Mr. Kaiser is also a director of MeadWestvaco Corporation.

ROBERT D. KENNEDY Director since 1995
Age 70

Mr. Kennedy retired as Chairman of the Board of Union Carbide Corporation (a manufacturer of chemicals, plastics, industrial gases, and carbon/graphite) in December 1995, a position he had held since December 1986. He remained a director of Union Carbide until its merger with Dow Chemical in February 2001. Mr. Kennedy also served as its Chief Executive Officer from April 1986 to April 1995. Mr. Kennedy later served as interim Chief Executive Officer and Chairman of UCAR International (a manufacturer of graphite, carbon electrode and cathode products) from March 1998 until July 1998, and Chairman from March 1998 until September 1999. Mr. Kennedy is also a director of Hercules Incorporated; International Paper; and Kmart Corporation.

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Nominees for the Board of Directors

RICHARD H. LENNY Director since 2002
Age 51

Since January 2002, Mr. Lenny has been Chairman of the Board of Hershey Foods Corporation (a manufacturer, distributor and marketer of chocolate and non-chocolate candy, and chocolate related grocery products). He has been its President and Chief Executive Officer since March 2001. He was formerly Group Vice President of Kraft Foods, Inc. (a marketer of several food brands) and President of its Nabisco Biscuit and Snack business from December 2000 until March 2001; President, Nabisco Biscuit Company from February 1998 until December 2000; and President, Pillsbury North America (a marketer of several food brands) from February 1995 to February 1998.

NORMAN S. MATTHEWS Director since 1999
Age 70

Mr. Matthews has been a retail consultant and investor since 1989. He was previously President, Federated Department Stores (an operator of department stores) from 1987 until 1988, and is currently a director of Finlay Enterprises, Inc.; Galyan s Trading Co.; Henry Schein, Inc.; The Progressive Corp.; and Toys R Us, Inc.

R. ANDERSON PEW Director since 1978
Age 66

Mr. Pew retired from Sunoco in May 1996 as Chief Executive Officer of Radnor Corporation (a real estate subsidiary of Sunoco), a position he had held since March 1995, and as President of Helios Capital Corporation (a leasing subsidiary of Sunoco), a position he had held since September 1977. Mr. Pew joined Sunoco in 1958, and served as Corporate Secretary from May 1974 until July 1977. Mr. Pew is also Chairman of the Board of Directors of The Glenmede Corporation (a Pennsylvania holding company) and is a director of its wholly owned subsidiary, The Glenmede Trust Company, N.A., a provider of investment, trust and wealth management services.

G. JACKSON RATCLIFFE Director since 1998
Age 66

Mr. Ratcliffe is Chairman of the Board of Hubbell Incorporated (an international manufacturer of electrical and electronic products), a position he has held since 1987, having been first elected to its Board in 1980. He also served as its President and Chief Executive Officer from January 1988 until his retirement in July 2001. Mr. Ratcliffe is also a director of Barnes Group, Inc.; Olin Corporation; and Praxair, Inc.

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Item 2. Approval of the Amendment and Restatement of the Long-Term Performance Enhancement Plan II

Sunoco s shareholders originally approved the Long-Term Performance Enhancement Plan II (LTPEP II) at the 2001 Annual Meeting. LTPEP II allows Sunoco to grant to key employees compensation awards based on or related to Sunoco s common stock, including stock options and Common Stock Units (CSUs). The purpose of LTPEP II is to attract, retain and reward employees who can and do contribute to Sunoco s long-term success. In today s challenging marketplace, LTPEP II is an important tool for keeping and attracting talented individuals.

Some of the important features of LTPEP II include:

- Ø With regard to stock options awarded under the plan, the option price of the stock options has never been at less than fair market value on the date of grant.
- Ø The plan prohibits repricing of underwater options without shareholder approval.
- Ø Reload options have not been issued.
- Ø Stock options have a minimum vesting period of one year and terminate after ten years. Currently, all stock options which have been granted have a minimum vesting period of two years.
- Ø Common Stock Units that are awarded may be conditioned upon continued employment or may be tied to certain objective performance criteria or targets of the Company and will only be paid out if those performance targets are met. Up to the current time, the majority of the CSUs that have been granted have been performance-based.
- Ø Up to the current time, for performance-based CSUs, the performance periods have been for three years; and retention-based CSUs have a minimum retention period of three years.
- Ø Currently under LTPEP II, the maximum number of CSUs that may be granted in any calendar year to a participant is 50,000, and the maximum number of CSUs that may be granted in the aggregate under the plan is 1,000,000.
- Ø Currently CSUs pay out only in the form of Common Stock.

The total number of shares of Common Stock that may be awarded under LTPEP II, as approved by the shareholders in May 2001, was 4,000,000. As of December 31, 2002, 2,526,780 shares remained available for issuance under LTPEP II.

The Compensation Committee of the Board of Directors, which is comprised entirely of outside independent directors, has approved amendments to LTPEP II, subject to the approval of shareholders. The proposed amendments to Section 1.16, Section 2.3, Section 2.7 and Section 6.6 would: (1) revise the definition of Fair Market Value to make it clear that the option price will not be less than fair market value; (2) revise the effective date of the plan

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based on approval of these amendments by the shareholders at the 2003 Annual Meeting; (3) increase from 50,000 to 150,000 the maximum number of CSUs that may be granted in any calendar year to a participant, and increase the limitation on the maximum number of CSUs that may be granted under the plan from 1,000,000 to 2,000,000 so that more shares could be granted in the form of CSUs should the Compensation Committee decide to do so; and (4) permit settlement in cash (as an alternative to stock) for earned CSUs at the discretion of the Compensation Committee. The total number of shares that may be issued under LTPEP II remains unchanged from what was previously approved by the shareholders in May 2001, and currently 2,526,780 shares remain available for issuance.

The Compensation Committee approved these amendments because it believes that it is important that a greater portion of long-term compensation that is granted be tied to company goals and performance and/or other company specific performance-based metrics, rather than be granted predominantly in the form of stock options.

Therefore, beginning in 1996, Sunoco modified its long-term compensation program to switch from a totally option-based program to a program that consisted of a mix of stock options and CSUs. The CSUs were designed to only have value if certain objective company-specific performance criteria were met. Each year the Compensation Committee has evaluated the goals and modified them as appropriate based on overall Company objectives. Additionally, each year, the Committee has evaluated the appropriate mix of stock options versus CSUs. While this mix has varied, for the most part, the Committee has elected to split the long-term value opportunity equally between stock options and CSUs.

The Compensation Committee has engaged an independent compensation consultant to assist it in continuing to design a long-term incentive package that will serve the shareholders best interests. The Committee has noted that numerous institutional investors and corporate governance/compensation experts are of the view that the mix of long-term compensation should include an even higher percentage or should consist entirely of company performance-based incentive awards as compared to stock options. While the Committee has not made any decisions as to the appropriate mix of CSUs as compared to stock options for future years, the Committee is of the view that it needs to have the flexibility to continue to design long-term compensation as it sees fit depending on Company objectives and goals at that time.

By approving these amendments you will not be increasing the number of shares available for future grants under LTPEP II. Rather, you will be giving the Compensation Committee the flexibility to increase the percentage mix more toward CSUs and less toward stock options should it be of the view that such a mix is more appropriate at some future time.

A copy of the proposed amended and restated Long-Term Performance Enhancement Plan II is included as Exhibit B to this proxy statement.

Your Board of Directors unanimously recommends a vote FOR the approval of the amendments to LTPEP II.

The material features of LTPEP II, as proposed to be amended, are described below:

- *Summary Plan Description.* The purpose of the LTPEP II is to attract, retain and reward individuals who can and do contribute to Sunoco s success. Awards may be made to

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management and key employees as well as directors. The approximate number of individuals who are eligible to participate in this plan is 45. The Compensation Committee, comprised entirely of outside directors of the Company as defined under Internal Revenue Code Section 162(m), administers this plan. None of the members receive additional compensation from Sunoco for administering this plan. The following description of the LTPEP II is only a summary. The LTPEP II has the following types of awards and other terms:

♦ *Stock Options and Incentive Stock Options.* Each option will be exercisable during a period fixed by the Committee, beginning no earlier than one year, and ending no later than ten years, after the date of grant. Options may be transferred only by will, pursuant to the laws of descent and distribution, in response to a qualified domestic relations order, or during the participant s lifetime to an immediate family member (with certain restrictions). The purchase price payable upon exercise of an option will not be less than the fair market value of a share of Sunoco common stock on the date the option is granted. The purchase price may be paid in cash or in shares of Sunoco common stock. Upon termination of the participant s employment, unvested options will be canceled immediately, and vested options will be canceled ninety days after the date of the participant s termination (other than for just cause as defined in the plan). However, to the extent exercisable, options may be exercised for a period of up to sixty months following a termination of employment by reason of death, permanent disability or retirement, as determined by the Committee. If there is a change in control, outstanding options will become exercisable. The maximum number of options that may be granted to any single participant in any one calendar year will not exceed 400,000.

♦ *Limited Rights.* The Committee may grant related limited rights to any participant who has been awarded options under the LTPEP II. Limited rights are immediately exercisable in full upon grant for a period up to seven months following a change in control of Sunoco. Upon the exercise of limited rights, payment will be made in cash in an amount equal to the difference between the exercise price of the related option and the greater of (a) the highest price per share of Sunoco common stock paid in connection with the change in control or (b) the highest price per share of Sunoco common stock during the sixty-day period prior to the change in control. Exercise of limited rights reduces options held on a one-for-one basis. Generally, limited rights will terminate upon the participant s death or termination of employment unless such termination of employment is due to retirement or disability, in which case the participant may exercise limited rights within six months of such termination to the extent they are exercisable. A participant whose employment is terminated for other than just cause, as defined in the plan, following a change in control of Sunoco, may exercise limited rights during the seven-month period following the change in control during the related option period.

♦ *Common Stock Units.* A common stock unit, or CSU, is a right to receive a share of Sunoco common stock or cash, and related dividend equivalents which are paid in cash. At the time of the grant, the Committee will determine whether this right will be conditioned only upon continued employment with Sunoco for a certain period of time, or whether it will be further conditioned upon the attainment, during the period, of certain predetermined objective performance goals (based upon financial or operating measures). CSUs usually will terminate upon the participant s termination of employment. However, if termination is due to death, permanent disability or retirement, payment of all performance-based CSUs and applicable dividend equivalents will be made at the end of the performance period, as though the participant had continued in the employment of the Company through such period. In the event of a change in control of the Company, all outstanding CSUs and related dividend equivalents will be paid out as described in the Plan.

Ø For CSUs conditioned only upon continued employment with Sunoco, the employment period will not be less than three years.

Ø For performance-based CSUs, the number of shares actually earned will vary depending upon the levels of certain performance goals actually achieved.

♦ *Minimum Stock Ownership Guidelines.* For participants that have failed to meet the minimum stock ownership guidelines (as described on pages 22 and 37), the Committee has the power to impose restrictions on the sale or other disposition of any Sunoco common stock received by those participants as a result of any exercise of stock options or payment of CSUs.

♦ *Federal Tax Consequences.* A participant will not realize any income and Sunoco will not receive any deduction for federal income tax purposes, upon the grant of options, limited rights or CSUs. With regard to stock options or limited rights, ordinary income will be realized by the participant at the time shares are received or cash is paid upon exercise. For stock options, the amount of income will be equal to the difference between the stock option price and the fair market value of shares of Sunoco common stock on the date of the exercise. For limited rights, the amount of income will be equal to the cash received. Ordinary income will be realized by a participant in the year in which CSUs are paid, in an amount equal to the fair market value of the shares of Sunoco common stock issued at the end of the performance period and the dividend equivalents paid. Income received by a participant pursuant to a limited right or CSU which is received upon a change in control of Sunoco may be subject to a twenty-percent excise tax as an excess parachute payment. Sunoco will receive a deduction on its consolidated federal income tax return for the taxable year in which the participant realizes ordinary income from the exercise of stock options or limited rights, or from the payment of CSUs. A participant will not recognize taxable income from the exercise of an incentive stock option, so long as the participant holds the stock received until the later of two years from the date of grant or one year from the date of exercise. The exercise of an incentive stock option will result in a tax preference item for the alternative minimum tax of an amount equal to the difference between the stock option price and the fair market value of the shares of Sunoco common stock on the date of exercise.

♦ *Adjustments.* If there is a change in the number of outstanding shares of Sunoco common stock as a result of any stock dividend or distribution, recapitalization, merger, consolidation, split-up, combination, exchange of shares or the like, the

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Committee may appropriately adjust the number of shares of Sunoco common stock to be issued under the LTPEP II, or under the awards previously granted under the LTPEP II.

- *Amendments.* The Committee may terminate or amend the LTPEP II at any time, without shareholder approval. However, without shareholder approval, the Committee may not amend the LTPEP II in certain respects, including amendments which would (a) increase the maximum award levels established in LTPEP II, including the maximum number of shares of Sunoco common stock which may be issued under the LTPEP II (except for adjustments as described above); (b) extend the term during which an option may be exercised beyond ten years from the date of grant; or (c) alter the terms of any previously granted option in order to reduce the option price, or cancel any outstanding option award and replace it with a new option, having a lower option price, where the economic effect would be the same as reducing the option price of the cancelled option.

Plan Benefits. Because the awards are determined by the Compensation Committee, we cannot determine the benefits or amounts that will be received or allocated in the future under the plan.

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Item 3. Ratification of the Appointment of Ernst & Young LLP as Independent Auditors for the Fiscal Year 2003

The Audit Committee of the Board of Directors has appointed Ernst & Young LLP as our independent auditors for the fiscal year 2003, subject to your ratification. Ernst & Young has served as our independent auditors since 1996. They have unrestricted access to the Audit Committee to discuss audit findings and other financial matters. Representatives of Ernst & Young will attend the Annual Meeting to answer appropriate questions. They also may make a statement.

The work performed for Sunoco, Inc. by Ernst & Young during 2002 and the related fees were approved by Sunoco s Audit Committee. The work performed for Sunoco Logistics Partners L.P., Sunoco s 75.3 percent owned master limited partnership, by Ernst & Young during 2002 and related fees were approved by the Audit Committee of Sunoco Logistics Partners L.P. The Ernst & Young fees for 2002 and 2001 are set forth below.

Audit Fees and Non-Audit Fees

	2002	2001
Audit Fees[1]	$ 2,022,623	$ 3,304,805
Audit-Related Fees[2]	$ 648,691	$ 568,734
Tax Fees[3]	$ 23,000	$ 67,699
All Other Fees		

NOTES TO TABLE:

1 Audit fees consisted of fees related to the annual audit of Sunoco s and Sunoco Logistics Partners L.P. s consolidated financial statements and reviews of the financial statements in their Quarterly Reports on Form 10-Q, audit and attestation services related to statutory or regulatory filings. The 2001 amount includes $1,641,821 related to the initial public offering of Sunoco Logistics Partners L.P.

2 Audit-related fees consisted of fees related to consultation on accounting and reporting matters and audits of separate financial statements of subsidiaries and affiliates and employee benefit plans.

3 Tax fees consisted of fees related to corporate tax planning and preparation and review of certain subsidiary tax returns. It is Sunoco s policy to prohibit its executives from utilizing Sunoco s independent auditors to provide individual tax advice or tax planning.

Your Board unanimously recommends a vote FOR the ratification of Ernst & Young s appointment as independent auditors for the fiscal year 2003.

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AUDIT COMMITTEE REPORT

The Audit Committee reviews Sunoco s financial reporting process on behalf of the Board of Directors. In fulfilling its responsibilities, the Committee has reviewed and discussed the audited financial statements contained in the 2002 Annual Report on Form 10-K with Sunoco s management and the independent auditors. Management is responsible for the financial statements and the reporting process, including the system of internal controls. The independent auditors are responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States.

The Committee discussed with the independent auditors their independence from Sunoco and its management including the matters in the written disclosures required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and considered the compatibility of non-audit services with the auditors independence. In addition, the Committee discussed the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors, and the Board has approved, the inclusion of the audited financial statements in Sunoco s Annual Report on Form 10-K for the year ended December 31, 2002, for filing with the Securities and Exchange Commission.

Respectfully submitted on March 6, 2003 by the members of the Audit Committee of the Board of Directors:

Thomas P. Gerrity, Chair

Robert J. Darnall

Rosemarie B. Greco

Richard H. Lenny

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EXECUTIVE COMPENSATION: REPORT OF THE COMPENSATION COMMITTEE

The Committee s Responsibilities: The Compensation Committee of the Board has responsibility for setting and administering the policies which govern executive compensation. The Committee is composed entirely of independent directors. Reports of the Committee s actions and decisions are presented to the full Board. The purpose of this report is to summarize the philosophical principles, specific program objectives and other factors considered by the Committee in reaching its determinations regarding the executive compensation of the Named Executive Officers.

Compensation Philosophy: The Committee has approved principles for the management compensation program which:

- Encourage strong financial and operational performance of the Company;
- Emphasize performance-based compensation (pay at risk) which balances rewards for short-term and long-term results;
- Focus executives on beating the competition including measurements based on performance relative to peer companies;
- Link compensation to the interests of shareholders by providing stock incentives and requiring significant shareholdings; and
- Provide a competitive level of total compensation necessary to attract and retain talented and experienced executives.

Management s Stock Ownership Guidelines: The Committee considers stock ownership by management to be an important means of linking management s interests directly to those of shareholders. Sunoco has stock ownership guidelines for its approximately 40 top executives. The amount of stock required to be owned increases with the level of responsibility of each executive, with the Chief Executive Officer expected to own stock with a value at least equal to four times his base salary. Until such time as they are actually paid out and received, shares that the executives have the right to acquire through the exercise of stock options are not included in the calculation of stock ownership. Participants are expected to reach their respective stock ownership goals by the end of a five-year period. As of the February 7, 2003 record date, all of the executives subject to the stock ownership guidelines were in compliance (or, in the case of new executives or executives in new positions with higher stock ownership requirements, on track for compliance within the five-year period).

Compensation Methodology: Sunoco strives to provide a comprehensive executive compensation program that is performance-based and competitive in order to attract and retain superior executive talent. The Committee has engaged its own independent compensation consultant to advise regarding current best practices in executive compensation and to review market data and assess Sunoco s competitive position for three components of executive compensation: (1) base salary, (2) annual incentives, and (3) long-term incentives. Because the Committee believes that the Company s direct competition for executive talent is broader than the companies that are included in the performance peer group established for purposes of comparing shareholder returns (see the Stock Performance Graph on page 49 for more information), compensation practices of companies in the performance peer group and others in the oil industry are taken into consideration in establishing executive compensation at Sunoco. This information is supplemented by general industry compensation information with adjustments for each company s relative revenue and asset base.

Components of Compensation:

- ***Base Salary:*** Annual base salary is designed to compensate executives for their level of responsibility and sustained individual performance. The Committee approves in advance all salary increases for the Named Executive Officers. The Committee engages its own independent consultant to assist in the annual review of base salaries. In determining salary increases, the Committee reviews data presented by its independent consultant. The goal is to compensate executives at the median range of base salaries paid by companies in the performance peer group, the oil industry, and industry in general. Individual performance is a key component in determining base salary increases.

- ***Annual Incentives:*** Annual incentive awards for the Named Executive Officers are provided in order to promote the achievement of Sunoco s business objectives. The Committee engages its own independent consultant in determining the annual incentive awards. Each year the Committee considers the Company s prior year s performance and objectives, as well as its expectations for Sunoco in the upcoming year and data presented by the Committee s independent consultant. Bearing in mind these considerations, the Committee sets certain Company performance criteria or goals which must be met before payments are made. Additionally, individual performance goals may be established for each participant. Payments may range from 0% to 200% of the annual incentive opportunity, with payments increasing as performance improves.

For the 2002 awards, the Committee established a fixed percentage of actual annual base salary as an executive s annual incentive opportunity, based on comparative survey data on annual incentives paid in the former performance peer group, the oil industry, and industry in general. The incentive opportunity increases with the level of the actual base salary which reflects the level of responsibility of the executive. Annual incentive awards for 2002 were based on meeting weighted objectives for the following principal measurements:

- after-tax operating income, as defined by the Committee; and
- performance relative to the peer group (see page 49), as measured by return on capital employed, or ROCE ;
- as modified by certain health, environment and safety performance goals.

Due to the Company s performance during 2002, there was no payout for the portion of the annual incentive opportunity that related to after-tax operating income, as defined by the Committee. There was a payout based on the relative ranking, as measured by ROCE, against the former performance peer group, which was modified by certain health, environment and safety performance goals, and which averaged 23.8% for the Company.

- ***Long-Term Incentive Compensation:*** Each year, the Committee reviews and approves all long-term incentive awards. The Committee engages its own independent consultant to assist in determining the form and amount of the awards. In determining the total value of the long-term incentive opportunity, the Committee reviews data presented by its independent compensation consultant of similar awards made to individuals in comparable positions within the performance peer group, the oil industry, and industry in general.

The Committee believes that it is important that a substantial portion of long-term compensation be tied to company goals and/or other Company-specific performance-based metrics. Due to this firmly held belief, beginning in 1996, Sunoco modified its long-term compensation program to switch from a totally stock-option-based program to a program that consisted of a mix of stock options and performance-based Common Stock Units (CSUs). The performance-based CSUs were designed to only have value if certain objective Company-specific performance criteria were met. Each year the Committee has evaluated the appropriate mix of stock options versus performance-based CSUs. While this mix has varied, for the most part, the Committee has elected to split the long-term value opportunity equally between stock options and CSUs.

The following is a description of the awards granted in 2002:

- *Stock Options:* Options have an exercise price equal to the fair market value of common stock on the date of grant, are exercisable beginning two years from the date of grant, and have a term of ten years from the date of grant.

- *Common Stock Units:* For the 2002 awards, performance-based CSUs are earned based on the level of company performance achieved over a three-year period subsequent to the date of grant measured on a scale combining the Company s return on capital employed above the cost of capital and its earnings per share growth.

Chief Executive Officer Compensation: The Chief Executive Officer participates in the same programs and receives compensation based on the same factors as the other executive officers. However, Mr. Drosdick s overall compensation reflects a greater degree of policy and decision-making authority and a higher level of responsibility with respect to the strategic direction and financial and operational results of the Company. For 2002, the Chief Executive Officer s compensation components were:

- ***Base Salary:*** The Committee evaluated Mr. Drosdick s individual performance during 2001 based on certain criteria. These criteria included the following: overall leadership, development of Sunoco s long-term strategic plan and annual goals and objectives, development of an effective senior management team and provision for management

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succession, effective communications with stakeholders and relationship with the Board. As a result of this evaluation and Sunoco s performance in 2001, Mr. Drosdick s annual salary was increased to $925,000, effective January 1, 2002.

- ***Annual Incentive:*** Annual incentive compensation for Mr. Drosdick was based on meeting weighted objectives for the following principal measurements:

  - after-tax operating income, as defined by the Committee; and
  - performance relative to the peer group (see page 49), as measured by ROCE;
  - as modified by certain health, environment and safety performance goals.

Due to the Company s performance during 2002, there was no payout for that portion of the annual incentive that related to after-tax operating income, as defined by the Committee. There was a payout based on performance relative to the former peer group, as measured by ROCE, which was modified by certain health, environment and safety performance goals, and which averaged 23.8% for the corporation. Based on these criteria, Mr. Drosdick was awarded $220,150 representing 23.8% of his annual incentive opportunity for performance in 2002.

- ***Long-Term Incentive Awards:*** In December 2002, as part of the Company s annual award of long-term compensation to executives, Mr. Drosdick received a grant of 225,000 stock options which become exercisable in December 2004, and 50,000 performance-based common stock units. In determining the amounts granted, the Committee considered, without specific weighting, the performance of the Company, the same individual criteria that is referred to above under Base Salary, and the value of such awards granted to other chief executive officers in the industry survey groups. See pages 39 and 40 for a discussion of the Committee s review of and actions regarding 2002 long-term incentive compensation.

Omnibus Budget Reconciliation Act of 1993: This Act has no material impact upon Sunoco s ability to take a tax deduction for annual compensation in excess of $1 million paid to any of the Named Executive Officers for the year 2002.

Respectfully submitted by the members of the Compensation Committee of the Board of Directors:

G. Jackson Ratcliffe, Chair

Ursula F. Fairbairn

James G. Kaiser

Robert D. Kennedy

Norman S. Matthews

Compensation Committee Interlocks and Insider Participation: There are none.

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Named Executive Officers

JOHN G. DROSDICK, 59 Chairman, Chief Executive Officer and President	Mr. Drosdick was elected Chairman and Chief Executive Officer in May 2000. He was elected a Director and President and Chief Operating Officer in December 1996.
JOEL H. MANESS, 52 Senior Vice President, Refining and Supply	Mr. Maness was elected to his present position in September 2001. He was Senior Vice President, Sunoco Northeast Refining from May 2000 to September 2001. From January 2000 to April 2000, he served as Manager, Safety, Health and Environment for the global downstream business of the newly formed ExxonMobil Corporation. He was President of Mobil de Venezuela, a subsidiary of Mobil, from July 1997 to December 1999.
ROBERT W. OWENS, 49 Senior Vice President, Marketing	Mr. Owens was elected to his present position in September 2001. He was Senior Vice President, Sunoco Northeast Marketing from May 2000 to September 2001 and Vice President and General Manager, Sunoco Northeast Marketing from February 1997 to May 2000.
BRUCE G. FISCHER, 47 Senior Vice President, Sunoco Chemicals	Mr. Fischer was elected to his present position in January 2002. He was Vice President, Sunoco Chemicals from November 2000 to January 2002, Vice President and General Manager, Sunoco MidAmerica Marketing and Refining from January 1999 to November 2000 and General Manager, Sunoco MidAmerica Marketing and Refining from June 1995 to January 1999.
THOMAS W. HOFMANN, 51 Senior Vice President and Chief Financial Officer	Mr. Hofmann was elected to his present position in January 2002. He was Vice President and Chief Financial Officer from July 1998 to January 2002. From July 1995 to July 1998, he served as Comptroller.
CHARLES K. VALUTAS, 52 Senior Vice President and Chief Administrative Officer	Mr. Valutas was elected to his present position in May 2000. He was Vice President, Sunoco Chemicals from August 1994 to May 2000.
MICHAEL H. R. DINGUS, 54 Senior Vice President Sunoco, Inc., and President, Sun Coke Company	Mr. Dingus was elected Senior Vice President, Sunoco, Inc. in January 2002. He was elected a Vice President of Sunoco, Inc. in May 1999 and President, Sun Coke Company in June 1996.

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EXECUTIVE COMPENSATION

Summary Compensation Table

		Annual Compensation			Long-Term Compensation: Awards[3]		Long-Term Compensation: Payouts	
Name and Principal Position	Year	Base Salary[1] ($)	Bonus ($)	Other Annual Compensation ($)[2]	Restricted Stock Awards ($)	Securities Underlying Options (#)	LTIP Payouts ($)	All Other Compensation[4] ($)
J. G. DROSDICK	2002	925,000	220,150	35,902	0	225,000	620,849[6]	48,100
Chairman, Chief Executive Officer and President	2001	840,000	1,344,924	14,470	0	210,000	682,488[5,6]	48,199
	2000	757,692	1,128,000	36,452	0	200,000	494,063[6]	42,344
J. H. MANESS	2002	420,000	59,976	16,900	0	47,000	582,080[9]	21,850
Senior Vice President, Refining and Supply	2001	360,000	288,198	5,307	0	44,000	624,250[9]	13,734
	2000	218,750	244,217[7]	57,735[8]	1,458,000[9]	59,800	0	1,654
R. W. OWENS	2002	400,000	55,680	15,067	0	45,000	407,734[11]	20,800
Senior Vice President, Marketing	2001	340,000	272,187	5,282	0	42,000	161,522[5,11]	19,509
	2000	293,231	274,950	53,920[10]	0	33,150	265,000[11]	15,471
B. G. FISCHER	2002	350,000	50,232	5,765	0	40,000	85,367[12]	18,200
Senior Vice President, Sunoco Chemicals	2001	300,000	224,100	22,850	0	37,000	93,842[5,12]	17,214
	2000	246,617	202,358	3,110	0	23,625	67,153[12]	13,012
T. W. HOFMANN	2002	350,000	49,980	6,197	0	40,000	146,934[13]	18,200
Senior Vice President and Chief Financial Officer	2001	305,000	219,737	18,489	0	37,000	141,147[5,13]	17,464
	2000	266,621	221,966	4,618	0	24,000	46,698[13]	14,067
C. K. VALUTAS	2002	350,000	49,980	7,593	0	40,000	85,367[14]	18,200
	2001	320,000	256,176	4,164	0	37,000	91,342[5,14]	18,362

Senior Vice President and Chief Administrative Officer	2000	262,400	274,950	2,741	0	28,800	55,961[14]	13,923
M. H. R. DINGUS	2002	350,000	49,329	8,772	0	40,000	85,367[15]	18,200
Senior Vice President,	2001	300,000	231,930	23,552	0	37,000	93,842[5,15]	17,214
Sunoco, Inc., and President, Sun Coke Company	2000	263,624	202,358	2,167	0	23,625	59,434[15]	14,352

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NOTES TO TABLE:

1 The amounts reported in the table under Base Salary reflect that there were 26 bi-weekly pay periods in 2002, 2001 and 2000. J. H. Maness became an employee of Sunoco on May 1, 2000, thus his base salary reflects 17.5 pay periods in 2000.

2 The amounts shown in this column include reimbursements for the payment of certain taxes.

3 Long-term awards were composed of stock options and common stock units (representing shares of Sunoco common stock). Grants of performance-based common stock unit awards are excluded from this table; however, such grants made during the last completed fiscal year are reflected in the table of Performance-Based Common Stock Unit Awards on page 48. Other common stock unit awards, if any, are included in this Summary Compensation Table as Restricted Stock Awards.

4 The table below shows the components of this column for 2002:

Name		Company Match Under Defined Contribution Plans*		Cost of Term Life Insurance		Total
J. G. Drosdick	$	46,250	$	1,850	$	48,100
J. H. Maness	$	21,000	$	850	$	21,850
R. W. Owens	$	20,000	$	800	$	20,800
B. G. Fischer	$	17,500	$	700	$	18,200
T. W. Hofmann	$	17,500	$	700	$	18,200
C. K. Valutas	$	17,500	$	700	$	18,200
M. H. R. Dingus	$	17,500	$	700	$	18,200

* Executive officers participate in two defined contribution plans: (i) SunCAP, Sunoco s 401(k) plan for most employees, and (ii) the Sunoco, Inc. Savings Restoration Plan. The Savings Restoration Plan permits a SunCAP participant to continue receiving the Company-matching contribution after reaching certain limitations under the Internal Revenue Code.

5 The amounts shown for 2001 include the payout of performance-based common stock units granted in 1997, which were paid out at 25% of target, including applicable dividend equivalents. The payout of the common stock units was contingent on achieving a certain level of total shareholder return as compared to the Peer Group, which was achieved, and on achieving a certain stock price averaged over a specified ten-day period. The stock price was achieved, but not for the specified ten-day period. Due to the Company s performance, the Compensation Committee determined that it was appropriate to pay out the 1997 Performance-Based Common Stock Unit Award at the 25% level. The required criteria for payout of the 1998 Performance-Based Common Stock Unit Award were met in 2001 and 110% of the targeted award was paid in early 2002. The amounts shown reflect the value of the common stock units paid out, including applicable dividend equivalents.

6 In 1997, J. G. Drosdick was granted a special award of 2,500 common stock units with a value of $104,688 on the date of grant. This award was paid to Mr. Drosdick in 1,250 share installments in January 1999 and January 2000 when they were valued at $45,625 and $30,938,

respectively (including dividend equivalents). The amount shown for 2000 also includes $463,125 representing the value of the 1996 Performance-Based Common Stock Unit Award paid out in 2000 at 130% of the targeted award, including applicable dividend equivalents. The amount shown for 2001 consists of $150,000 representing the value of the 1997 Performance-Based Common Stock Unit Award and $532,488 representing the value of the 1998 Performance-Based Common Stock Unit Award, including applicable dividend equivalents. The amount shown for 2002 consists of $620,849, which represents the value of the 1999 Performance-Based Common Stock Unit Award, including applicable dividend equivalents, the criteria for which were met in 2002, and was paid out in early 2003 at 143% of the targeted award.

[7] The amount shown includes a one-time bonus paid to J. H. Maness when he joined the Company in May 2000.

[8] The amount shown includes $23,468 paid to J. H. Maness in 2000 for certain relocation and temporary housing expenses, and also includes amounts related to reimbursements of the payment of certain taxes.

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NOTES TO TABLE: (CONTINUED)

9 In connection with his hiring in 2000, J. H. Maness was granted a special award of 48,000 common stock units with a value of $1,458,000 on the date of grant. This award is payable in 16,000 share installments in 2001, 2002 and 2003 contingent upon his continued employment with the Company. The first installment of 16,000 shares with a value of $624,250, including dividend equivalents, was paid to Mr. Maness in May 2001, and the second installment of 16,000 shares with a value of $582,080, including dividend equivalents, was paid to him in April 2002. The final installment is payable to him in April 2003. The value of the remaining common stock units as of December 31, 2002 was $532,640.

10 In connection with his hiring in 1997, the Company loaned R. W. Owens $100,000 for expenses largely in connection with his relocation to the Philadelphia area. The loan was imputed to bear a variable interest rate, and the imputed interest was compensatory to Mr. Owens. In 2000, $50,000 of the loan amount was forgiven and was imputed income to Mr. Owens. The remaining balance of $50,000 was repaid in the first quarter of 2001. In 2000, the imputed interest rate was 6.15% and the imputed income to Mr. Owens was $3,073. There was no imputed income to Mr. Owens in 2001 for this loan. The amounts for each year also include reimbursements for the payment of certain taxes.

11 In 1997, R. W. Owens was granted a special award of 10,000 common stock units in connection with his hiring. The award was paid to him in January 2000 and was valued at $265,000 (including dividend equivalents) at that time. The amount shown for 2001 consists of $35,500 representing the value of the 1997 Performance-Based Common Stock Unit Award and $126,022 representing the value of the 1998 Performance-Based Common Stock Unit Award, including applicable dividend equivalents. In 1999, Mr. Owens received a special award of 8,000 common stock units with a value of $204,500 on the date of grant. This award was paid to Mr. Owens in December 2002 with a value of $260,800, including dividend equivalents. The amount for 2002 also includes $146,934 representing the value of the 1999 Performance-Based Common Stock Unit Award, including applicable dividend equivalents, the criteria for which were met in 2002, and was paid out in early 2003.

12 The amount shown for 2000 reflects the value of the 1996 Performance-Based Common Stock Unit Award paid out, including applicable dividend equivalents. The amount shown for 2001 consists of $20,625 representing the value of the 1997 Performance-Based Common Stock Unit Award and $73,217 representing the value of the 1998 Performance-Based Common Stock Unit Award, including applicable dividend equivalents. The amount for 2002 reflects the value of the 1999 Performance-Based Common Stock Unit Award paid out, including applicable dividend equivalents, the criteria for which were met in 2002, and was paid out in early 2003.

13 The amount shown for 2000 reflects the value of the 1996 Performance-Based Common Stock Unit Award paid out, including applicable dividend equivalents. The amount shown for 2001 consists of $15,125 representing the value of the 1997 Performance-Based Common Stock Unit Award and $126,022 representing the value of the 1998 Performance-Based Common Stock Unit Award, including applicable dividend equivalents. The amount shown for 2002 reflects the value of the 1999 Performance-Based Common Stock Unit Award paid out, including applicable dividend equivalents, the criteria for which were met in 2002, and was paid out in early 2003.

14 The amount shown for 2000 reflects the value of the 1996 Performance-Based Common Stock Unit Award paid out, including applicable dividend equivalents. The amount shown for 2001 consists of $18,125 representing the value of the 1997 Performance-Based Common Stock Unit Award and $73,217 representing the value of the 1998 Performance-Based Common Stock Unit Award, including applicable dividend equivalents. The amount shown for 2002 reflects the value of the 1999 Performance-Based Common Stock Unit Award paid out, including applicable dividend equivalents, the criteria for which were met in 2002, and was paid out in early 2003.

15 The amount shown for 2000 reflects the value of the 1996 Performance-Based Common Stock Unit Award paid out, including applicable dividend equivalents. The amount shown for 2001 consists of $20,625 representing the value of the 1997 Performance-Based Common Stock Unit Award and $73,217 representing the value of the 1998 Performance-Based Common Stock Unit Award, including applicable dividend equivalents. The amount for 2002 reflects the value of the 1999 Performance-Based Common Stock Unit Award paid out, including applicable dividend equivalents, the criteria for which were met in 2002, and was paid out in early 2003.

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Aggregated Option/SAR Exercises and Year-End Values

The following table shows information for the Named Executive Officers concerning:

- exercises of stock options and stock appreciation rights (SARs) during 2002; and
- the amount and values of unexercised stock options and SARs as of December 31, 2002.

Aggregated Option/SAR Exercises in 2002 and Year-End Option/SAR Values

Name	Number of Securities Underlying Options/ SARs Exercised (#)	Value Realized[1] ($)	Number of Securities Underlying Options/SARs Unexercised At Year-End (#)		Value of Unexercised In-the-Money Options/SARs At Year-End ($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
J. G. DROSDICK *Chairman, Chief Executive Officer and President*	0	0	535,000	435,000	3,019,175	706,500
J. H. MANESS *Senior Vice President, Refining and Supply*	0	0	59,800	91,000	268,817	147,580
R. W. OWENS *Senior Vice President, Marketing*	0	0	75,450	87,000	333,974	141,300
B. G. FISCHER *Senior Vice President, Sunoco Chemicals*	0	0	70,165	77,000	356,052	125,600
T. W. HOFMANN *Senior Vice President and Chief*	0	0	85,980	77,000	401,068	125,600

Financial Officer						
C. K. VALUTAS *Senior Vice President and Chief Administrative Officer*	800	3,616	69,060	77,000	301,689	125,600
M. H. R. DINGUS *Senior Vice President, Sunoco, Inc., and President, Sun Coke Company*	8,950	46,988	82,545	77,000	380,443	125,600

NOTE TO TABLE:

1 Value realized is equal to the difference between the option/SAR exercise price and the fair market value of Sunoco common stock at the date of exercise multiplied by the number of options/SARs exercised.

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Option Grant Table

The following table presents additional information concerning the option awards shown in the Summary Compensation Table for fiscal year 2002. These options to purchase common stock were granted to the Named Executive Officers under Sunoco s Long-Term Performance Enhancement Plan II (LTPEP II).

Option Grants in 2002[1]

	Individual Grants						Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term[3]	
	Securities Underlying Options Granted[2]		Percent Of Total Options Granted to Employees in Fiscal Year	Exercise Or Base Price ($/share)	Expiration Date		5% ($)	10% ($)
Name	Date	Number						
J. G. DROSDICK *Chairman, Chief Executive Officer and President*	12/4/02	225,000	31.39	30.15	12/4/12		4,266,225	10,811,475
J. H. MANESS *Senior Vice President, Refining and Supply*	12/4/02	47,000	6.56	30.15	12/4/12		891,167	2,258,397
R. W. OWENS *Senior Vice President, Marketing*	12/4/02	45,000	6.28	30.15	12/4/12		853,245	2,162,295
B. G. FISCHER *Senior Vice President, Sunoco Chemicals*	12/4/02	40,000	5.58	30.15	12/4/12		758,440	1,922,040

T. W. HOFMANN *Senior Vice President and Chief Financial Officer*	12/4/02	40,000	5.58	30.15	12/4/12	758,440	1,922,040
C. K. VALUTAS *Senior Vice President and Chief Administrative Officer*	12/4/02	40,000	5.58	30.15	12/4/12	758,440	1,922,040
M. H. R. DINGUS *Senior Vice President, Sunoco, Inc., and President, Sun Coke Company*	12/4/02	40,000	5.58	30.15	12/4/12	758,440	1,922,040

NOTES TO TABLE:

1 No Stock Appreciation Rights (SARs) were granted.

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NOTES TO TABLE: (CONTINUED)

2 Each option was awarded with an exercise price equal to the fair market value of a share of Sunoco common stock on the date of grant and will become exercisable two years from the grant date. Each option has a term of ten years from the date of grant. These stock options were granted along with an equal number of limited rights. Limited rights become exercisable only in the event of a Change in Control (as defined in the Plan) and permit the holder to be paid in cash the appreciation on a stock option instead of exercising the option.

3 These dollar amounts are not intended to forecast future appreciation of the common stock price. The Named Executive Officers will not benefit unless the common stock price increases above the stock option exercise price. Any appreciation in the common stock price which results in a gain to these Named Executive Officers would also benefit all shareholders of the common stock. For example, the additional value realized by all shareholders of Sunoco common stock as a group (at December 31, 2002) based on the assumed annual appreciation levels for the term of the options for the December 4, 2002 grants reflected in the table would be as follows:

APPRECIATION LEVEL	ADDITIONAL VALUE
5%	$1,449,359,253
10%	$3,672,968,803

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Other Long-Term Incentive Awards

Performance-Based Common Stock Unit Awards Granted in 2002[1]

			Estimated Future Payout		
Name	**Number of Common Stock Units (CSUs)**	**End of Performance Period**	**Threshold (Number of CSUs)**	**Target (Number of CSUs)**	**Maximum (Number of CSUs)**
J. G. DROSDICK *Chairman,* *Chief Executive Officer* *And President*	50,000	12/31/05	12,500	50,000	100,000
J. H. MANESS *Senior Vice President,* *Refining and Supply*	9 ,400	12/31/05	2,350	9,400	18,800
R. W. OWENS *Senior Vice President,* *Marketing*	9,000	12/31/05	2,250	9,000	18,000
B. G. FISCHER *Senior Vice President,* *Sunoco Chemicals*	8,000	12/31/05	2,000	8,000	16,000
T. W. HOFMANN *Senior Vice President and* *Chief Financial Officer*	8,000	12/31/05	2,000	8,000	16,000
C. K. VALUTAS *Senior Vice President and* *Chief Administrative Officer*	8,000	12/31/05	2,000	8,000	16,000
M. H. R. DINGUS *Senior Vice President,* *Sunoco, Inc., and President,* *Sun Coke Company*	8,000	12/31/05	2,000	8,000	16,000

NOTE TO TABLE:

[1] The actual payout of the performance-based common stock units granted will depend on the level of performance achieved over a three-year period subsequent to their grant measured on a scale combining the Company s return on capital employed above its cost of capital and its earnings per share growth.

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STOCK PERFORMANCE GRAPH

Sunoco s performance peer group is composed of major domestic independent refining and marketing companies and other companies which are similar in size and compete with Sunoco in certain geographic regions. Reflecting industry changes in 2002, Sunoco s peer group for 2003 awards has been changed to add Premcor and remove Phillips, which merged with Conoco. The changes improve the peer group s comparability to Sunoco s business interests and size and better reflect alternate investment choices within Sunoco s market sector.

NOTES TO GRAPH:

1 Assuming that the value of the investment in Sunoco common stock and each index was $100 on December 31, 1997 and that all dividends were reinvested, this graph compares Sunoco s cumulative total return (i.e., based on common stock price and dividends), plotted on an annual basis, with Sunoco s new and former performance peer groups cumulative total returns and the S&P 500 Stock Index (a performance indicator of the overall stock market).

2 Premcor is included in the New Peer Group beginning on April 29, 2002, the date the company completed its initial public offering.

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PENSION PLANS

This table shows the estimated annual retirement benefits payable to a covered participant based upon the final average pay formulas of the Sunoco, Inc. Retirement Plan (SCIRP), the Sunoco, Inc. Pension Restoration Plan, and the Sunoco, Inc. Supplemental Executive Retirement Plan (SERP). Participants in these plans may elect to receive their accrued benefits in the form of either a lump sum or an annuity. The estimates shown in the table below assume that benefits are received in the form of a single life annuity.

Final Average Total Cash Compensation[1]	Estimated Annual Benefits Upon Retirement at Age 62 After Completion of the Following Years of Service					
	15 Years[2]	20 Years[2]	25 Years	30 Years	35 Years	40 Years
$ 200,000	$ 80,000	$ 80,000	$ 83,000	$ 100,000	$ 108,000	$ 115,000
400,000	160,000	160,000	167,000	200,000	215,000	230,000
600,000	240,000	240,000	250,000	300,000	323,000	345,000
800,000	320,000	320,000	333,000	400,000	430,000	460,000
1,000,000	400,000	400,000	417,000	500,000	538,000	575,000
1,200,000	480,000	480,000	500,000	600,000	645,000	690,000
1,400,000	560,000	560,000	583,000	700,000	753,000	805,000
1,600,000	640,000	640,000	667,000	800,000	860,000	920,000
1,800,000	720,000	720,000	750,000	900,000	968,000	1,035,000
2,000,000	800,000	800,000	834,000	1,000,000	1,075,000	1,150,000
2,500,000	1,000,000	1,000,000	1,042,000	1,250,000	1,344,000	1,438,000
3,000,000	1,200,000	1,200,000	1,250,000	1,500,000	1,613,000	1,725,000

NOTES TO TABLE:

[1] Final Average Total Cash Compensation is the average of the base salary and annual bonus in the highest 36 consecutive months during the last 120 months of service.

[2] Based on the SERP minimum benefit formula of 40% of the Final Average Total Cash Compensation with 12 or more years of service.

The retirement benefits shown above for SCIRP, the Pension Restoration Plan and SERP are amounts calculated prior to the Social Security offset. The Social Security offset is equal to one and two-thirds percent of primary Social Security benefits for each year of Retirement Plan participation up to 30 years or a maximum offset of 50% of primary Social Security benefits.

The SERP was amended to provide Mr. Drosdick with a retirement benefit equal to 60% of Final Average Earnings at age 65. This benefit will vest with 10 years of service or upon a change in control and will be reduced 5% for each year retirement is prior to age 65.

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Any SERP benefit payable to Mr. Owens will be offset by accrued benefits from the pension plans of prior employers as provided in his employment arrangement. For purposes of calculating his benefits under SERP, Mr. Owens has been credited with his years of service with certain former employers.

Credited years of service under these plans for the Named Executive Officers as of December 31, 2002 are as follows:

Name	Years of Service
J. G. Drosdick	6
J. H. Maness	2
R. W. Owens	13[1]
M. H. R. Dingus	32
B. G. Fischer	24
T. W. Hofmann	25
C. K. Valutas	26

NOTE TO TABLE:

1 R. W. Owens years of service include 8 years credited under SERP for service with prior employers, as described above.

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SEVERANCE PLANS

The Named Executive Officers participate in plans with certain other key management personnel which provide for severance benefits in the event they are involuntarily terminated without cause by Sunoco. In the case of the Chief Executive Officer, severance payments would be equal to two years of base salary plus guideline annual incentive in effect on his or her termination date, as defined in the plans. The other Named Executive Officers would receive such payments for one and one-half years. If termination (whether actual or constructive) occurs within two years of a Change in Control, as defined in the plans, severance would be payable in a lump sum equal to three times annual compensation for the Chief Executive Officer and the other Named Executive Officers. For these purposes, annual compensation consists of (i) the executive s annual base salary in effect immediately prior to a Change in Control or immediately prior to his or her employment termination date, whichever is greater, plus (ii) the greater of his or her annual guideline incentive in effect immediately before the Change in Control or employment termination date, or the highest bonus awarded to the executive in any of the three years ending before the Change in Control or in any subsequent year ending before his or her employment termination date.

Each eligible executive will be entitled to medical and life insurance coverage for up to the number of years of severance received, at the same rate that such benefits are provided to active employees of Sunoco. In the case of a Change in Control, the plans also provide for the protection of certain pension benefits and reimbursement for any additional tax liability incurred as a result of excise taxes imposed on payments deemed to be attributable to the Change in Control. Sunoco s long-term incentive compensation plans provide that upon a Change in Control, all stock options become immediately exercisable, and all performance-based common stock unit awards will be paid out in an amount equal to the total number of performance-based common stock units outstanding as of the Change in Control (when the Change in Control occurs during the year following the date of grant) and at the greater of (i) the total number of performance-based common stock units outstanding as of the Change in Control or (ii) the total number of performance-based common stock units outstanding, multiplied by the applicable performance factor (as defined in the Plans) related to the Company s performance immediately prior to the Change in Control (when the Change in Control occurs after the first year of grant). The common stock unit awards will be paid out regardless of whether performance targets have been met. Common stock unit awards conditioned on continued employment will be paid out in an amount equal to the total number of common stock units outstanding as of the Change in Control.

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OTHER INFORMATION

Certain Relationships and Related Transactions

All of our directors, other than our CEO, are independent directors and meet the applicable independence standards of the New York Stock Exchange. However, we do business with entities on whose boards certain of our directors serve. The Board, through its Governance Committee and its Compensation Committee, has carefully reviewed each of these relationships and has concluded that they are done in the normal course of business, that none interferes with the exercise of independent judgment by any of our independent directors, and none requires any additional disclosure.

By Order of the Board of Directors,

Ann C. Mulé

Chief Governance Officer, Assistant General Counsel and Corporate Secretary

Philadelphia, PA

March 21, 2003

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Exhibit A

AUDIT COMMITTEE CHARTER

I. Organization

The Committee shall consist of at least three Directors, including a Chairperson, each of whom shall:

A. meet the applicable independence and experience requirements of the New York Stock Exchange or other relevant listing authority, the federal securities laws (as amended by the Sarbanes-Oxley Act of 2002) and the rules and regulations of the Securities and Exchange Commission (SEC);

B. be financially literate (or become financially literate within a reasonable period of time after his/her appointment to the Committee); and

C. as a general rule, not simultaneously serve on the audit committees of more than two other public companies.

At least one member of the Committee will have accounting or related financial management expertise, as the Board of Directors interprets such qualification in its business judgment.

The Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee also shall meet periodically with management, with the General Auditor and with the independent auditor, in separate executive sessions. The Committee shall make regular reports to the Board on the Committee s activities.

II. Purpose

The Committee will:

A. assist the Board of Directors in its oversight of:

- the integrity of the Company s financial statements, and disclosure and other internal control processes; and
- the Company s compliance with ethics policies, and legal and regulatory requirements;

B. prepare the report of the Committee required to be included in the Company s annual proxy statement.

C. select, retain, compensate, oversee and evaluate the independent auditor;

D. select, appoint and evaluate the General Auditor; and

E. provide oversight on the Company s guidelines and policies with respect to business risk management and any other matters as the Board or the Committee deems appropriate.

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III. Responsibilities

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to determine that the Company s financial statements are complete, accurate, and in accordance with accounting principles generally accepted in the United States, or to plan or conduct audits. These are the responsibilities of management or the independent auditor.

The Committee may amend this Charter from time to time as it deems appropriate.

A. Relationship with Independent Auditor

1. Selection and Oversight of Independent Auditor

The Committee shall have the sole authority and responsibility to retain and terminate the Company s independent auditor. The independent auditor shall report directly to the Committee. The Committee shall resolve disagreements between management and the independent auditor regarding financial reporting, and communicate to the independent auditor that he/she is ultimately accountable to the Committee. The Company shall provide appropriate funding, as determined by the Committee, to compensate the independent auditor.

The Committee shall:

(a) review and evaluate the lead audit partner of the independent auditor team;

(b) ensure the rotation of the partners of the independent auditor involved in the audit, as required by law and regulation;

(c) set clear hiring policies for employees or former employees of the independent auditor, in compliance with SEC regulations and stock exchange listing standards;

(d) meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit; and

(e) pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed by the independent auditor, subject to applicable *de minimis* exceptions for non-audit services. The Committee may delegate this authority to a subcommittee of one or more Committee members; *provided, however,* that such subcommittee decisions subsequently are presented to the full Committee in a timely manner, but in no event later than the next Committee meeting.

2. Assessment of Independence and Quality of Independent Auditor

At least annually, the Committee shall obtain and review a formal written report by the independent auditor describing:

(a) the auditing firm s internal quality-control procedures;

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(b) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with any such issues; and

(c) all relationships between the independent auditor and the Company (in order to assess independence). The Committee will engage in an active dialogue with the independent auditor regarding any disclosed relationships or services that might impact the objectivity and independence of the independent auditor, and take appropriate action in response to the independent auditor s report to satisfy itself of the independent auditor s independence.

B. Appointment of General Auditor

The Committee annually shall evaluate, and recommend to the Board of Directors, the election and appointment of the General Auditor and review and approve the budget and staffing for the internal audit department, and the annual audit plan of the General Auditor. The Committee shall have direct lines of communication between itself and the General Auditor and, with regard to litigation and legal and regulatory compliance, the General Counsel.

C. Oversight of Financial Disclosure and Internal Controls

1. The Committee will review and discuss with management, the General Auditor and the independent auditor, as appropriate:

(a) the Company s annual audited financial statements and quarterly unaudited financial statements, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations , the results of each quarterly review and annual audit by the independent auditor, and other matters required to be discussed with the independent auditor by applicable laws, regulations and auditing standards, including the quality, not just the acceptability, of the accounting principles and underlying estimates used in the audited financial statements. The Committee also will review and discuss each Form 10-Q and Form 10-K with the Chief Executive Officer, the Chief Financial Officer and the General Counsel, prior to filing. The Committee will report to the Board and shareholders whether it recommends to the Board that the most recent year s audited financial statements be included in the Form 10-K;

(b) any other SEC filings as the Committee deems appropriate, prior to filing;

(c) earnings press releases (including the use of pro forma or adjusted non-GAAP information) prior to release;

(d) financial information and earnings guidance provided to analysts and rating agencies (this discussion may be general, and need not take place prior to each instance in which such information is provided); and

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(e) the integrity of the Company s accounting and financial reporting processes (both internal and external), including, but not limited to:

(i) all critical accounting policies and practices (including accounting estimates) to be used by the Company, including all major issues regarding accounting principles and financial statement presentations, and any significant changes in the Company s selection or application of accounting principles;

(ii) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments (including use of estimates) made in connection with the preparation of the financial statements, including any required analyses of the effects of alternative GAAP methods on the financial statements;

(iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company;

(iv) the results of the activities of the General Auditor and the independent auditor, including major conclusions, findings and recommendations and related management responses;

(v) any material written communications between the independent auditor and management, including any management letters or schedules of unadjusted differences; and

(vi) matters of audit quality and consistency, including required communications between the audit team and the independent auditor s national office respecting auditing or accounting issues arising during the engagement.

(vii) management s assertions concerning the effectiveness of:

(1) disclosure controls and procedures; and

(2) internal controls, as of the end of the most recent fiscal year;

(viii) any disclosures made to the Committee by the Company s chief executive officer and/or chief financial officer regarding:

(1) significant deficiencies in the design or operation of internal controls or any material weaknesses therein; and

(2) any fraud, whether or not material, involving management or other employees who have a significant role in the Company s internal controls;

(3)

any material violation of (1) any law, rule or regulation (including securities laws) applicable to the Company or the operation of its businesses or (2) the Company s Code of Business Conduct and Ethics; and

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(ix) any special audit steps adopted in light of material control deficiencies

2. The Committee will review and discuss, with the independent auditor, any audit problems or other difficulties encountered by the independent auditor in the course of the audit process, and management s response, including any:

(a) restrictions on the scope of the independent auditor s activities or on access to requested information;

(b) significant disagreements with management (and management s responses to such matters);

(c) accounting adjustments that were noted or proposed by the independent auditor but were passed (as immaterial or otherwise); and

(d) management or internal control letter issued, or proposed to be issued, by the independent auditor to the Company.

3. The Committee shall review:

(a) material litigation involving the Company;

(b) legal, tax and other developments of major significance to the Company;

(c) the Company s guidelines and policies with respect to risk assessment and risk management, including major financial risk exposures and the steps management has taken to monitor and control such exposures.

(d) major capital project post audit results;

(e) compliance with the law, legal business policies and regulatory requirements;

(f) the management delegation of authority process; and

(g) such other matters as the Board or the Committee considers appropriate.

IV. Compliance and Investigations

The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Committee shall receive corporate attorneys reports of evidence of a material violation of any law, rule or regulation (including securities laws or breaches of fiduciary duty) or the Company s Code of Business Conduct and Ethics. In discharging its oversight role, the Committee is empowered to investigate any matter within the scope of its responsibility, with full access to all books, records, facilities and personnel of the Company. The Committee may request any officer or employee of the Company or the Company s outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

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V. Engagement of Experts and Advisors

The Committee will, as it deems appropriate, engage outside legal, accounting or other advisors, without the need for prior approval by the Board of Directors. The Company shall provide appropriate funding, as determined by the Committee, for payment of applicable fees and expenses of these parties.

VI. Self-Assessment and Evaluation

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including a review of the Committee s compliance with this Charter. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board of Directors any improvements to this Charter that the Committee considers necessary. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.

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Exhibit B

SUNOCO, INC.

LONG-TERM PERFORMANCE ENHANCEMENT PLAN II

(Amended and Restated as of May 1, 2003)

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ARTICLE I

Definitions

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

1.1 Affiliate - shall mean any entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with Sunoco, Inc.

1.2 Board of Directors - shall mean the Board of Directors of Sunoco, Inc.

1.3 Business Combination - shall have the meaning provided herein at Section 1.4(c).

1.4 Change in Control - shall mean the occurrence of any of the following events:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a Person) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (1) the then-outstanding shares of common stock of Sunoco, Inc. (the Outstanding Company Common Stock) or (2) the combined voting power of the then-outstanding voting securities of Sunoco, Inc. entitled to vote generally in the election of directors (the Outstanding Company Voting Securities); *provided, however,* that, for purposes of this Section (a), the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from Sunoco, Inc., (B) any acquisition by Sunoco, Inc., (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Sunoco, Inc. or any company controlled by, controlling or under common control with Sunoco, Inc., or (D) any acquisition by any entity pursuant to a transaction that complies with Sections (c)(1), (c)(2) and (c)(3) of this definition;

(b) Individuals who, as of September 6, 2001, constitute the Board of Directors (the Incumbent Board) cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the shareholders of Sunoco, Inc., was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors;

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving Sunoco, Inc. or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of Sunoco, Inc. or the acquisition of assets or stock of another entity by Sunoco, Inc. or any of its subsidiaries (each, a Business Combination), in each case unless, following such Business Combination, (1) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock and the combined voting

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power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that, as a result of such transaction, owns Sunoco, Inc. or all or substantially all of the assets of Sunoco, Inc., either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (2) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of Sunoco, Inc. or such corporation resulting from such Business Combination or any of their respective subsidiaries) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (3) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board of Directors providing for such Business Combination; or

(d) Approval by the shareholders of Sunoco, Inc. of a complete liquidation or dissolution of Sunoco, Inc.

1.5 Code - shall mean the Internal Revenue Code of 1986, as amended.

1.6 Committee - shall mean the committee appointed to administer this Plan by the Board of Directors, as constituted from time to time. The Committee shall consist of at least two (2) members of the Board of Directors, each of whom shall meet applicable requirements set forth in the pertinent regulations under Section 16 of the Exchange Act and Section 162(m) of the Code.

1.7 Common Stock - shall mean the authorized and unissued or treasury shares of common stock of Sunoco, Inc.

1.8 Common Stock Units - shall have the meaning provided herein at Section 6.1.

1.9 Company - shall mean Sunoco, Inc., and any Affiliate.

1.10 CSU Payout Date - shall have the meaning provided herein at Section 6.9

1.11 Dividend Equivalents - shall have the meaning provided herein at Section 6.3.

1.12 Dividend Equivalent Account - shall have the meaning provided herein at Section 6.3.

1.13 Employment Termination Date - shall mean the date on which the employment relationship between the Participant and the Company is terminated, or on which the Participant ceases to be a member of the Board of Directors.

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1.14 Exchange Act - shall mean the Securities Exchange Act of 1934, as amended.

1.15 Exercise Period - shall have the meaning provided herein at Section 5.3.

1.16 Fair Market Value - shall mean, as of any date and in respect of any share of Common Stock, the opening price on such date of a share of Common Stock (which price shall be the closing price on the previous trading day of a share of Common Stock as reflected in the consolidated trading tables of the Wall Street Journal under the caption New York Stock Exchange Composite Transactions or any other publication selected by the Committee). If there is no sale of shares of Common Stock on the New York Stock Exchange for more than ten (10) days immediately preceding such date, the Fair Market Value of the shares of Common Stock shall be as determined by the Committee in such other manner as it may deem appropriate. In no event shall the Fair Market Value of any share of Common Stock be less than its par value.

1.17 Immediate Family Member - shall mean spouse (or common law spouse), siblings, parents, children, stepchildren, adoptive relationships and/or grandchildren of the Participant (and, for this purpose, also shall include the Participant).

1.18 Incentive Stock Options - shall have the meaning provided herein at Section 4.1.

1.19 Incumbent Board - shall have the meaning provided herein at Section 1.4(b).

1.20 Just Cause - shall mean, for any Participant who is a participant in the Sunoco, Inc. Special Executive Severance Plan, Just Cause as defined in such plan, and for any other Participant:

(a) the willful and continued failure of the Participant to perform substantially the Participant s duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness or following notice of employment termination by the Participant pursuant to Section 1.34), after a written demand for substantial performance is delivered to the Participant by the Board of Directors or any employee of the Company with supervisory authority over the Participant that specifically identifies the manner in which the Board of Directors or such supervising employee believes that the Participant has not substantially performed the Participant s duties, or

(b) the willful engaging by the Participant in illegal conduct or gross misconduct that is materially and demonstrably injurious to the Company.

1.21 Limited Rights - shall have the meaning provided herein at Section 5.1.

1.22 Market Price - shall have the meaning provided herein at Section 5.4.

1.23 Option - shall mean Stock Option and/or Incentive Stock Option.

1.24 Option Price - shall mean the purchase price per share of Common Stock deliverable upon the exercise of an Option.

1.25 Optionee - shall mean the holder of an Option.

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1.26 Outstanding Company Common Stock - shall have the meaning provided herein at Section 1.4(a).

1.27 Outstanding Company Voting Securities - shall have the meaning provided herein at Section 1.4(a).

1.28 Participant - shall have the meaning provided herein at Section 2.4(a).

1.29 Performance Factors - shall mean the various payout percentages related to the attainment levels of one or more Performance Goals, as determined by the Committee.

1.30 Performance Goals - shall mean the specific targeted amounts of, or changes in, financial or operating goals including: revenues; expenses; net income; operating income; equity; return on equity, assets or capital employed; working capital; shareholder return; operating capacity utilized; production or sales volumes; or throughput. Other financial or operating goals may also be used as determined by the Committee. Such goals may be applicable to the Company as a whole or one or more of its business units and may be applied in total or on a per share, per barrel or percentage basis and on an absolute basis or relative to other companies, industries or indices or any combination thereof, as determined by the Committee.

1.31 Performance Period - shall have the meaning provided herein at Section 6.4.

1.32 Person - shall have the meaning provided herein at Section 1.4(a).

1.33 Plan - shall have the meaning provided herein at Section 2.2.

1.34 Qualifying Termination - shall mean, with respect to the employment of any Participant who is a participant in the Sunoco, Inc. Special Executive Severance Plan, a Qualifying Termination as defined in such plan, and with respect to the employment of any other Participant, the following:

(a) a termination of employment by the Company within seven (7) months after a Change in Control, other than for Just Cause, death or permanent disability;

(b) a termination of employment by the Participant within seven (7) months after a Change in Control for one or more of the following reasons:

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

(2) a reduction by the Company in the Participant s combined annual base salary and guideline (target) bonus as in effect immediately prior to the Change in Control; or

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

provided, however, that in the case of any such termination of employment by the Participant under this subparagraph (b), such termination shall not be deemed to be a Qualifying Termination unless the termination occurs within 120 days after the occurrence of the event or events constituting the reason for the termination; or

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

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

(2) otherwise occurred in connection with a Change in Control;

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

1.35 Stock Options - shall have the meaning provided herein at Section 3.1.

1.36 Subsidiary - shall mean any corporation of which, at the time, more than fifty percent (50%) of the shares entitled to vote generally in an election of directors are owned directly or indirectly by Sunoco, Inc. or any subsidiary thereof.

1.37 Sunoco, Inc. - shall mean Sunoco, Inc., a Pennsylvania corporation, and any successor thereto by merger, consolidation, liquidation or purchase of assets or stock or similar transaction.

ARTICLE II

Background, Purpose and Term of Plan; Participation & Eligibility for Benefits

2.1 Background. Effective on December 31, 2001, no further awards shall be made under the Sunoco, Inc. Long-Term Performance Enhancement Plan adopted in May, 1997; *provided, however,* that any rights theretofore granted under that plan shall not be affected.

2.2 Purpose of the Plan. The purposes of this Sunoco, Inc. Long-Term Performance Enhancement Plan II (the Plan) are to:

(a) better align the interests of shareholders and management of the Company by creating a direct linkage between Participants rewards and shareholders gains;

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(b) provide management with the ability to increase equity ownership in Sunoco, Inc.;

(c) provide competitive compensation opportunities that can be realized through attainment of performance goals; and

(d) provide an incentive to management for continuous employment with the Company.

It is intended that most awards made under the Plan will qualify as performance-based compensation under Section 162(m) of the Code.

2.3 Term of the Plan. The original Plan was approved by shareholders at Sunoco, Inc. s 2001 Annual Meeting of Shareholders and first became effective at that time. The amended and re-stated version of the Plan, presented at Sunoco, Inc. s 2003 Annual Meeting of Shareholders, will become effective upon approval by the holders of a majority of the votes present, in person or represented by proxy, at such meeting. No awards will be made under this Plan after December 31, 2008 unless the Board of Directors extends this date to a date no later than December 31, 2013. The Plan and all awards made under the Plan prior to such date (or extended date) shall remain in effect until such awards have been satisfied or terminated in accordance with the Plan and the terms of such awards.

2.4 Administration. The Plan shall be administered by the Committee, which shall have the authority, in its sole discretion and from time to time to:

(a) designate the employees or directors, or classes of employees or directors, eligible to participate in the Plan (each such employee or director being, a Participant);

(b) grant awards provided in the Plan in such form and amount as the Committee shall determine;

(c) impose such limitations, restrictions and conditions upon any such award as the Committee shall deem appropriate; and

(d) interpret the Plan, adopt, amend and rescind rules and regulations relating to the Plan, and make all other determinations and take all other action necessary or advisable for the implementation and administration of the Plan.

The decisions and determinations of the Committee on all matters relating to the Plan shall be in its sole discretion and shall be conclusive. No member of the Committee shall be liable for any action taken or not taken or decision made or not made in good faith relating to the Plan or any award thereunder.

2.5 Eligibility for Participation. Participants in the Plan shall be:

(a) non-employee members of the Board of Directors; and

(b) those officers and other key employees occupying responsible managerial or professional positions at the Company, and capable of substantially contributing to its success.

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In making this selection and in determining the amount of awards, the Committee shall consider any factors deemed relevant, including the individual s functions, responsibilities, value of services to the Company and past and potential contributions to its profitability and sound growth.

2.6 Types of Awards Under the Plan. Awards under the Plan may be in the form of any one or more of the following:

(a) Stock Options, as described in Article III;

(b) Incentive Stock Options, as described in Article IV;

(c) Limited Rights, as described in Article V; and/or

(d) Common Stock Units, as described in Article VI.

2.7 Aggregate Limitation on Awards. Shares of stock which may be issued under the Plan shall be Common Stock. The maximum number of shares of Common Stock authorized under for issuance under the Plan as originally adopted by the shareholders at Sunoco, Inc. s 2001 Annual Meeting was four million (4,000,000). No Option may be granted if the number of shares of Common Stock to which such Option relates, when added to the number of shares of Common Stock previously issued under the Plan, exceeds the number of such shares reserved under the preceding sentence. For purposes of calculating the maximum number of shares of Common Stock which may be issued under the Plan:

(a) all the shares issued (including the shares, if any, withheld for tax withholding requirements) shall be counted when cash is used as full payment for shares issued upon exercise of an Option;

(b) only the shares issued (including the shares, if any, withheld for tax withholding requirements) net of shares of Common Stock used as full or partial payment for such shares upon exercise of an Option, shall be counted; and

(c) only the shares issued (including the shares, if any, withheld for tax withholding) upon vesting and payment of Common Stock Units, shall be counted.

In addition to shares of Common Stock actually issued pursuant to the exercise of Options, there shall be deemed to have been issued a number of shares equal to the number of shares of Common Stock in respect of which Limited Rights (as described in Article V) shall have been exercised. Shares tendered by a Participant as payment for shares issued upon exercise of an Option shall be available for issuance under the Plan. Any shares distributed pursuant to an Option may consist, in whole or in part, of authorized and unissued shares or treasury shares including shares of Common Stock acquired by purchase in the open market or in private transactions. Any shares of Common Stock subject to an Option, which for any reason is terminated, unexercised or expires shall again be available for issuance under the Plan, but shares subject to an Option that, as a result of the exercise of Limited Rights, are not issued, shall not be available for issuance under the Plan.

(d) The maximum number of Options that shall be granted in any calendar year to a Participant shall be four hundred thousand (400,000).

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(e) The maximum number of Common Stock Units granted in any calendar year to a Participant shall be one hundred fifty thousand (150,000).

(f) The maximum number of Common Stock Units granted under the Plan will be two million (2,000,000).

The share limits set forth in this Section 2.7 shall be adjusted to reflect any capitalization changes as discussed in Section 7.9.

ARTICLE III

Stock Options

3.1 Award of Stock Options. The Committee, from time to time, and subject to the provisions of the Plan and such other terms and conditions as the Committee may prescribe, may grant to any Participant in the Plan one or more options to purchase for cash or shares the number of shares of Common Stock (Stock Options) allotted by the Committee. The date a Stock Option is granted shall mean the date selected by the Committee as of which the Committee allots a specific number of options to a Participant pursuant to the Plan.

3.2 Stock Option Agreements. The grant of a Stock Option shall be evidenced by a written Stock Option Agreement, executed by the Company and the holder of a Stock Option, stating the number of shares of Common Stock subject to the Stock Option evidenced thereby, and in such form as the Committee may from time to time determine.

3.3 Stock Option Price. The Option Price per share of Common Stock deliverable upon the exercise of a Stock Option shall be not less than 100% of the Fair Market Value of a share of Common Stock on the date the Stock Option is granted.

3.4 Term and Exercise. The term and the vesting schedule of the Stock Options shall be determined by the Committee. However, except as otherwise provided in Section 3.11, no Stock Option may be exercisable before the first anniversary of the date of grant or after the tenth anniversary of the date of grant. No Stock Option shall be exercisable after the expiration of its term.

3.5 Transferability. No Stock Option may be transferred by the Participant other than by will, by the laws of descent and distribution or, to the extent not inconsistent with the applicable provisions of the Code, pursuant to a domestic relations order under applicable provisions of law, and during the Participant s lifetime the option may be exercised only by the Participant; *provided, however,* that, subject to such limits as the Committee may establish, the Committee, in its discretion, may allow the Participant to transfer a Stock Option for no consideration to, or for the benefit of, an Immediate Family Member or to a bona fide trust for the exclusive benefit of such Immediate Family Members, or a partnership or limited liability company in which such Immediate Family Members are the only partners or members.

Such transfer may only be effected following the advance written notice from the Participant to the Committee, describing the terms and conditions of the proposed transfer, and such transfer shall become effective only when recorded in the Company s record of outstanding

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Stock Options. Any such transferable Stock Option is further conditioned on the Participant and such Immediate Family Member or other transferee agreeing to abide by the Company s then-current Stock Option transfer guidelines. In the discretion of the Committee, the foregoing right to transfer a Stock Option also will apply to the right to transfer ancillary rights associated with such Stock Option, and to the right to consent to any amendment to the applicable Stock Option Agreement.

Subsequent transfers shall be prohibited except in accordance with the laws of descent and distribution, or by will. Following transfer, any such Stock Options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, and the terms Optionee or Participant shall be deemed to include the transferee; *provided, however,* that the events of termination of employment of Sections 3.8 (Retirement or Disability), 3.9 (Termination for Other Reasons) and 3.10 (Death of Optionee) hereof shall continue to be applied with respect to the original Optionee, following which the options shall be exercisable by the transferee only to the extent, and for the respective periods specified therein. Neither the Committee nor the Company will have any obligation to inform any transferee of a Stock Option or stock appreciation right of any expiration, termination, lapse or acceleration of such Option. The Company will have no obligation to register with any federal or state securities commission or agency any Common Stock issuable or issued under a Stock Option or stock appreciation right that has been transferred by a Participant under this Section 3.5.

3.6 Manner of Payment. Each Stock Option Agreement shall set forth the procedure governing the exercise of the Stock Option granted thereunder, and shall provide that, upon such exercise in respect of any shares of Common Stock subject thereto, the Optionee shall pay to the Company, in full, the Option Price for such shares (together with payment for any taxes which the Company is required by law to withhold by reason of such exercise) with cash or with Common Stock. All shares of Common Stock issued under this Plan, or any other Company plan, must be held at least six (6) months before they may be used as payment of the Option Price.

3.7 Issuance and Delivery of Shares. As soon as practicable after receipt of payment, the Company shall deliver to the Optionee a certificate or certificates for, or otherwise register the Optionee on the books and records of the Company as a holder of, such shares of Common Stock. The Optionee shall become a shareholder of Sunoco, Inc. with respect to the Common Stock so registered, or represented by share certificates so issued, and as such shall be fully entitled to receive dividends, to vote and to exercise all other rights of a shareholder except to the extent otherwise provided in the Option award.

(a) Notwithstanding the foregoing, and at the discretion of the Committee, any Optionee subject to minimum stock ownership guidelines (as established from time to time by the Committee or the Company), but failing to meet the applicable personal ownership requirement within the prescribed period may, upon exercise of the Options, receive a number of shares of Common Stock subject to the following restrictions which shall remain in place until compliance with such ownership guidelines is attained:

(1) The number of shares subject to the restrictions shall be equal to the total number of shares received in the exercise of the Options, minus the sum of:

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(i) to the extent that shares received upon exercise of the Option are used to pay the Option Price, the number of shares which have a Fair Market Value on the date of the Option exercise equal to the total amount paid for all the shares received in the Option exercise; and

(ii) to the extent that shares received upon exercise of the Option are used to pay taxes and brokerage fees, the number of shares which have a Fair Market Value on the date of the Option exercise equal to the applicable federal, state and local withholding tax on the total Option exercise and any brokerage commission or interest charges, if applicable to the exercise.

(2) Other than transfers to family members or trusts that are permitted in accordance with the applicable stock ownership guidelines, and that will not result in a reduction in the level of ownership attributable to the Participant under such guidelines, the Optionee shall be prohibited from effecting the sale, exchange, transfer, pledge, hypothecation, gift or other disposition of such shares of Common Stock until the earlier of:

(i) attainment of compliance with applicable stock ownership guidelines;

(ii) the Optionee s death, retirement, or permanent disability (as determined by the Committee); or

(iii) occurrence of the Optionee s Employment Termination Date, for any reason other than Just Cause.

Notwithstanding the foregoing, six (6) months after the exercise of the Stock Option, such shares of Common Stock may be used as payment of the Option Price of shares issued upon the exercise of other Stock Options. However, all such shares issued will be restricted shares.

(3) The restrictions shall apply to any new, additional or different securities the Optionee may become entitled to receive with respect to such shares by virtue of a stock split or stock dividend or any other change in the corporate or capital structure of the Company.

(b) Until such time as the restrictions hereunder lapse, the shares will be held in book-entry form and appropriate notation of these restrictions will be maintained in the records of the Company s transfer agent and registrar. Any share certificate representing such shares will bear a conspicuous legend evidencing these restrictions, and the Company may require the Optionee to deposit the share certificate with the Company or its agent, endorsed in blank or accompanied by a duly executed irrevocable stock power or other instrument of transfer.

3.8 Retirement or Disability. Upon termination of the Optionee s employment by reason of retirement or permanent disability (as each is determined by the Committee), the Optionee may, within sixty (60) months from the date of termination, exercise any Stock Options to the extent such options are exercisable during such 60-month period.

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3.9 Termination for Other Reasons. Except as provided in Sections 3.8 and 3.10, or except as otherwise determined by the Committee, upon termination of an Optionee s employment, all unvested Stock Options shall terminate immediately, and all vested Stock Options shall terminate:

(a) immediately, in the case of an Optionee terminated by the Company for Just Cause; or

(b) upon the expiration of ninety (90) calendar days following the occurrence of the Optionee s Employment Termination Date, other than for Just Cause;

provided, however, that the Limited Rights awarded in tandem with such Stock Options shall not terminate and such Limited Rights shall remain exercisable during the Exercise Period for any Optionee whose employment relationship with the Company has been terminated as a result of any Qualifying Termination.

3.10 Death of Optionee. Any rights in respect of Stock Options to the extent exercisable on the date of the Optionee s death may be exercised by the Optionee s estate or by any person that acquires the legal right to exercise such Stock Option by bequest, inheritance, or otherwise by reason of the death of the Optionee. Any such exercise to be valid must occur within the remaining option term of the Stock Option. The foregoing provisions of this Section 3.10 shall apply to an Optionee who dies while employed by the Company and to an Optionee whose employment may have terminated prior to death; *provided, however,* that:

(a) an Optionee who dies while employed by the Company will be treated as if the Optionee had retired on the date of death. Accordingly, the Optionee s estate or a person who acquires the right to exercise such Stock Option by bequest or inheritance will have the right to exercise the Stock Option in accordance with Section 3.8; or

(b) the estate or a person who acquires the right to exercise a Stock Option by bequest or inheritance from an Optionee who dies after terminating employment with the Company will have the remainder of any exercise period provided under Sections 3.8 and 3.9.

3.11 Acceleration of Options. Notwithstanding any provisions to the contrary in agreements evidencing Options granted thereunder or in this Plan, each outstanding Option shall become immediately and fully exercisable upon the occurrence of any Change in Control.

3.12 Effect of Exercise. The exercise of any Stock Options shall cancel that number of related Limited Rights, if any, which is equal to the number of shares of Common Stock purchased pursuant to said Options.

ARTICLE IV

Incentive Stock Options

4.1 Award of Incentive Stock Options. The Committee, from time to time, and subject to the provisions of the Plan and such other terms and conditions as the Committee may prescribe, may grant to any Participant in the Plan one or more incentive stock options (intended to qualify as such under the provisions of Section 422 of the Code (Incentive Stock Options)) to purchase for cash or shares the number of shares of Common Stock allotted by the Committee. The date an Incentive Stock Option is granted shall mean the date selected by the Committee as of which the Committee allots a specific number of options to a Participant pursuant to the Plan. Notwithstanding the foregoing, Incentive Stock Options shall not be granted to any owner of ten percent (10%) or more of the total combined voting power of Sunoco, Inc. and its subsidiaries (within the meaning of Section 424(f) of the Code).

4.2 Incentive Stock Option Agreements. The grant of an Incentive Stock Option shall be evidenced by a written Incentive Stock Option Agreement, executed by the Company and the holder of an Incentive Stock Option stating the number of shares of Common Stock subject to the Incentive Stock Option evidenced thereby, and in such form as the Committee may from time to time determine.

4.3 Incentive Stock Option Price. The Option Price per share of Common Stock deliverable upon the exercise of an Incentive Stock Option shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date the Incentive Stock Option is granted.

4.4 Term and Exercise. The term and the vesting schedule of the Incentive Stock Option shall be determined by the Committee. However, no Incentive Stock Option may be exercisable before the first anniversary of the date of grant or after the tenth anniversary of such date. No Incentive Stock Option shall be exercisable after the expiration of its term.

4.5 Limits on Incentive Stock Options. Each Incentive Stock Option shall provide that, if the aggregate Fair Market Value of the stock on the date of grant with respect to which Incentive Stock Options are exercisable for the first time by an Optionee during any calendar year, under this Plan or any other stock option plan of Sunoco, Inc. and its subsidiaries (within the meaning of Section 424(f) of the Code) exceeds One Hundred Thousand Dollars ($100,000.00), then the Option, as to the excess shall be treated as a non-qualified stock option. An Incentive Stock Option shall not be granted to any person who is not an employee of the Company (within the meaning of Section 424(f) of the Code).

4.6 Retirement or Disability. Upon the termination of the Optionee s employment by reason of retirement or permanent disability (as each is determined by the Committee), the Optionee may, within sixty (60) months from the date of such termination of employment, exercise any Incentive Stock Options to the extent such Incentive Stock Options are exercisable during such 60-month period. Notwithstanding the foregoing, the tax treatment available pursuant to Section 422 of the Code upon the exercise of an Incentive Stock Option will not be available to an Optionee who exercises any Incentive Stock Option more than:

(a) twelve (12) months after the date of termination of employment due to permanent disability; or

(b) three (3) months after the date of termination of employment due to retirement.

4.7 Termination for Other Reasons. Except as provided in Sections 4.6 and 4.8, or except as otherwise determined by the Committee, upon termination of an Optionee s

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employment, all unvested Incentive Stock Options shall terminate immediately, and all vested Incentive Stock Options shall terminate:

(a) immediately, in the case of an Optionee terminated by the Company for Just Cause; or

(b) upon the expiration of ninety (90) calendar days following the date of termination of an Optionee s employment other than for Just Cause;

provided, however, that the Limited Rights awarded in tandem with such Incentive Stock Options shall not terminate and such Limited Rights shall remain exercisable during the Exercise Period for any Optionee whose employment relationship with the Company has been terminated as a result of any Qualifying Termination.

4.8 Death of Optionee. Any rights in respect of Incentive Stock Options to the extent exercisable on the date of the Optionee s death may be exercised by the Optionee s estate or by any person that acquires the legal right to exercise such Stock Option by bequest, inheritance, or otherwise by reason of the death of the Optionee. Any such exercise to be valid must occur within the remaining option term of the Incentive Stock Option. The foregoing provisions of this Section 4.8 shall apply to an Optionee who dies while employed by the Company and to an Optionee whose employment may have terminated prior to death; *provided, however,* that:

(a) an Optionee who dies while employed by the Company will be treated as if the Optionee had retired on the date of death. Accordingly, the Optionee s estate or a person who acquires the right to exercise such Incentive Stock Option by bequest or inheritance will have the right to exercise the Incentive Stock Option in accordance with Section 4.6; or

(b) the estate or a person who acquires the right to exercise a stock option by bequest or inheritance from an Optionee who dies after terminating employment with the Company will have the remainder of any exercise period provided under Section 4.6 and 4.7.

4.9 Applicability of Stock Options Selections. Section 3.6 (Manner of Payment), Section 3.7 (Issuance and Delivery of Shares), Section 3.11 (Acceleration of Options) and Section 3.12 (Effect of Exercise), applicable to Stock Options, shall apply equally to Incentive Stock Options. Said Sections are incorporated by reference in this Article IV as though fully set forth herein.

ARTICLE V

Limited Rights

5.1 Award of Limited Rights. Concurrently with or subsequent to the award of any Option, the Committee may, subject to the provisions of the Plan and such other terms and conditions as the Committee may prescribe, award to the Optionee with respect to each Option, a related limited right permitting the Optionee, during a specified limited time period, to be paid the appreciation on the Option in lieu of exercising the Option (Limited Right).

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5.2 Limited Rights Agreement. Limited Rights granted under the Plan shall be evidenced by written agreements in such form as the Committee may from time to time determine.

5.3 Exercise Period. Limited Rights are immediately exercisable in full upon grant for a period of up to seven (7) months following the date of a Change in Control (the Exercise Period).

5.4 Amount of Payment. The amount of payment to which an Optionee shall be entitled upon the exercise of each Limited Right shall be equal to 100% of the amount, if any, which is equal to the difference between the Option Price of the related Option and the Market Price of a share of such Common Stock. Market Price is defined to be the greater of:

(a) the highest price per share of Common Stock paid in connection with any Change in Control during the period from the sixtieth (60th) calendar day immediately prior to the Change in Control through the ninetieth (90th) calendar day following the Change in Control; and

(b) the highest trading price per share of Common Stock reflected in the consolidated trading tables of The Wall Street Journal (presently the New York Stock Exchange Composite Transactions quotations) during the 60-day period immediately prior to the Change in Control.

5.5 Form of Payment. Payment of the amount to which an Optionee is entitled upon the exercise of Limited Rights, as determined pursuant to Section 5.4, shall be made solely in cash.

5.6 Effect of Exercise. If Limited Rights are exercised, the Stock Options, if any, related to such Limited Rights cease to be exercisable to the extent of the number of shares with respect to which the Limited Rights were exercised. Upon the exercise or termination of the Options, if any, related to such Limited Rights, the Limited Rights granted with respect thereto terminate to the extent of the number of shares as to which the related Options were exercised or terminated; *provided, however,* that with respect to Options that are terminated as a result of the termination of the Optionee s employment status, the Limited Rights awarded in tandem therewith shall not terminate and such Limited Rights shall remain exercisable during the Exercise Period for any Optionee whose employment relationship with the Company has been terminated as a result of any Qualifying Termination.

5.7 Retirement or Disability. Upon termination of the Optionee s employment by reason of permanent disability or retirement (as each is determined by the Committee), the Optionee may, within six (6) months from the date of termination, exercise any Limited Rights to the extent such Limited Right is exercisable during such six-month period.

5.8 Death of Optionee or Termination for Other Reasons. Except as provided in Sections 5.7 and 5.9 or except as otherwise determined by the Committee, all Limited Rights granted under the Plan shall terminate upon the termination of the Optionee s employment or upon the death of the Optionee.

5.9 Termination Related to a Change in Control. The requirement that an Optionee be terminated by reason of retirement or permanent disability or be employed by the Company at

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the time of exercise pursuant to Sections 5.7 and 5.8 respectively, is waived during the Exercise Period as to any Optionee whose employment relationship with the Company has been terminated as a result of any Qualifying Termination.

ARTICLE VI

Common Stock Units

6.1 Award of Common Stock Units. The Committee, from time to time, and subject to the provisions of the Plan, may grant to any Participant in the Plan rights to receive shares of Common Stock which are subject to a risk of forfeiture by the Participant (Common Stock Units). At the time it grants any Common Stock Units, the Committee shall determine whether the payment of such Common Stock Units shall be conditioned upon either:

(a) the Participant s continued employment with the Company throughout a stated period (Section 6.4); or

(b) the attainment of certain predetermined performance objectives during a stated period (Section 6.5).

The date Common Stock Units are granted shall mean the date selected by the Committee as of which the Committee allots a specific number of Common Stock Units to a Participant pursuant to the Plan.

6.2 Common Stock Unit Agreements. Common Stock Units granted under the Plan shall be evidenced by written agreements stating the number of Common Stock Units evidenced thereby or in such form and as the Committee may from time to time determine.

6.3 Dividend Equivalents. A holder of Common Stock Units will be entitled to receive payment from the Company in an amount equal to each cash dividend (Dividend Equivalent) Sunoco, Inc. would have paid to such holder had he, on the record date for payment of such dividend, been the holder of record of shares of Common Stock equal to the number of Common Stock Units which had been awarded to such holder as of the close of business on such record date. The Company shall establish a bookkeeping account on behalf of each Participant in which the Dividend Equivalents that would have been paid to the holder of Common Stock Units (Dividend Equivalent Account) shall be credited. The Dividend Equivalent Account will not bear interest.

6.4 Performance Period. Upon making an award, the Committee shall determine (and the Common Stock Unit Agreement shall state) the length of the applicable period during which employment must be maintained or certain performance targets must be attained (the Performance Period). Performance Periods will normally be from three (3) to five (5) years; *provided, however*, that the Committee at its sole discretion may establish other time periods; *and further provided,* that the Performance Period for an award conditioned upon a Participant s continued employment with the Company shall not be less than three (3) years.

6.5 Performance Goals. Common Stock Units and the related Dividend Equivalent Account earned may be based upon the attainment of Performance Goals established by the

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Committee in accordance with Section 162(m) of the Code. Within the first ninety (90) days of the Performance Period, the Committee shall establish, in writing, the weighted Performance Goals and related Performance Factors for various goal achievement levels for the Company. In establishing the weighted Performance Goals, the Committee shall take the necessary steps to insure that the Company s ability to achieve the pre-established goals is uncertain at the time the goals are set. The established written Performance Goals, assigned weights, and Performance Factors shall be written in terms of an objective formula, whereby any third party having knowledge of the relevant Company performance results could calculate the amount to be paid. Such Performance Goals may vary by Participant and by grant.

The number of Common Stock Units and Dividend Equivalents earned will be equal to the amounts awarded multiplied by the applicable Performance Factors. However, the Committee shall have the discretion, by Participant and by grant, to reduce (but not to increase) some or all of the amount that would otherwise be payable by reason of the satisfaction of the Performance Goals. In making any such determination, the Committee is authorized to take into account any such factor or factors it determines are appropriate, including but not limited to Company, business unit and individual performance.

6.6 Payment of Common Stock Units and Dividend Equivalent Account. Payment in respect of Common Stock Units earned (as determined under Sections 6.4 and 6.5) shall be made to the holder thereof within ninety (90) days after the Performance Period for such units has ended, but only to the extent the Committee certifies in writing that the continuing employment and/or any applicable performance targets have been met.

Except as may be otherwise provided by Section 6.9, payment for Common Stock Units earned shall be made either in shares of Common Stock, or in cash, at the sole discretion of the Committee. The medium of payment, whether in shares of Common Stock or in cash, shall be set forth in the Committee s resolution granting the Common Stock Units and in the Agreement with the Participant.

For an award of Common Stock Units to be paid out in shares, the number of shares paid shall be equal to the number of Common Stock Units earned. The holder may elect to reduce this amount by the number of shares of Common Stock which have, on the date the Common Stock Units are paid, a Fair Market Value equal to the applicable federal, state and local withholding tax due on the receipt of Common Stock, in lieu of making a cash payment equal to the amount of such withholding tax due.

For an award of Common Stock Units to be settled in cash, the amount of cash paid shall be equal to the number of Common Stock Units earned multiplied by the Fair Market Value of a share of Common Stock on such date following the lapse of the Performance Period, and the satisfaction of any other applicable conditions established by the Committee at the time of grant, that the Participant first becomes entitled to receive such payment. Such amount will be reduced by the applicable federal, state and local withholding tax due.

A holder of Common Stock Units (whether or not such Common Stock Units are to be paid out in Common Stock, or settled in cash) will be entitled to receive from the Company, at the end of the Performance Period, payment of an amount in cash equal to the Dividend Equivalent Account earned (as determined under Sections 6.4 and 6.5) by the holder minus applicable federal, state and local withholding tax due.

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(a) Notwithstanding the foregoing, and at the discretion of the Committee, any Participant subject to minimum stock ownership guidelines (as established from time to time by the Committee or the Company), but failing to meet the applicable personal ownership requirement within the prescribed period may receive a number of shares of Common Stock upon payment of the Common Stock Units, subject to the following restrictions which shall remain in place until compliance with such ownership guidelines is attained:

(1) The number of shares subject to the restrictions shall be equal to the total number of Common Stock Units being paid out, minus the number of shares of Common Stock used to pay applicable federal, state and local withholding tax on the total payment of such Common Stock Units.

(2) Other than transfers to family members or trusts that are permitted in accordance with the applicable stock ownership guidelines, and that will not result in a reduction in the level of ownership attributable to the Participant under such guidelines, the Participant shall be prohibited from effecting the sale, exchange, transfer, pledge, hypothecation, gift or other disposition of such shares of Common Stock until the earlier of:

(i) attainment of compliance with applicable stock ownership guidelines;

(ii) the Participant s death, retirement, or permanent disability (as determined by the Committee); or

(iii) occurrence of the Participant s Employment Termination Date, for any reason other than Just Cause.

(3) These restrictions shall apply to any new, additional or different securities the Participant may become entitled to receive with respect to such shares by virtue of a stock split or stock dividend or any other change in the corporate or capital structure of the Company.

(b) Until such time as the restrictions hereunder lapse, the shares will be held in book-entry form and appropriate notation of these restrictions will be maintained in the records of the Company s transfer agent and registrar. Any share certificate representing such shares will bear a conspicuous legend evidencing these restrictions, and the Company may require the Participant to deposit the share certificate with the Company or its agent, endorsed in blank or accompanied by a duly executed irrevocable stock power or other instrument of transfer.

6.7 Death, Disability or Retirement.

(a) Upon the occurrence of a Participant s Employment Termination Date, by reason of death, permanent disability or retirement (as each is determined by the Committee) prior to the end of the Performance Period:

(1) in the case of an award of Common Stock Units made pursuant to Section 6.1(a) hereof and conditioned upon the Participant s continued employment, the conditions to

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payout, if any, shall be determined by the Committee and shall be as set forth in the agreement granting the Common Stock Units.

(2) in the case of an award of Common Stock Units made pursuant to Section 6.1(b) hereof and conditioned upon the attainment of certain predetermined performance objectives, no portion of the Participant s Common Stock Units and the Dividend Equivalent Account related to such award shall be forfeited, and the Common Stock Units, together with related Dividend Equivalents, shall be paid out as though such Participant continued to be an employee or director of the Company through any applicable Performance Period, and as, if, and when the applicable Performance Goals have been met.

6.8 Termination of Employment. Except as provided in Sections 6.7 and 6.9, or as determined by the Committee, 100% of all Common Stock Units of a Participant under the Plan shall be forfeited and the Dividend Equivalent Account shall be forfeited upon the occurrence of the Participant s Employment Termination Date prior to the end of the Performance Period, and in such event the Participant shall not be entitled to receive any Common Stock or any payment of the Dividend Equivalent Account regardless of the level of Performance Goals achieved for the respective Performance Periods.

6.9 Change in Control. In the event of a Change in Control, Common Stock Units shall be paid to the Participant no later than ninety (90) days following the date of occurrence of such Change in Control (the CSU Payout Date), regardless of whether the applicable Performance Period has expired or whether the applicable Performance Goals have been met. For a Change in Control occurring within the first consecutive twelve-month period following the date of grant, the number of performance-based Common Stock Units paid out with regard to such grant shall be equal to the total number of Common Stock Units outstanding in such grant as the Change in Control, not adjusted for any Performance Factors described in Section 6.5. For a Change in Control occurring after the first consecutive twelve-month period following the date of grant, the number of performance-based Common Stock Units paid out with regard to such grant shall be the greater of (i) the total number of Common Stock Units outstanding in such grant as of the Change in Control, not adjusted for any Performance factors described in Section 6.5 or (ii) the total number of such Common Stock Units outstanding in such grant, multiplied by the applicable Performance Factors related to the Company s actual performance immediately prior to the Change in Control. In the case of an award of Common Stock Units conditioned upon the Participant s continued employment, the total number of Common Stock Units outstanding in such grant as of the Change in Control shall be paid to the Participant. The Participant s Common Stock Units shall be payable to the Participant in cash or stock, as determined by the Committee prior to the Change in Control, as follows:

(a) if the Participant is to receive stock, the Participant will receive shares of Common Stock equal in number to the total number of Common Stock Units as stated above in this Section 6.9; or

(b) if the Participant is to receive cash, the Participant will be paid an amount in cash equal to the number of Common Stock Units stated above in this Section 6.9 multiplied by the Market Price as defined in Section 5.4 Such amount will be reduced by the applicable federal, state and local withholding taxes due.

On or before the CSU Payout Date, the Participant will be paid an amount in cash equal to the applicable Dividend Equivalents on the number of Common Stock Units being paid pursuant to this Section 6.9 for the time period immediately preceding the Change in Control. Payout of Common Stock Units and the Dividend Equivalents shall be made to each Participant:

(c) who is employed by the Company on the CSU Payout Date; or

(d) whose employment relationship with the Company is terminated:

(1) as a result of any Qualifying Termination prior to the CSU Payout Date; or

(2) as a result of death, permanent disability or retirement (as each is determined by the Committee), that has occurred prior to the CSU Payout Date.

The Committee may establish, at the time of the grant of Common Stock Units, other conditions which must be met for payout to occur. These conditions shall be set forth in the Committee s resolution granting the Common Stock Units and in the Agreement with the holders.

ARTICLE VII

Miscellaneous

7.1 General Restriction. Each award under the Plan shall be subject to the requirement that if, at any time, the Committee shall determine that:

(a) the listing, registration or qualification of the shares of Common Stock subject or related thereto upon any securities exchange or under any state or Federal law; or

(b) the consent or approval of any government regulatory body; or

(c) an agreement by the recipient of an award with respect to the disposition of shares of Common Stock, is necessary or desirable as a condition of, or in connection with, the granting of such award or the issue or purchase of shares of Common Stock thereunder, then such award may not be consummated in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Committee.

7.2 Non-Assignability. Awards under the Plan shall not be assignable or transferable by the recipient thereof, except by will or by the laws of descent and distribution except as otherwise determined by the Committee. Accordingly, during the life of the recipient, such award shall be exercisable only by such person or by such person s guardian or legal representative, unless the Committee determines otherwise.

7.3 Right to Terminate Employment; Effect of Disaffiliation. Nothing in the Plan or in any agreement entered into pursuant to the Plan shall confer upon any Participant the right to

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continue in the employment of the Company, to continue to be nominated or serve on the Board of Directors, or affect any right which the Company may have to terminate the employment of such Participant. If an Affiliate ceases to be an Affiliate as a result of the sale or other disposition by Sunoco, Inc. or one of its continuing Affiliates of its ownership interest in the former Affiliate, or otherwise, then individuals who remain employed by such former Affiliate thereafter shall be considered for all purposes under the Plan to have terminated their employment relationship with the Company.

7.4 Non-Uniform Determinations. The Committee s determinations under the Plan (including without limitation, determinations of the persons to receive awards, the form, amount and timing of such awards, the terms and provisions of such awards, and the agreements evidencing same) need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, awards under the Plan, whether or not such persons are similarly situated.

7.5 Rights as a Shareholder. The recipient of any award under the Plan shall have no rights as a shareholder with respect thereto unless and until shares of Common Stock are issued on behalf of such recipient in book-entry form, in the records of the Company s transfer agent and registrar, or certificates have been issued for such shares.

7.6 Leaves of Absence. The Committee shall be entitled to make such rules, regulations and determinations as it deems appropriate under the Plan in respect of any leave of absence taken by the recipient of any award. Without limiting the generality of the foregoing, the Committee shall be entitled to determine (a) whether or not any such leave of absence shall constitute a termination of employment within the meaning of the Plan and (b) the impact, if any, of any such leave of absence on awards under the Plan theretofore made to any recipient who takes such leaves of absence.

7.7 Newly Eligible Employees. The Committee shall be entitled to make such rules, regulations, determinations and awards as it deems appropriate in respect of any employee who becomes eligible to participate in the Plan or any portion thereof after the commencement of an award or incentive period.

7.8 Adjustments. In any event of any change in the outstanding Common Stock by reason of a stock dividend or distribution, recapitalization, merger, consolidation, split-up, combination, exchange of shares or the like, the Committee may appropriately adjust the number of shares of Common Stock which may be issued under the Plan, the number of shares of Common Stock subject to Options theretofore granted under the Plan, the Option Price of Options theretofore granted under the Plan, the number of Common Stock Units theretofore awarded under the Plan and any and all other matters deemed appropriate by the Committee.

7.9 Amendment of the Plan.

(a) The Committee may, without further action by the shareholders and without receiving further consideration from the Participants, amend this Plan or condition or modify awards under this Plan in response to changes in securities or other laws or rules, regulations or regulatory interpretations thereof applicable to this Plan or to comply with stock exchange rules or requirements.

(b) The Committee may at any time, and from time to time, modify or amend the Plan, or any award granted under the Plan, in any respect; *provided, however*, that, without shareholder approval the Committee may not:

(1) increase the maximum award levels established in Section 2.7, including the maximum number of shares of Common Stock which may be issued under the Plan (other than increases pursuant to Section 7.8);

(2) extend the term during which an Option may be exercised beyond ten years from the date of grant; or

(3) alter the terms of any Option to reduce the Option Price, or cancel any outstanding Option award and replace it with a new Option, having a lower Option Price, where the economic effect would be the same as reducing the Option Price of the cancelled Option.

Except as provided in Section 7.9(a) above, no termination, modification or amendment of the Plan (or any award granted under the Plan), shall, without the consent of a Participant, affect the Participant s rights under an award previously granted.

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Sunoco, Inc.

Visit our site

on the World Wide Web

http://www.SunocoInc.com

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Your Vote is Important!

You can vote in one of three ways:

OPTION 1: **Vote by Telephone** Call 1-877-290-2604 and respond to a few simple questions after entering the Control Number below. Telephone voting closes at 11:59 p.m. Eastern U.S. Time on Wednesday, April 30, 2003.*

Your Control Number is:

Call on a touch-tone telephone

1-877-290-2604 anytime. There

is no charge for this call.

For Telephone/Internet Voting

OPTION 2: **Vote by Internet** Access **http://www.proxyvoting.com/sunoco** and respond to a few simple prompts after entering the Control Number above. Internet voting closes at 11:59 p.m. Eastern U.S. Time on Wednesday, April 30, 2003.*

Your telephone or Internet vote authorizes the named Proxies to vote your shares in the same manner as if you had marked, signed and returned your proxy card.

OPTION 3: **Vote by Mail** If you do not wish to vote using a touch-tone telephone or the Internet, complete and return the proxy card below in the envelope provided.*

Whichever method you choose, please vote promptly.

*In order to allow the SunCAP Trustee adequate time to vote the shares held in that plan, voting instructions from SunCAP participants must be received no later than 5:00 p.m. Eastern U.S. Time on Tuesday, April 29, 2003.

Fold and Detach Here Fold and Detach Here

Sunoco, Inc.

Ten Penn Center

1801 Market Street
Philadelphia, PA 19103-1699

THIS PROXY AND VOTING INSTRUCTION CARD IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF SUNOCO, INC. FOR THE MAY 1, 2003 ANNUAL MEETING OF SHAREHOLDERS OR ANY ADJOURNMENTS THEREOF.

The undersigned appoints J. G. DROSDICK and A. C. MULE´ and each of them, with full power of substitution, as proxies and attorneys-in-fact (the Proxies) to vote as indicated all shares of Sunoco, Inc. Common Stock, which the undersigned is entitled to vote, and in their discretion, to vote upon such other business as may properly come before the 2003 Annual Meeting. This proxy card also provides voting instructions for shares held for the account of the undersigned, if any, in the Sunoco, Inc. Capital Accumulation Plan (SunCAP). For additional explanatory information, see the Questions and Answers section of the accompanying proxy statement.

SIGNATURE____________________ SIGNATURE ____________________ DATED ________________

Please sign exactly as your name appears above. When signing as attorney, executor, administrator, trustee, guardian, etc., give full title. If stock is jointly owned, each joint owner should sign.

CONTINUED ON REVERSE SIDE

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This proxy and voting instruction card, when properly executed, will be voted by the Proxies in the manner designated below. For shares not held in SunCAP, if this proxy and voting instruction card is returned signed, but there is no indication of a vote or if it is not clear which box is checked, the Proxies will vote FOR proposals (1) through (3). SunCAP shares will be voted in accordance with the terms of that plan.

The Board of Directors unanimously recommends a vote FOR proposals (1) through (3).

(1) Election of a Board of Directors:

				FOR All Nominees Listed	WITHHOLD From All Nominees Listed
01 - R. J. Darnall	**04 - T. P. Gerrity**	**07 - R. D. Kennedy**	**10 - R. A. Pew**	¨	¨
02 - J. G. Drosdick	**05 - R. B. Greco**	**08 - R. H. Lenny**	**11 - G. J. Ratcliffe**		
03 - U. F. Fairbairn	**06 - J. G. Kaiser**	**09 - N. S. Matthews**			

FOR all nominees, except vote withheld from the following nominee(s), if any: ____________________

(2)	Approval of the amendment and restatement of the Long-Term Performance Enhancement Plan II:	¨	**FOR**	¨	**AGAINST**	¨	**ABSTAIN**
(3)	Ratification of the appointment of Ernst & Young LLP as independent auditors for fiscal year 2003:	¨	**FOR**	¨	**AGAINST**	¨	**ABSTAIN**

¨ Please check ONLY if you plan to attend the 2003 Annual Meeting. Admission tickets are required and will be mailed to you.

¨ Please check if you have multiple shareholders in your household and want to consent to receive only one set of the annual report and proxy statement. Your consent will remain effective, and will apply to future annual meeting materials, until revoked. (See page 7 of the 2003 Proxy Statement, Question 14)

¨ Please check if you consent to access future annual reports and proxy statements electronically via the Internet instead of receiving them in the mail. Your consent will remain effective, and will apply to future annual meeting materials, until revoked.

Please sign and date your proxy card on the reverse side and return it promptly in the envelope provided.