

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

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD
ENDED JUNE 30, 2002

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD
FROM _____ TO _____

Commission file number 1-31219

SUNOCO LOGISTICS PARTNERS L.P.
(Exact name of registrant as specified in its charter)

Delaware 23-3096839
(State or other jurisdiction of (IRS Employer Identification
incorporation or organization) No.)

Ten Penn Center
1801 Market Street
Philadelphia, PA 19103-1699
(Address of principal executive (Zip-Code)
offices)

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

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

The number of the registrant's Common Units held by non-affiliates and
outstanding at July 31, 2002 was 5,706,800.

SUNOCO LOGISTICS PARTNERS L.P.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

SUNOCO LOGISTICS PARTNERS L.P. CONDENSED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except units and per unit amounts)

	Partnership	Predecessor
	-----	-----
	Three Months Ended	
	June 30,	
	-----	-----
	2002	2001
	-----	-----
Revenues		
Sales and other operating revenue:		
Affiliates	\$ 307,824	\$ 310,220
Unaffiliated customers	143,363	133,395
Other income	1,768	812
	-----	-----
Total Revenues	452,955	444,427
	-----	-----
Costs and Expenses		
Cost of products sold and operating expenses	419,281	411,392
Depreciation and amortization	6,473	5,896
Selling, general and administrative expenses	9,674	9,111
	-----	-----
Total Costs and Expenses	435,428	426,399
	-----	-----
Operating Income	17,527	18,028
Net interest cost paid to affiliates	428	3,842
Other interest cost and debt expense, net	4,373	99
Capitalized interest	(245)	(493)
	-----	-----

Income before income tax expense	12,971	14,580
Income tax expense	--	5,512
	-----	-----
Net Income	\$ 12,971	\$ 9,068
	=====	=====
Calculation of Limited Partners' interest		
Net Income	\$ 12,971	
Less: General Partners' interest	259	

Limited Partners' interest in Net Income	\$ 12,712	
	=====	
Basic and diluted Net Income per Limited Partners' unit	\$ 0.56	
	=====	
Weighted average units outstanding	22,767,278	
	=====	

(See Accompanying Notes)

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SUNOCO LOGISTICS PARTNERS L.P.
CONDENSED STATEMENTS OF INCOME
(UNAUDITED)
(in thousands, except units and per unit amounts)

	Partnership and Predecessor Combined	Predecessor
	-----	-----
Six Months Ended June 30,		
	-----	-----
2002		2001
	-----	-----
Revenues		
Sales and other operating revenue:		
Affiliates	\$ 545,292	\$ 600,758
Unaffiliated customers	250,635	257,261
Other income	3,516	2,115
	-----	-----
Total Revenues	799,443	860,134
	-----	-----
Costs and Expenses		
Cost of products sold and operating expenses	732,348	799,328
Depreciation and amortization	12,712	11,601
Selling, general and administrative expenses	19,411	17,540
	-----	-----
Total Costs and Expenses	764,471	828,469
	-----	-----
Operating Income	34,972	31,665
Net interest cost paid to affiliates	551	6,622
Other interest cost and debt expense, net	7,572	198
Capitalized interest	(545)	(948)
	-----	-----
Income before income tax expense	27,394	25,793
Income tax expense	1,555	9,736
	-----	-----
Net Income	\$ 25,839	\$ 16,057
	=====	=====
Allocation of 2002 Net Income		
Portion applicable to January 1 through February 7, 2002 (period prior to initial public offering)	\$ 3,421	
Portion applicable to February 8 through June 30, 2002	22,418	

Net Income	\$ 25,839	

Calculation of Limited Partners' interest	=====
Net Income	\$ 22,418
Less: General Partners' interest	448

Limited Partners' interest in Net Income	\$ 21,970
	=====
Basic and diluted Net Income per Limited Partners' unit for the period of February 8, 2002 through June 30, 2002	\$ 0.96
	=====
Weighted average units outstanding	22,767,278
	=====

(See Accompanying Notes)

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

	Partnership	Predecessor
	June 30,	December 31,
	2002	2001
	-----	-----
Assets		
Current Assets		
Cash and cash equivalents	\$ 6,885	\$ --
Advances to affiliate (Note 3)	13,713	--
Accounts receivable, affiliated companies (Note 3).....	91,266	6,245
Accounts receivable, net	174,648	151,264
Note receivable from affiliate (Note 3)	--	20,000
Inventories:		
Crude oil	20,992	19,367
Materials, supplies and other	1,231	1,239
Deferred income taxes	--	2,821
	-----	-----
Total Current Assets	308,735	200,936
Properties, plants and equipment	949,556	937,305
Less accumulated depreciation and amortization	380,806	370,946
	-----	-----
Properties, plants and equipment, net	568,750	566,359
Deferred charges and other assets	30,291	21,906
	-----	-----
Total Assets	\$ 907,776	\$ 789,201
	=====	=====
Liabilities and Partners' Capital/Net Parent Investment		
Current Liabilities		
Accounts payable	\$ 251,996	\$ 235,061
Accrued liabilities	17,574	26,628
Current portion of long-term debt due affiliate (Note 3).....	--	75,000
Current portion of long-term debt (Note 4)	243	228
Taxes payable	9,151	20,373
	-----	-----
Total Current Liabilities	278,964	357,290
Long-term debt due affiliate (Note 3)	--	65,000
Long-term debt (Note 4)	252,797	4,553
Deferred income taxes	--	78,140
Other deferred credits and liabilities	862	9,325
Commitments and contingent liabilities (Note 6)		
Partners' Capital	375,153	--
Net Parent Investment (Note 5)	--	274,893

Total Liabilities and Partners' Capital/Net Parent Investment	----- \$ 907,776 =====	----- \$ 789,201 =====
---	------------------------------	------------------------------

(See Accompanying Notes)

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

	Partnership and Predecessor Combined	Predecessor
	-----	-----
	Six Months Ended	
	June 30,	
	-----	-----
	2002	2001
	-----	-----
Cash Flows from Operating Activities:		
Net income	\$ 25,839	\$ 16,057
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	12,712	11,601
Deferred income tax expense	675	8,771
Changes in working capital pertaining to operating activities:		
Accounts receivable, affiliated companies	(85,021)	(800)
Accounts receivable, net	(27,186)	60,836
Inventories	(8,606)	(3,214)
Accounts payable and accrued liabilities	18,595	(88,073)
Taxes payable	2,850	(2,182)
Other	(6,455)	1,376
Net cash provided by/(used in) operating activities	(66,597)	4,372
Cash Flows from Investing Activities:		
Capital expenditures	(15,172)	(24,937)
Collection of note receivable from affiliate	20,000	--
Other	--	1,351
Net cash provided by/(used in) investing activities	4,828	(23,586)
Cash Flows from Financing Activities:		
Distributions paid to unitholders	(6,040)	--
Net proceeds from issuance of common units to the public	98,314	--
Advances to affiliate, net	(13,713)	--
Repayments of long-term debt	(124)	(120)
Repayments of long-term debt due affiliate	(50,000)	--
Net proceeds from issuance of long-term debt	245,573	--
Special distribution to Sunoco	(245,573)	--
Contributions from /(returns to) Sunoco	40,217	(5,666)
Net proceeds from short-term borrowings due affiliate	--	25,000
Net cash provided by financing activities	68,654	19,214
Net increase in cash and cash equivalents	6,885	--
Cash and cash equivalents at beginning of period	--	--
Cash and cash equivalents at end of period	\$ 6,885	\$ --
	=====	=====

(See Accompanying Notes)

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SUNOCO LOGISTICS PARTNERS L.P.
CONDENSED STATEMENT OF PARTNERS' CAPITAL/NET PARENT INVESTMENT
(UNAUDITED)
(in thousands, except unit amounts)

		Partners' Capital						Total Partners' Capital/ Net Parent Investment
	Net Parent Investment	Limited Partners						General Partner
		Common		Subordinated				
	\$	Units	\$	Units	\$	\$	\$	
Balance at January 1, 2002	\$ 274,893	--	\$ --	--	\$ --	--	\$ 274,893	
Net income applicable to the period from January 1 through February 7, 2002	3,421	--	--	--	--	--	3,421	
Contribution from Sunoco	40,217	--	--	--	--	--	40,217	
Adjustment to reflect net liabilities not contributed by Sunoco to the Partnership	187,503	--	--	--	--	--	187,503	
Special distribution to Sunoco	(245,573)	--	--	--	--	--	(245,573)	
Net assets contributed by Sunoco	260,461	--	--	--	--	--	260,461	
Allocation of net assets contributed by Sunoco	(260,461)	5,633,639	84,502	11,383,639	170,750	5,209	--	
Issuance of common units to the public	--	5,750,000	98,314	--	--	--	98,314	
Net income applicable to the period from February 8 through June 30, 2002	--	--	10,985	--	10,985	448	22,418	
Cash distributions	--	--	(2,960)	--	(2,960)	(120)	(6,040)	
Balance at June 30, 2002	\$ --	11,383,639	\$ 190,841	11,383,639	\$ 178,775	\$ 5,537	\$ 375,153	

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SUNOCO LOGISTICS PARTNERS L.P.

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation

Sunoco Logistics Partners L.P. (the "Partnership") is a Delaware limited partnership formed by Sunoco, Inc. in October 2001 to acquire, own, and operate a substantial portion of Sunoco, Inc.'s logistics business, consisting of refined product pipelines, terminalling and storage assets, crude oil

pipelines, and crude oil acquisition and marketing assets located in the Northeast, Midwest and Southwest United States (collectively, "Sunoco Logistics (Predecessor)" or the "Predecessor").

The accompanying condensed financial statements are presented in accordance with the requirements of Form 10-Q and accounting principles generally accepted in the United States for interim financial reporting. They do not include all disclosures normally made in financial statements contained in Form 10-K. In management's opinion, all adjustments necessary for a fair presentation of the results of operations, financial position and cash flows for the periods shown have been made. All such adjustments are of a normal recurring nature. Results for the three and six months ended June 30, 2002 are not necessarily indicative of results for the full year 2002.

The financial statements of Sunoco Logistics Partners L.P. reflect historical cost-basis accounts of the Predecessor for periods prior to February 8, 2002, the closing date of the Partnership's initial public offering (the "IPO" - see Note 2), and include charges from Sunoco, Inc. and its subsidiaries (collectively, "Sunoco") for direct costs and allocations of indirect corporate overhead. Management of the Partnership believes that the allocation methods are reasonable and that the allocations are representative of the costs that would have been incurred on a stand-alone basis. Beginning on February 8, 2002, the condensed financial statements reflect the consolidated financial statements of the Partnership and its subsidiaries.

2. The Initial Public Offering

On February 8, 2002, Sunoco, through its subsidiary, Sunoco Partners LLC, the general partner of the Partnership, contributed the Predecessor to the Partnership in exchange for: (i) its 2% general partner interest in the Partnership; (ii) incentive distribution rights (as defined in the Partnership Agreement); (iii) 5,633,639 common units; (iv) 11,383,639 subordinated units; and (v) a special interest representing the right to receive from the Partnership, on the closing of the IPO, the net proceeds from the issuance of \$250 million of ten-year senior notes by Sunoco Logistics Partners Operations L.P. (the "Operating Partnership") which totalled \$245.6 million. The Partnership concurrently issued 5,750,000 common units (including 750,000 units issued pursuant to the underwriters' over-allotment option), representing a 24.8% limited partnership interest in the Partnership, in an IPO at a price of \$20.25 per unit. Proceeds from the IPO, which totalled \$98.3 million net of underwriting discounts and offering expenses, were used by the Partnership to establish working capital that was not contributed to the Partnership by Sunoco.

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3. Related Party Transactions

Advances to Affiliate

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

The Partnership entered into a treasury services agreement with Sunoco at the closing of the IPO pursuant to which it, among other things, participates in Sunoco's centralized cash management program. Under this program, all of the Partnership's cash receipts and cash disbursements are processed, together with those of Sunoco and its other subsidiaries, through Sunoco's cash accounts with a corresponding credit or charge to an intercompany account. The intercompany balances are settled periodically, but no less frequently than at the end of each month. Amounts due from Sunoco earn interest at a rate equal to the average rate of the Partnership's third-party money market investments, while amounts due to Sunoco bear interest at a rate equal to the interest rate provided in the Partnership's revolving credit facility (see Note 4).

Accounts Receivable, Affiliated Companies

Affiliated revenues in the condensed statements of income consist of sales of crude oil as well as the provision of crude oil and refined product pipeline transportation, terminalling and storage services to Sunoco. Sales of

crude oil are computed using the formula-based pricing mechanism of a supply agreement with Sunoco. Management of the Partnership believes these terms to be comparable to those that could be negotiated with an unrelated third party. Pipeline revenues are generally determined using our posted tariffs. Prior to January 1, 2002, revenues from terminalling and storage were generally equal to all of the costs incurred for these activities, including operating, maintenance and environmental remediation expenditures. Concurrent with the closing of the IPO, the Partnership entered into a pipelines and terminals storage and throughput agreement with Sunoco under which the Partnership is charging Sunoco fees for services provided under these agreements comparable to those charged in arm's-length, third-party transactions. Under the pipelines and terminals storage and throughput agreement, Sunoco has agreed to pay the Partnership a minimum level of revenues for transporting and terminalling refined products. Sunoco also has agreed to minimum throughputs of refined products and crude oil in the Partnership's Inkster Terminal, Fort Mifflin Terminal Complex, Marcus Hook Tank Farm and certain crude oil pipelines. Effective January 1, 2002 for most terminals, fee arrangements consistent with this contract were used as the basis for the transfer prices to be used in preparation of Sunoco's segment information. Accordingly, such fees for most terminals are reflected in the condensed financial statements beginning on January 1, 2002. Sunoco also leases from the Partnership the 58 miles of interrefinery pipelines between Sunoco's Philadelphia and Marcus Hook refineries for a term of 20 years.

Under an omnibus agreement with Sunoco that the Partnership entered into at the closing of the IPO, Sunoco is continuing to provide centralized corporate functions such as legal, accounting, treasury, engineering, information technology, insurance and other corporate services for three years for an annual administrative fee initially in the amount of \$8.0 million, which may be increased in the second and third years following the IPO by the lesser of 2.5% or the consumer price index for the applicable year. These costs, which are reflected in selling, general and administrative expenses, may also increase if the Partnership makes an acquisition or constructs additional assets that require an increase in the level of general and administrative services received by the Partnership from the general partner or Sunoco. The \$8.0 million fee includes expenses incurred by Sunoco to perform the centralized corporate functions described above. This fee does not include salaries of pipeline and terminal personnel or other employees of the general partner, including senior executives, or the cost of their employee benefits, such as 401(k), pension, and health insurance benefits. The Partnership is also reimbursing Sunoco for these costs and other direct expenses incurred on the Partnership's behalf.

Allocated Sunoco employee benefit plan expenses for employees who work in the pipeline, terminalling, storage and crude oil gathering operations,

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including senior executives, (e.g., non-contributory defined benefit retirement plans, defined contribution 401(k) plans, employee and retiree medical, dental and life insurance plans, incentive compensation plans, and other such benefits) are reflected primarily in cost of products sold and operating expenses in the condensed statements of income. In connection with the transfer of the Predecessor's operations to the Partnership, these employees, including senior executives, became employees of the Partnership's general partner or its affiliates, wholly owned subsidiaries of Sunoco. The Partnership has no employees.

Note Receivable from Affiliate

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

Short-Term Borrowings due Affiliate

At December 31, 2000, the Predecessor had two short-term notes totaling \$45.0 million due to Sunoco. During the six months ended June 30, 2001, the Predecessor borrowed an additional \$25.0 million under another short term note. As of December 31, 2001, all amounts outstanding under the notes were repaid. The notes bore interest at a rate based on the short-term applicable federal rate established by the Internal Revenue Service.

Long-Term Debt due Affiliate

At December 31, 2001, the Predecessor had four variable-rate notes totaling \$140.0 million due to Sunoco. The notes bore interest at a rate based on the short-term applicable federal rate established by the Internal Revenue Service. The Predecessor repaid \$50.0 million of this debt prior to the IPO. The remaining debt was not assumed by the Partnership.

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4. Long-Term Debt

The components of long-term debt (including current portion) were as follows (in thousands of dollars):

	June 30, 2002	December 31, 2001
	-----	-----
Senior Notes	\$ 250,000	\$ --
Less unamortized note discount	1,617	--
	-----	-----
	248,383	--
Other (including current portion)	4,657	4,781
	-----	-----
	\$ 253,040	\$ 4,781
	=====	=====

In conjunction with the IPO, the Operating Partnership issued \$250.0 million of ten-year, 7.25% Senior Notes (the "Senior Notes") at 99.325% of the principal amount and established a three-year \$150.0 million revolving credit facility (the "Credit Facility"). The Senior Notes are redeemable, at a make-whole premium, and are not subject to sinking fund provisions. The Senior Notes contain various covenants limiting the Operating Partnership's ability to incur certain liens, engage in sale/leaseback transactions, or merge, consolidate or sell substantially all of its assets. The Operating Partnership is in compliance with these covenants as of June 30, 2002. In addition, the Senior Notes are also subject to repurchase by the Operating Partnership at a price equal to 100% of their principal amount, plus accrued and unpaid interest upon a change of control to a non-investment grade entity. The Operating Partnership distributed the net proceeds of \$245.6 million after offering commissions and issuance expenses from the sale of the outstanding Senior Notes to the Partnership for distribution to Sunoco.

The \$150.0 million Credit Facility matures on January 31, 2005, and is available to fund the Operating Partnership's working capital requirements, to finance future acquisitions and for general partnership purposes. It may also be used to fund the minimum quarterly distribution to a maximum of \$20.0 million. Borrowings under this distribution sublimit must be reduced to zero each year for a 15-day period. The Credit Facility will bear interest at the Operating Partnership's option, at either (i) LIBOR plus an applicable margin or (ii) the higher of the federal funds rate plus 0.50% or the Bank of America prime rate (each plus the applicable margin). The Credit Facility may be prepaid at any time. The Credit Facility contains various covenants limiting the Operating Partnership's ability to incur indebtedness; grant certain liens; make certain loans, acquisitions and investments; make any material change to the nature of its business; acquire another company; or enter into a merger or sale of assets, including the sale or transfer of interests in the Operating Partnership's subsidiaries. The Credit Facility also contains covenants requiring the Operating Partnership to maintain on a rolling four-quarter basis a ratio of total debt to EBITDA (each as defined in the credit agreement) up to 4:1; and an interest coverage ratio (as defined in the credit agreement) of at least 3.5:1. The Operating Partnership is in compliance with these covenants as of June 30, 2002. There were no borrowings against the Credit Facility as of June 30, 2002.

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

On April 11, 2002, the Operating Partnership filed an exchange offer registration statement on SEC Form S-4, in connection with the registration of the exchange of the Senior Notes and the guarantees covering the Senior Notes. This registration statement was declared effective on June 28, 2002. The exchange offer was completed on August 2, 2002, with all \$250 million aggregate principal amount of the Senior Notes being exchanged for a like principal amount of new publicly tradable notes having substantially identical terms issued pursuant to the exchange offer registration statement filed under the Securities Act of 1933, as amended.

The Partnership has no operations and its only assets are its investments in its wholly owned partnerships and subsidiaries. The Operating Partnership also has no operations and its assets are limited primarily to its investments in its wholly owned operating subsidiaries and cash and cash equivalents of \$6.9 million. Except for amounts associated with the Senior Notes, cash and cash equivalents and advances to affiliate, the assets and liabilities in the condensed balance sheet at June 30, 2002 and the revenues and costs and expenses in the condensed statements of income for the quarter and six months then ended are attributable to the operating subsidiaries.

5. Net Parent Investment

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

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

Accounts receivable	\$ 3,802
Inventories	6,989
Deferred income taxes	2,821
Properties, plants and equipment, net	822

	14,434

Accrued liabilities	10,714
Taxes payable	14,072
Long-term debt due affiliate	90,000
Deferred income taxes	78,815
Other deferred credits and liabilities	8,336

	201,937

Net liabilities retained by Sunoco	\$ 187,503
	=====

6. Commitments and Contingent Liabilities

The Partnership is subject to numerous federal, state and local laws which regulate the discharge of materials into the environment or that otherwise relate to the protection of the environment. These laws result in liabilities and loss contingencies for remediation at the Partnership's facilities and at third-party or formerly owned sites.

Total future costs for environmental remediation activities will depend upon, among other things, the identification of new sites, the determination of the extent of the contamination at each site, the timing and nature of required remedial actions, the technology available and needed to meet the various

existing legal requirements, the nature and extent of future environmental laws, inflation rates and the determination of the Partnership's liability at multi-party sites, if any, in light of uncertainties with respect to joint and several liability, and the number, participation levels and financial viability of other parties. As discussed below, the Partnership's future costs will also be impacted by an indemnification from Sunoco.

The Partnership is a party to certain pending and threatened claims. Although the ultimate outcome of these claims cannot be ascertained at this time, it is reasonably possible that some portion of them could be resolved unfavorably to the Partnership. Management of the Partnership does not believe that any liabilities which may arise from such claims and the environmental matters discussed above would be material in relation to the financial position of the Partnership at June 30, 2002. Furthermore, management of the Partnership does not believe that the overall costs for such matters will have a material impact, over an extended period of time, on the Partnership's operations, cash flows or liquidity.

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

Sunoco also has indemnified the Partnership for liabilities, other than environmental and toxic tort liabilities related to the assets contributed to the Partnership, that arise out of Sunoco and its affiliates' ownership and operation of the assets prior to the closing of the IPO and that are asserted within 10 years after closing.

7. Business Segment Information

The following tables sets forth certain statement of income information concerning the Partnership's business segments and reconciles total segment operating income to net income for the three-month and six-month periods ended June 30, 2002 and 2001 (in thousands of dollars):

	Three Months Ended June 30,	
	2002	2001
Segment Operating Income		
Eastern Pipeline System:		
Sales and other operating revenue:		
Affiliates	\$ 18,228	\$ 18,100
Unaffiliated customers	5,621	5,245
Other income	1,767	960
Total Revenues	25,616	24,305
Cost of products sold and operating expenses	10,095	10,268
Depreciation and amortization	2,362	2,426
Selling, general and administrative expenses	3,980	3,433
Total Costs and Expenses	16,437	16,127
Operating Income	\$ 9,179	\$ 8,178
Terminal Facilities:		
Sales and other operating revenue:		
Affiliates	\$ 13,460	\$ 10,551
Unaffiliated customers	7,960	7,254

Other income /(loss)	--	(136)
Total Revenues	21,420	17,669
Cost of products sold and operating expenses	8,565	8,883
Depreciation and amortization	2,697	2,460
Selling, general and administrative expenses	2,614	2,434
Total Costs and Expenses	13,876	13,777
Operating Income	\$ 7,544	\$ 3,892
Western Pipeline System:		
Sales and other operating revenue:		
Affiliate	\$ 276,136	\$ 281,569
Unaffiliated customers	129,782	120,896
Other income /(loss)	1	(12)
Total Revenues	405,919	402,453
Cost of products sold and operating expenses	400,621	392,241
Depreciation and amortization	1,414	1,010
Selling, general and administrative expenses	3,080	3,244
Total Costs and Expenses	405,115	396,495
Operating Income	\$ 804	\$ 5,958
Reconciliation of Segment Operating Income to Net Income		
Operating Income:		
Eastern Pipeline System	\$ 9,179	\$ 8,178
Terminal Facilities	7,544	3,892
Western Pipeline System	804	5,958
Total segment operating income	17,527	18,028
Net interest expense	4,556	3,448
Income tax expense	--	5,512
Net Income	\$ 12,971	\$ 9,068

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	Six Months Ended June 30,	
	2002	2001
Segment Operating Income		
Eastern Pipeline System:		
Sales and other operating revenue:		
Affiliates	\$ 35,543	\$ 35,156
Unaffiliated customers	11,057	10,547
Other income	3,511	2,104
Total Revenues	50,111	47,807
Cost of products sold and operating expenses	21,531	20,220
Depreciation and amortization	4,929	4,789
Selling, general and administrative expenses	8,006	6,404
Total Costs and Expenses	34,466	31,413
Operating Income	\$ 15,645	\$ 16,394
Terminal Facilities:		
Sales and other operating revenue:		
Affiliates	\$ 27,535	\$ 20,328
Unaffiliated customers	15,019	13,803
Other income /(loss)	2	(67)
Total Revenues	42,556	34,064

Cost of products sold and operating expenses	16,068	17,473
Depreciation and amortization	5,082	4,819
Selling, general and administrative expenses	5,253	4,741
	-----	-----
Total Costs and Expenses	26,403	27,033
	-----	-----
Operating Income	\$ 16,153	\$ 7,031
	=====	=====
Western Pipeline System:		
Sales and other operating revenue:		
Affiliates	\$ 482,214	\$ 545,274
Unaffiliated customers	224,559	232,911
Other income	3	78
	-----	-----
Total Revenues	706,776	778,263
	-----	-----
Cost of products sold and operating expenses	694,749	761,635
Depreciation and amortization	2,701	1,993
Selling, general and administrative expenses	6,152	6,395
	-----	-----
Total Costs and Expenses	703,602	770,023
	-----	-----
Operating Income	\$ 3,174	\$ 8,240
	=====	=====
Reconciliation of Segment Operating Income to Net Income		
Operating Income:		
Eastern Pipeline System	\$ 15,645	\$ 16,394
Terminal Facilities	16,153	7,031
Western Pipeline System	3,174	8,240
	-----	-----
Total segment operating income	34,972	31,665
Net interest expense	7,578	5,872
Income tax expense	1,555	9,736
	-----	-----
Net Income	\$ 25,839	\$ 16,057
	=====	=====

8. New Accounting Standards

Effective January 1, 2002, Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"), was adopted. SFAS No. 142 requires the testing of goodwill and indefinite-lived intangible assets for impairment rather than amortizing them. The Partnership ceased amortizing goodwill effective January 1, 2002 and determined during the second quarter of 2002 that its goodwill is not impaired. The following table sets forth the reconciliation of net income as reported to net income as adjusted to exclude amortization of goodwill and indefinite-lived intangible assets (in thousands of dollars):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	----	----	----	----
Net income, as reported	\$12,971	\$ 9,068	\$25,839	\$16,057
Add back:				
goodwill amortization	--	106	--	211
indefinite-lived intangible asset amortization	--	76	--	152
	-----	-----	-----	-----
Net income, as adjusted	\$12,971	\$ 9,250	\$25,839	\$16,420
	=====	=====	=====	=====

In August 2001, Statement of Financial Accounting Standards No. 143,

"Accounting for Asset Retirement Obligations" ("SFAS No. 143"), was issued. This statement significantly changes the method of accruing for costs that an entity is legally obligated to incur associated with the retirement of fixed assets. The Partnership will evaluate the impact and timing of implementing SFAS No. 143, which is required no later than January 1, 2003.

In August 2001, Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"), was issued. Among other things, SFAS No. 144 significantly changes the criteria that would have to be met to classify an asset as held-for-sale. SFAS No. 144 supersedes Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of," and the provisions of Accounting Principles Board Opinion 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," that relate to reporting the effects of a disposal of a segment of a business. The Partnership adopted SFAS No. 144 effective January 1, 2002 when adoption was mandatory. This new standard had no impact on the Partnership's condensed financial statements for the first six months of 2002.

9. Distribution to Unitholders

On July 23, 2002, the Partnership declared a cash distribution of \$0.45 per unit on its outstanding common and subordinated units. The distribution represents the minimum quarterly distribution for the quarter ended June 30, 2002. The \$10.5 million distribution, including \$0.2 million to the General Partner, will be paid on August 14, 2002 to unitholders of record at the close of business on August 2, 2002.

On May 15, 2002, the Partnership paid a cash distribution of \$0.26 per unit on its outstanding common and subordinated units to unitholders of record at the close of business on May 3, 2002. The \$6.0 million distribution, including \$0.1 million to the General Partner, represented the

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minimum quarterly distribution for the 52-day period from February 8, 2002 through March 31, 2002.

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

Results of Operations - Three Months Ended June 30, 2002 and 2001

Sunoco Logistics Partners L.P. Operating Highlights Three Months Ended June 30, 2002 and 2001

	Three Months Ended June 30,	
	2002	2001
Eastern Pipeline System(1):		
Pipeline throughput (bpd) (2)	582,449	563,268
Total shipments (barrel miles per day) (3)	54,583,293	55,013,199
Revenue per barrel mile (cents)	0.480	0.466
Terminal Facilities:		
Terminal throughput (bpd):		
Nederland terminal	449,083	356,214
Other terminals (4)	754,000	734,385
Western Pipeline System:		
Crude oil pipeline throughput (bpd)	288,219	303,266
Crude oil purchases at wellhead (bpd)	187,918	175,087
Gross margin per barrel of pipeline		
throughput (cents) (5)	14.8	33.4

(1) Excludes amounts attributable to our 9.4% ownership interest in the Explorer Pipeline Company joint venture.

- (2) Excludes Toledo, Twin Oaks, and Linden transfer pipelines, which transport large volumes of refined products over short distances and generate minimal revenues.
- (3) Represents total average daily pipeline throughput multiplied by the number of miles of pipeline through which each barrel has been shipped.
- (4) Includes the Partnership's refined product terminals, the Fort Mifflin Terminal Complex and the Marcus Hook Tank Farm.
- (5) Represents total segment sales and other operating revenue minus the cost of products sold and operating expenses and depreciation and amortization divided by crude oil pipeline throughput.

Analysis of Statements of Income

Net income was \$13.0 million for the three-month period ended June 30, 2002 as compared to \$9.1 million for the same period in the prior year, an increase of \$3.9 million. This increase is primarily a result of the absence of corporate income taxes in the current quarter due to our partnership status, partially offset by a \$1.1 million increase in net interest expense and a \$0.5 million decline in operating income. Operating income declined \$0.5 million to \$17.5 million for the second quarter of 2002 compared with \$18.0 million for the prior year, due principally to lower

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gross margins from the Western Pipeline System, partially offset by higher Terminal Facilities business segment revenues due to the new pricing arrangement with Sunoco (see Note 3 to the condensed financial statements).

Sales and other operating revenue totaled \$451.2 million in the second quarter of 2002 as compared to \$443.6 million for the corresponding 2001 period, an increase of \$7.6 million. The increase was attributable to higher revenues at the Terminal Facilities business segment due to the new pricing arrangement with Sunoco discussed earlier and an increase in crude oil sales revenue in the Western Pipeline System resulting from higher lease acquisition volumes, partially offset by lower crude oil prices. The average price of West Texas Intermediate crude oil at Cushing, Oklahoma, the benchmark crude oil in the United States, dropped to an average price of \$26.26 per barrel for the second quarter of 2002 from \$27.97 for the corresponding prior year period. Other income increased \$1.0 million from the prior year primarily due to higher equity income from Explorer Pipeline, located in the Midwest, as a result of increased volumes and higher revenues per barrel.

Total cost of products sold and operating expenses increased \$7.9 million to \$419.3 million for the three months ended June 30, 2002 from \$411.4 million in the prior year primarily due to an increase in the Western Pipeline System's lease acquisition volumes, more than offsetting a decline in crude oil prices from the prior year. Depreciation and amortization increased \$0.6 million from the prior year due to higher capital expenditures at the end of 2001 including the acquisition of a crude oil pipeline in Texas and a crude oil acquisition business from GulfMark Energy, Inc. in November 2001.

Selling, general and administrative expenses increased \$0.6 million to \$9.7 million for the second quarter of 2002 from \$9.1 million in the prior year due primarily to incremental public company costs and increased insurance premiums.

Net interest expense increased \$1.2 million to \$4.6 million for second quarter of 2002 from \$3.4 million in the prior year due to the interest expense on the \$250 million ten-year, 7.25% Senior Notes (see notes 2 and 4 to the condensed financial statements) issued on February 8 being at a higher interest rate than the debt due to Sunoco in the prior year, which was primarily at a floating rate, and a higher debt level in 2002 compared with the prior year. The debt due to Sunoco in the prior year was either repaid or not assumed by the Partnership.

There was no income tax expense for the three months ended June 30, 2002 compared to \$5.5 million in the prior year due to the Partnership not being

subject to income taxes from its inception on February 8, 2002.

Analysis of Segment Operating Income

Eastern Pipeline System:

Operating income in our Eastern Pipeline System was \$9.2 million for the second quarter of 2002 compared to \$8.2 million in the prior year. The \$1.0 million increase was primarily the result of a \$0.8 million increase in other income and a \$0.5 million increase in sales and other operating revenue, partially offset by a \$0.5 million increase in selling, general and administrative expenses. The increase in other income was due to higher equity income from the Explorer Pipeline resulting from increased volumes and higher revenues per barrel. Total sales and other operating revenue

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increased slightly compared to last year due to increased revenues per barrel mile, which more than offset the decline in total shipments between the periods. The \$0.5 million increase in selling, general and administrative expenses was due to incremental public company costs and increased insurance premiums.

Terminal Facilities

Operating income in our Terminal Facilities was \$7.5 million for the three months ended June 30, 2002 compared to \$3.9 million in the prior year. This \$3.6 million increase was due to a \$3.8 million increase in total revenues as a result of the new pricing arrangement with Sunoco discussed earlier, and a new tank brought into service at the beginning of the quarter at Nederland. These amounts were partially offset by a \$0.2 million increase in depreciation and amortization expense due to higher capital expenditures at the end of 2001 and a \$0.2 million increase in selling, general and administration expenses due to incremental public company costs and higher insurance costs.

Western Pipeline System

Operating income in our Western Pipeline System was \$0.8 million for the second quarter of 2002, a \$5.2 million decline from \$6.0 million in the prior year. This was primarily the result of a decline in lease acquisition margins as well as a decline in gathering volumes, partly offset by an increase in lease acquisition volumes. Depreciation expense also increased \$0.4 million from the prior year to \$1.4 million for the second quarter of 2002 due to higher capital expenditures at the end of 2001 including the GulfMark acquisition noted earlier.

Results of Operations - Six Months Ended June 30, 2002 and 2001

Sunoco Logistics Partners L.P. Operating Highlights Six Months Ended June 30, 2002 and 2001

	Six Months Ended June 30,	
	2002	2001
Eastern Pipeline System(1):		
Pipeline throughput (bpd) (2)	566,273	562,739
Total shipments (barrel miles per day) (3)	54,581,522	56,827,067
Revenue per barrel mile (cents)	0.472	0.444
Terminal Facilities:		
Terminal throughput (bpd):		
Nederland terminal	432,542	428,132
Other terminals (4)	748,973	737,440
Western Pipeline System:		
Crude oil pipeline throughput (bpd)	282,889	287,116
Crude oil purchases at wellhead (bpd)	189,414	174,231
Gross margin per barrel of pipeline throughput (cents) (5)	18.2	31.8

- (1) Excludes amounts attributable to our 9.4% ownership interest in the Explorer Pipeline Company joint venture.
- (2) Excludes Toledo, Twin Oaks, and Linden transfer pipelines, which transport large volumes of refined products over short distances and generate minimal revenues.
- (3) Represents total average daily pipeline throughput multiplied by the number of miles of pipeline through which each barrel has been shipped.
- (4) Includes the Partnership's refined product terminals, the Fort Mifflin Terminal Complex and the Marcus Hook Tank Farm.
- (5) Represents total segment sales and other operating revenue minus the cost of products sold and operating expenses and depreciation and amortization divided by crude oil pipeline throughput.

Analysis of Statements of Income

Net income was \$25.8 million for the six-month period ended June 30, 2002 as compared to \$16.1 million for the same period in the prior year, an increase of \$9.7 million. This \$8.1 million increase is primarily the result of the benefit from the absence of corporate income taxes and a \$3.3 million increase in operating income, partially offset by a \$1.7 million increase in net interest expense. Operating income was \$3.3 million higher than the first six months of 2001 due principally to higher revenues at the Terminal Facilities business segment. The increase in revenues is the result of a new pricing arrangement with Sunoco discussed earlier. Partially offsetting the revenue increase were public company costs, one-time startup costs, charges associated with a pipeline leak in January 2002, lower gross margins from the Western Pipeline System and an increase in net interest expense.

Sales and other operating revenue totaled \$795.9 million in the first six months of 2002 as compared to \$858.0 million for the corresponding 2001 period, a decline of \$62.1 million. The decrease was largely attributable to lower crude oil sales revenue resulting from lower crude oil prices. The average price of West Texas Intermediate crude oil at Cushing, Oklahoma, dropped to an average price of \$23.98 per barrel for the first six months of 2002 from \$28.34 for the corresponding prior year period. Other income increased \$1.4 million as a result of higher equity income from Explorer Pipeline due to increased volumes and higher revenues per barrel.

Total cost of products sold and operating expenses decreased \$67.0 million to \$732.3 million for the first six months of 2002 from \$799.3 million primarily due to the decrease in crude oil prices described above. Depreciation and amortization increased \$1.1 million due to higher capital expenditures at the end of 2001 including the acquisition of GulfMark discussed earlier.

Selling, general and administrative expenses increased \$1.9 million to \$19.4 million for the first six months of 2002 from \$17.5 million in the prior year due primarily to incremental public company costs, one-time startup costs and increased insurance premiums.

Net interest expense increased \$1.7 million to \$7.6 million for the first six months of 2002 from \$5.9 million in the prior year due to the interest expense on the Senior Notes being at a higher interest rate than the debt due to Sunoco in the prior year, which was primarily at a floating rate, and a higher debt level in 2002 compared with the prior year. The debt due to Sunoco in the prior year was either repaid or not assumed by the Partnership.

Income taxes for the six months ended June 30, 2002 of \$1.6 million represent an \$8.1 million decrease from the prior year amount of \$9.7 million due principally to the Partnership not being subject to income taxes from its inception on February 8, 2002.

Analysis of Segment Operating Income

Eastern Pipeline System:

Operating income in our Eastern Pipeline System was \$15.6 million for the first six months of 2002 compared to \$16.4 million in the prior year. The \$0.8 million decrease was primarily the result of a \$3.1 million increase in total costs and expenses, offset by a \$1.4 million increase in other income and a \$0.9 million increase in sales and other operating revenue. The increase in other income was due to higher equity income from the Explorer Pipeline resulting from increased volumes and higher revenues per barrel. Total sales and other operating revenue increased compared to last year due to increased revenues per barrel mile, which more than offset a decline in total shipments between the periods.

The \$3.1 million increase in total costs and expenses was due to an increase in selling, general and administrative expenses of \$1.6 million and an increase in cost of products sold and operating expenses of \$1.3 million. The increase in selling, general and administrative expenses was due to incremental public company costs, one-time startup costs and increased insurance premiums. The increase in cost of products sold and operating expenses was due to charges associated with a pipeline leak in January 2002. As this pipeline leak occurred prior to the IPO and the Partnership is indemnified by Sunoco for liabilities associated with the incident, there was no impact on the Partnership's post-February 8, 2002 results.

Terminal Facilities

Operating income in our Terminal Facilities was \$16.2 million for the six months ended June 30, 2002 compared to \$7.0 million in the prior year. This \$9.2 million increase was due to an \$8.5 million increase in total revenues and a \$1.4 million decrease in cost of products sold and operating expenses, offset by increases of \$0.5 million for selling, general and administrative expenses and \$0.3 million for depreciation expense.

The \$8.5 million increase in total revenues was due principally to the change in the fee arrangement for terminalling and throughput services provided to Sunoco, as discussed above. Also, revenues increased as a result of a new tank that was brought into service at the beginning of the second quarter at our Nederland facility.

The \$1.4 million decrease in cost of products sold and operating expenses is primarily due to lower environmental remediation and other expenses incurred in the first half of 2001. The \$0.5 million increase in selling, general and administrative expenses is largely due to incremental public company costs and higher insurance premiums.

Western Pipeline System

Operating income in our Western Pipeline System was \$3.2 million for the first half of 2002, a \$5.0 million decrease from the \$8.2 million of operating income in the prior year. This decrease was primarily the result of lower lease acquisition margins and a decline in gathering volumes, partially offset by an increase in lease acquisition volumes. Total

revenues and cost of products sold and operating expenses both declined due to a decline in the price of crude oil, as discussed above. Depreciation expense increased \$0.7 million from the prior year to \$2.7 million for the first six months of 2002 due to higher capital expenditures in 2001 including the acquisition of GulfMark noted earlier.

Liquidity and Capital Resources

Cash Flows and Financial Capacity

Net cash used in operating activities for the first half of 2002 was \$66.6 million compared to the \$4.4 million of cash provided by operating activities for the same period in 2001. The \$66.6 million of net cash used in operating activities in the first half of 2002 was primarily due to the working capital that was not contributed by Sunoco to the Partnership upon formation for which the net proceeds of the IPO were used to replenish. The working capital not contributed consisted primarily of \$81.0 million of the affiliated company accounts receivable and \$13.5 million of crude oil inventory.

Net cash provided by investing activities was \$4.8 million in the six months ended June 30, 2002 compared to a use of cash of \$23.6 million in the prior year. The change is primarily due to collection of a \$20.0 million note receivable from an affiliate and an \$9.7 million reduction in capital expenditures caused by the absence of several one-time projects incurred in the first half of 2001.

Net cash provided by financing activities for the first six months of 2002 was \$68.7 million, compared with \$19.2 million in the prior year. The change between periods is due mainly to the net proceeds of \$98.3 million from the IPO, offset by \$13.7 million of repayment of advances to affiliate and the \$6.0 million distribution paid to unitholders and the general partner. In addition, net proceeds of \$245.6 million from the issuance of the Senior Notes in conjunction with the IPO were distributed to Sunoco. For a more detailed discussion of the IPO and related transactions, see Notes 2 and 4 to the condensed financial statements.

Under the treasury services agreement with Sunoco, we, among other things, participate in Sunoco's centralized cash management program. The \$13.7 million of advances to affiliate represent amounts due from Sunoco under this treasury services agreement.

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Capital Requirements

The following table summarizes maintenance and expansion capital expenditures for the periods presented (in thousands of dollars):

	Six Months Ended June 30,	
	2002	2001
	-----	-----
Maintenance	\$10,057	\$18,279
Expansion	5,115	6,658
	-----	-----
	\$15,172	\$24,937
	=====	=====

Maintenance capital expenditures declined by \$8.2 million from \$18.3 million in the first half of 2001 to \$10.1 million in the first half of 2002 due to several non-recurring expenditures to upgrade our technology, increase reliability and lower our cost structure. During 2001, in the area of technology, we undertook an automation project in our Western Pipeline System, upgraded our network systems and enhanced various software programs in all areas of our business. In the Eastern Pipeline System, we replaced a crude oil transfer line between our Darby Creek Tank Farm, and our Hog Island Wharf, and undertook several additional line testing projects related to the Department of Transportation's recently adopted pipeline integrity management rule. In the Western Pipeline System, we purchased several crude oil transport trucks. We also undertook several projects to reduce our cost structure, including rebuilding and upgrading pump stations.

Expansion capital expenditures declined by \$1.6 million from \$6.7 million in the first half of 2001 to \$5.1 million in the first half of 2002. In 2001, we constructed two new tanks at our Eastern Pipeline's Montello facility and completed an ethanol blending project at our refined product terminals. In 2002, we are currently in the process of constructing two new tanks at our Nederland terminal which will add 1.3 million barrels of storage capacity and is expected to be operational by the first quarter of 2003.

The Partnership's management believes that cash flow from operations will be sufficient to satisfy our ongoing capital requirements and to pay the minimum quarterly distributions. We may also supplement the cash generated with the proceeds of borrowings under our \$150.0 million Credit Facility (see Note 4 to the condensed financial statements), or other debt instruments or the issuance of additional common units.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various market risks, including volatility in crude oil commodity prices and interest rates. To manage such exposure, we monitor our inventory levels and our expectations of future commodity prices and interest rates when making decisions with respect to risk management. We have not entered into derivative transactions that would expose us to price risk.

Our \$150 million Credit Facility, although currently undrawn, would expose us to interest rate risk, since this Credit Facility bears interest at a variable rate.

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Forward-Looking Statements

Certain matters discussed in this quarterly report on Form 10-Q, excluding historical information, include forward-looking statements made in reliance on the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

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

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

- . Changes in demand for crude oil and refined petroleum products that we store and distribute;
- . Changes in demand for storage in our petroleum product terminals;
- . The loss of Sunoco as a customer or a significant reduction in its current level of throughput and storage with us;
- . An increase in the competition encountered by our petroleum products terminals, pipelines and crude oil acquisition and marketing operations;
- . Changes in the throughput on petroleum product pipelines owned and operated by third parties and connected to our petroleum product pipelines and terminals;
- . Changes in the general economic conditions in the United States;
- . Changes in laws and regulations to which we are subject, including federal, state, and local tax laws, safety, environmental and employment laws;
- . Changes to existing or future state or federal government regulations banning or restricting the use of MTBE in gasoline;
- . Improvements in energy efficiency and technology resulting in reduced demand;
- . Our ability to manage rapid growth;
- . Our ability to control costs;
- . The effect of changes in accounting principles;
- . Global and domestic economic repercussions from terrorist activities and the government's response thereto;

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- . The occurrence of operational hazards or unforeseen interruption for which we may not be adequately insured.
- . Changes in the reliability and efficiency of our operating facilities or those of Sunoco or third parties;
- . Changes in the expected level of environmental remediation spending;
- . Changes in insurance markets resulting in increased costs and reductions in the level and types of coverage available;
- . Changes in financial markets resulting in increased pension expense; and
- . Changes in the status of litigation to which we are a party.

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

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

There are various legal and administrative proceedings pending against Sunoco, affiliated predecessors and us (as successor to certain liabilities of those predecessors). Although the ultimate outcome of these proceedings cannot be ascertained at this time, it is reasonably possible that some of them may be resolved unfavorably. Sunoco has agreed to indemnify us for any losses incurred prior to the IPO, which we may suffer as a result of such currently pending legal actions. As a result, we believe that any liabilities arising from such currently pending proceedings are not likely to be material in relation to our financial position at June 30, 2002.

Item 2. Changes in Securities and Uses of Proceeds

On February 4, 2002, our Registration Statement on Form S-1 (Registration No. 333-71968), filed with the Securities and Exchange Commission, became effective. Pursuant to the Registration Statement, on February 5, 2002, we sold 5,000,000 common units to the public at a price of \$20.25 per unit for aggregate gross proceeds of \$101.3 million. Subsequent to the IPO, the underwriters exercised their over-allotment option for 750,000 additional common units at a price of \$20.25 per unit for aggregate gross proceeds of \$15.1 million. Underwriting fees paid in connection with these transactions were \$6.7 million and \$1.0 million, respectively. On February 8, 2002, the closing date of our IPO, we received proceeds of \$108.7 million (including proceeds of the over-allotment option). The aggregate-offering price of 5,750,000 Common Units was \$116.4 million, and the aggregate underwriting fees were \$7.7 million. We used approximately \$10.4 million of the net proceeds to pay expenses associated with the IPO and related formation transactions, which consisted primarily of legal, accounting and other professional service costs. The remaining \$98.3 million of net proceeds was used to increase working capital to the level necessary for the operation of our business, thereby establishing working capital that

was not contributed to us by Sunoco in connection with our formation. The underwriters of our IPO were Lehman Brothers, Salomon Smith Barney, UBS Warburg, Banc of America Securities, Wachovia Securities and Credit Suisse First Boston.

In addition, concurrent with the closing of the IPO, Sunoco Logistics Partners Operations L.P., our wholly owned operating subsidiary, issued, in an offering exempt from registration under the Securities Act of 1933, \$250.0 million of 7.25% Senior Notes due 2012 ("Senior Notes") in the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. The Senior Notes were issued at a price of 99.325% of their principal amount. Gross proceeds from this offering were \$248.3 million and aggregate underwriting discounts and commissions were \$1.6 million. Net proceeds were

\$245.6 million after deducting expenses incurred in connection with the issuance of the Senior Notes of approximately \$1.1 million, which consisted primarily of legal, accounting and other professional services costs. The initial purchasers of the Senior Notes were Lehman Brothers, Credit Suisse First Boston, Salomon Smith Barney, UBS Warburg, Banc of America Securities and Wachovia Securities. The \$245.6 million of net proceeds from the sale of the Senior Notes were distributed to Sunoco. The Senior Notes have been guaranteed by the Partnership and the Operating Partnership's subsidiaries. Although the initial offering of the Senior Notes was not registered under the Securities Act of 1933, the Operating Partnership entered into a registration rights agreement giving the holders of the Senior Notes certain registration rights. In connection with the registration of the exchange of the Senior Notes and the guarantees covering the Senior Notes, the Operating Partnership filed an exchange offer registration statement on SEC Form S-4. This registration statement was declared effective on June 28, 2002. The exchange offer was completed on August 2, 2002, with all \$250 million aggregate principal amount of the Senior Notes being exchanged for a like principal amount of new publicly tradable notes having substantially identical terms issued pursuant to the exchange offer registration statement filed under the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 3.1: Amendment No. 1 to First Amended and Restated Agreement of Limited Partnership of Sunoco Logistics Partners L.P., dated as of February 8, 2002 (incorporated by reference to Exhibit 4.2 to the Form S-8, File No. 333-71968, filed July 22, 2002)

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- 10.1: Sunoco Partners LLC Long-Term Incentive Plan (amended and restated as of July 22, 2002) (incorporated by reference to Exhibit 4.1 to the Form S-8, File No. 333-71968, filed July 22, 2002)

- 10.2: Sunoco Partners LLC Directors' Deferred Compensation Plan

- 12.1: Statement of Computation of Ratio of Earnings to Fixed Charges

- 99.1: Certification of Periodic Report

- 99.2: Certification of Periodic Report

(b) Reports on Form 8-K

None

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SIGNATURE

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.

Sunoco Logistics Partners L.P.

By /s/ Colin A. Oerton

 Colin A. Oerton
 Vice President &
 Chief Financial Officer

Date August 14, 2002

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SUNOCO PARTNERS LLC
DIRECTORS' DEFERRED COMPENSATION PLAN

Dated as of
July 22, 2002

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ARTICLE I

Definitions

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

1.1 95% Withdrawal - shall have the meaning provided herein at Section 7.1.

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

(a) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or the Partnership to any Person or its Affiliates, other than to Sunoco or any Affiliate of Sunoco;

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

(c) a "Change in Control" of Sunoco, as defined from time to time in the Sunoco stock plans; or

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

1.3 Committee - shall mean the entire board of directors of the Company acting as an administrative committee of the whole, or such other committee of the Board as may be appointed from time to time for purposes of administering this Plan.

1.4 Common Unit - shall mean a common unit, representing a limited partnership interest in the Partnership.

1.5 Company - shall mean Sunoco Partners LLC, a Pennsylvania limited liability company. The term "Company" shall include any successor to Sunoco Partners LLC, any subsidiary or affiliate which has adopted the Plan, or an entity that succeeds to the business of Sunoco Partners LLC, or any subsidiary or affiliate, by merger, consolidation, liquidation or purchase of assets or stock or similar transaction.

1.6 Compensation - shall mean those fees and retainers payable by the Company to a Participant in consideration for service as a Director.

1.7 DER (or Distribution Equivalent Right) - shall mean, with regard to a specific Restricted Unit (whether held in a Voluntary Deferred Compensation Account or in a Mandatory Deferred Compensation Account), the contingent right to receive an amount in cash equal to the

the period such Restricted Unit is outstanding.

1.8 Director - shall mean a member of the Board of Directors of Sunoco Partners LLC.

1.9 Mandatory Deferred Compensation Account - shall mean, with respect to any Participant, the total amount of the Company's liability for payment of compensation mandatorily deferred by the Participant under this Plan.

1.10 Mandatory Form of Continuing Deferral - shall mean and refer to the written commitment by a Participant, in the form prescribed by the Committee, to mandatorily defer the payment of all of the Board Restricted Unit Retainer awarded to such Participant under this Plan pursuant to Article IV hereof.

1.11 Participant - shall mean a Director, or former Director, who either voluntarily has elected to defer, or is required mandatorily to defer, the receipt of Compensation in accordance with the terms of this Plan.

1.12 Partnership - shall mean Sunoco Logistics Partners L.P., a Delaware limited partnership.

1.13 Plan - shall mean this Sunoco Partners LLC Directors' Deferred Compensation Plan, as it may be amended from time to time.

1.14 Restricted Unit - shall mean a phantom, or notional, unit (equivalent in value and in cash distribution rights to a Common Unit), entered as a credit in either the Mandatory Deferred Compensation Account, or the Voluntary Deferred Compensation Account of a Participant and which, upon death, retirement or termination of Board service (for mandatorily deferred compensation) or upon earlier payout under the terms of this Plan (for voluntarily deferred compensation), entitles the Participant to receive a Common Unit.

1.15 Voluntary Deferred Compensation Account - shall mean, with respect to any Participant, the total amount of the Company's liability for payment to the Participant of voluntarily deferred compensation under this Plan, including any payments in respect of DERs.

1.6 Voluntary Deferred Payment Election Form - shall mean and refer to the written election by a Participant, in the form prescribed by the Committee, to voluntarily defer the payment of all or a portion of such Participant's Compensation under this Plan pursuant to Article II hereof.

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ARTICLE II

Voluntary Deferral of Directors' Compensation

2.1 Election to Defer. Prior to the beginning of any calendar quarter, a Participant may elect voluntarily to defer in the form of Restricted Units, all or a portion of the cash-based Compensation that would otherwise be paid to the Participant in the next succeeding calendar quarter, by filing a written notice of election with the Secretary of the Company on the form(s) prescribed by the Committee. Any such voluntary deferral election shall apply only to cash-based Compensation to be earned on or after the first day of the calendar quarter following the calendar quarter in which the election is received by the Secretary of the Company. An election to defer, made in accordance with this Article II shall be irrevocable. The deferral election form(s) also will permit the Participant to specify:

- (a) the percentage of the cash-based Compensation to be deferred;
- (b) the selection of a method of payment as set forth in Article III; and
- (c) the designation of a beneficiary as set forth in Article V.

Without any further action by Participant, the choices specified in the Participant's Voluntary Deferred Payment Election Form regarding the percentage of Compensation deferred and the designation of a beneficiary each shall continue and be applied from calendar quarter to calendar quarter to amounts yet to be deferred. Until further express written notification to the contrary, on a form prescribed by the Committee, these choices shall continue to be applied prospectively to amounts to be credited to the Participant's Voluntary Deferred

Compensation Account balance.

2.2 Subsequent Change in Method of Payment Election.

(a) Change in Method of Payment Prior to Commencement of Distribution or Payment. With the approval of the Committee, and at any time not later than twelve (12) months prior to the commencement of any payment or distribution of the amounts credited to the Participant's Voluntary Deferred Compensation Account, a Participant in this portion of the Plan may file a written request with regard to the method of payment (i.e., a series of installments versus lump-sum payout), on a form prescribed by the Committee, which will revoke all such earlier or prior elections with regard to the method of payment (i.e., a series of installments versus lump-sum payout), and such new choice as to method of payment will be applied both to amounts previously credited to the Participant's current Voluntary Deferred Compensation Account balance, as well as to amounts to be credited to such Voluntary Deferred

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Compensation Account balance prospectively. Any such new or subsequent election that is made less than twelve (12) months prior to the commencement of any payment or distribution of the amounts credited to the Participant's Voluntary Deferred Compensation Account, will be null and void, and the Participant's most recent preceding timely election will be reinstated.

(b) Change in Method of Payment Following Commencement of Distribution or Payment. After payment or distribution of amounts credited to the Participant's Voluntary Deferred Compensation Account has commenced, the Participant may not change the period of time for which such amounts are payable. However the Participant may convert installment payments to a lump sum distribution subject to a penalty equal to a five percent (5%) reduction in the balance of the Participant's Voluntary Deferred Compensation Account, which shall be forfeited to the Company.

2.3 Amount of Deferral. The amount of cash-based Compensation to be voluntarily deferred shall be designated by the Participant as a percentage of such cash-based Compensation in multiples of five percent (5%) but shall not be less than ten percent (10%).

2.4 Time of Election. Except as otherwise determined by the Committee in its sole discretion, an election to defer must be filed and received by the Committee by the end of the calendar quarter preceding the calendar quarter in which the cash-based Compensation is to be earned. A new Director also may elect voluntarily to defer cash-based Compensation prior to the commencement of his or her term in office.

ARTICLE III

Voluntary Deferred Compensation Accounts

3.1 Creation of Voluntary Deferred Compensation Accounts. Cash-based Compensation voluntarily deferred hereunder shall be credited to a Voluntary Deferred Compensation Account established by the Company for each Participant. The portion of cash-based Compensation thus voluntarily deferred by the Participant shall be converted into a number of Restricted Units credited to a Participant's Voluntary Deferred Compensation Account as set forth in the Plan.

3.2 Crediting Restricted Units. Restricted Units shall be credited to a Participant's Voluntary Deferred Compensation Account at the time the cash-based Compensation otherwise would have been paid had no election to defer been made. The number of Restricted Units to be credited to the Voluntary Deferred Compensation Account shall be determined by dividing the Compensation by the average closing price for Common Units of the Partnership as published in the Wall Street

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Journal under the caption "New York Stock Exchange Composite Transactions" for the ten (10) day period prior to the day on which the Compensation otherwise

would have been paid. Any fractional Restricted Units also shall be credited to a Participant's Voluntary Deferred Compensation Account. The number of Restricted Units in a Participant's Voluntary Deferred Compensation Account shall be adjusted appropriately by the Committee in the event of changes in the Partnership's outstanding Common Units by reason of any distribution, re-capitalization, merger, consolidation, split-up, combination, exchange of units or the like, and such adjustments shall be conclusive. Crediting of Restricted Units to a Participant's Voluntary Deferred Compensation Account shall not entitle the Participant to the rights of a limited partner of the Partnership or holder of Partnership Common Units.

3.4 Crediting DERs. For each Restricted Unit in the Participant's Voluntary Deferred Compensation Account, the Company shall credit such account with an amount, in respect of DERs, equal to the cash distributions declared on a Common Unit of the Partnership. The crediting shall occur as of the date on which such cash distributions on the Common Units are paid. The number of Restricted Units to be credited to the Participant's Voluntary Deferred Compensation Account shall be calculated by dividing the number of DERs by the average closing price for the Partnership's Common Units as published in the Wall Street Journal under the caption "New York Stock Exchange Composite Transactions" for the period of ten (10) trading days prior to the day on which the cash distributions are paid on the Partnership's Common Units. Any fractional Restricted Units also shall be credited to the Participant's Voluntary Deferred Compensation Account.

3.7 Time of Payment.

(a) Election of Benefit Commencement Date. Except as provided in Section 2.2 hereinabove, and in Article VII hereof, all payments of a Participant's Voluntary Deferred Compensation Account shall be made at, or shall commence on, the date selected by the Participant in accordance with the terms of this Section 3.7. The date of payment or distribution must be irrevocably specified by the Participant in his or her most recently filed written Voluntary Deferred Payment Election Form. If the Participant fails to designate a time of payment, payment shall commence on the first day of the calendar year following termination of Board membership. The Participant may elect to defer the receipt of his or her cash-based Compensation to:

(1) the first day of any calendar quarter, provided such date is at least six (6)

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months after the end of the calendar quarter in which the cash-based Compensation is earned; or

(2) the first day of the calendar year following the date of:

(i) retirement as a Director;

(ii) termination of Board membership; or

(iii) death. Upon the death of a Participant, prior to the final payment of all amounts credited to such Participant's Voluntary Deferred Compensation Account, the balance of such Voluntary Deferred Compensation Account shall be paid in accordance with Article V, commencing on the first day of the calendar year following the year of death.

Notwithstanding the foregoing provisions of this Section 3.7, and except as provided in Article VII, in no event shall any payment or distribution be made within six (6) months of the cash-based Compensation being earned or awarded. The benefit commencement date may not be later than the third calendar year following the attainment of mandatory retirement age for Directors.

(b) Acceleration of Benefit Commencement Date Prior to Payment. At any time prior to the commencement of any payment or distribution of a Participant's Voluntary Deferred Compensation Account, such Participant may request in writing to accelerate the receipt of all or a specified portion of such voluntarily deferred cash-based Compensation amounts to the first day of any calendar quarter; provided, however, that such date is at least six (6) months after the end of the quarter in which the cash-based

Compensation is earned. Any such acceleration will be subject to a penalty equal to a five percent (5%) reduction in the balance of the Participant's Voluntary Deferred Compensation Account, which shall be forfeited to the Company;

3.8 Method of Payment. A Participant in this portion of the Plan shall have the option of:

(a) selecting a lump-sum payment;

(b) selecting a series of approximately equivalent annual installments (adjusted as necessary to reflect amounts accrued during the installment payout period in respect of DERs) in such number of installments as the Participant shall specify (not exceeding twenty (20) installments); or

(c) not selecting a method of payment at the time the Voluntary Deferred Payment Election Form is prepared. If the Participant does not select a method of payment, then at

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least twelve (12) months prior to the time the deferral amount is scheduled to be paid, the Participant must notify the Secretary of the Company as to the specific method of payment which will be either in a lump sum or in approximately equivalent annual installments, and such election shall be subject to the consent of the Committee. Failure to provide appropriate notification to the Secretary of the Company will result in a lump sum payment on the deferral payment date.

A Participant in this portion of the Plan shall receive in cash all voluntarily deferred cash-based Compensation credited to such Participant's Voluntary Deferred Compensation Account. Restricted Units credited to the Participant's Voluntary Deferred Compensation Account shall be valued at the average closing price for Common Units of the Partnership as published in the Wall Street Journal under the caption "New York Stock Exchange Composite Transactions" for the ten (10) day period prior to each new calendar year.

ARTICLE IV

Mandatory Deferred Compensation Accounts

4.1 Creation of Mandatory Deferred Compensation Accounts. Compensation deferred under this Article IV shall be credited, in the form of Restricted Units, to a Mandatory Deferred Compensation Account established by the Company for each Participant. Payout of such mandatorily deferred Compensation amounts shall not commence until death, retirement or the termination of Board service.

4.2 Crediting Restricted Units. If the Committee elects to do so, each Participant serving as a director of the Company, but who is not also an employee of the Company, or any subsidiary or affiliate thereof, will be paid, in quarterly installments, an aggregate annual dollar amount (the "Board Restricted Unit Retainer") to be credited to a Participant's Mandatory Deferred Compensation Account in the form of Restricted Units. The number of Restricted Units to be credited quarterly to the Participant's Mandatory Deferred Compensation Account shall be determined by dividing the Board Restricted Unit Retainer quarterly installment cash amount by the average closing price for Common Units of the Partnership as published in the Wall Street Journal under the caption "New York Stock Exchange Composite Transactions" for the ten (10) day period prior to the day on which the quarterly installment payment is due.

The number of Restricted Units in a Participant's Mandatory Deferred Compensation Account shall be adjusted appropriately by the Committee in the event of changes in the Partnership's

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outstanding Common Units by reason of any distribution, re-capitalization, merger, consolidation, split-up, combination, exchange of units or the like, and such adjustments shall be conclusive. Crediting of Restricted Units to a Participant's Mandatory Deferred Compensation Account shall not entitle the

Participant to the rights of a limited partner of the Partnership or holder of Partnership Common Units.

4.4 Crediting DERs. For each Restricted Unit in the Participant's Mandatory Deferred Compensation Account, the Company shall credit such account with an amount, in respect of DERs, equal to the cash distributions declared on a Common Unit of the Partnership. The crediting shall occur as of the date on which such cash distributions on the Common Units are paid. The number of Restricted Units to be credited to the Participant's Mandatory Deferred Compensation Account shall be calculated by dividing the number of DERs by the average closing price for the Partnership's Common Units as published in the Wall Street Journal under the caption "New York Stock Exchange Composite Transactions" for the period of ten (10) trading days prior to the day on which the cash distributions are paid on the Partnership's Common Units. Any fractional Restricted Units also shall be credited to the Participant's Mandatory Deferred Compensation Account.

4.5 Time of Payment.

(a) Benefit Commencement Date for Mandatory Deferred Compensation Account. All payments of a Participant's Mandatory Deferred Compensation Account shall be made at, or shall commence on, the date selected by the Participant in accordance with the terms of this Article IV. The date of payment or distribution must be specified by the Participant in his or her written Mandatory Form of Continuing Deferral unless such election is revoked. A Participant's revocation must be submitted in writing to the Secretary of the Company. If the Participant makes a new election with regard to the date of payment or distribution for mandatorily deferred Compensation, such new election will apply only prospectively to any additional Restricted Units to be credited to the Mandatory Deferred Compensation Account. If the Participant fails to designate a time of payment, payment shall commence on the first day of the calendar year following termination of Board service.

The Participant may elect to defer the receipt of such Participant's Board Restricted Unit Retainer to the first day of the year following the date of:

- (1) retirement as a Director;
- (2) termination of Board service; or

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(3) death. Upon the death of a Participant, prior to the final payment of all amounts credited to such Participant's Mandatory Deferred Compensation Account, the balance of such Mandatory Deferred Compensation Account shall be paid in accordance with Article V, commencing on the first day of the calendar year following the year of death.

Notwithstanding the foregoing provisions of this Section 4.5, in no event, however, shall any payment or distribution be made within the six (6) months of any quarterly installment of the Board Restricted Unit Retainer being earned. The benefit commencement date may not be later than the third calendar year following the attainment of mandatory retirement age for Directors.

(b) Acceleration of Benefit Commencement Date Prior to Payment. At any time prior to the commencement of any payment or distribution of a Participant's Mandatory Deferred Compensation Account, such Participant may request in writing to accelerate the receipt of all or a specified portion of such Mandatory Deferred Compensation Account amounts to the first day of any calendar quarter; provided, however, that such date is at least six (6) months after the end of the quarter in which any amount of the mandatorily deferred Compensation subject to such acceleration request has been earned. Any such acceleration will be subject to a penalty equal to a five percent (5%) reduction in the balance of the Participant's Mandatory Deferred Compensation Account, which shall be forfeited to the Company.

4.6 Method of Payment. Participant shall have the option of:

- (a) selecting a lump sum payment;

(b) selecting a series of approximately equivalent annual installments (adjusted as necessary to reflect amounts accrued during the installment payout period in respect of DERs) in such number of installments as the Participant shall specify (not exceeding twenty (20) installments); or

(c) not selecting a method of payment at the time the Mandatory Form for Continuing Deferral is prepared. If the Participant does not select a method of payment, then, at least twelve (12) months prior to the time the deferral amount is scheduled to be paid, the Participant must notify the Secretary of the Company as to the specific method of payment which will be either in a lump sum or in approximately equivalent annual installments, and such election shall be subject to the consent of the Committee. Failure to provide appropriate notification to the Secretary of the Company will result in a lump sum payment on the deferral payment date.

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The Participant shall receive in cash all mandatorily deferred Compensation credited to such Participant's Mandatory Deferred Compensation Account. Restricted Units credited to the Participant's Mandatory Deferred Compensation Account shall be valued at the average closing price for Common Units of the Partnership as published in the Wall Street Journal under the caption "New York Stock Exchange Composite Transactions" for the ten (10) day period prior to each new calendar year.

4.7 Subsequent Change in Method of Payment Election.

(a) Change in Method of Payment Prior to Commencement of Distribution or Payment. With the approval of the Committee, and at any time not later than twelve (12) months prior to the commencement of any payment or distribution of the amounts credited to the Participant's Mandatory Deferred Compensation Account, the Participant may file a written request with regard to the method of payment (i.e., a series of installments versus lump-sum payout), on a form prescribed by the Committee, which will revoke all such earlier or prior elections with regard to the method of payment (i.e., a series of installments versus lump-sum payout), and such new choice as to method of payment will be applied both to amounts previously credited to the Participant's current Mandatory Deferred Compensation Account balance, as well as to amounts to be credited to such Mandatory Deferred Compensation Account balance prospectively. Any such new or subsequent election that is made less than twelve (12) months prior to the commencement of any payment or distribution of the amounts credited to the Participant's Mandatory Deferred Compensation Account, will be null and void, and the Participant's most recent preceding timely election will be reinstated.

(b) Change in Method of Payment Following Commencement of Distribution or Payment. After payment or distribution of amounts credited to the Participant's Mandatory Deferred Compensation Account has commenced, the Participant may not change the period of time for which such amounts are payable. However the Participant may convert installment payments to a lump sum distribution subject to a penalty equal to a five percent (5%) reduction in the balance of the Participant's Mandatory Deferred Compensation Account, which shall be forfeited to the Company.

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ARTICLE V

Designation of Beneficiaries

5.1 Designation of Beneficiary. The Participant shall name one or more beneficiaries and contingent beneficiaries to receive any payments due Participant at the time of death. No designation of beneficiaries shall be valid unless in writing signed by the Participant, dated and filed with the Committee during the lifetime of such Participant. A subsequent beneficiary designation will cancel all beneficiary designations signed and filed earlier under this Plan, and such new beneficiary designation shall be applied to all amounts previously credited to the Participant's Mandatory Deferred Compensation Account (and/or Voluntary Deferred Compensation Account, as the case may be), as well as to any amounts to be credited to such Participant's Mandatory Deferred

Compensation Account (and/or Voluntary Deferred Compensation Account, as the case may be), prospectively. In case of a failure of designation, or the death of the designated beneficiary without a designated successor, distribution shall be paid in one lump sum to the estate of the Participant.

5.2 Spouse's Interest. The interest in any amounts hereunder of a spouse who has predeceased the Participant shall automatically pass to the Participant and shall not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor shall such interest pass under the laws of intestate succession.

5.3 Survivor Benefits. Upon the Participant's death, any balances in the Participant's Mandatory Deferred Compensation Account and/or Voluntary Deferred Compensation Account shall be paid in accordance with the method and form elected by the Participant; provided, however, that the balance of the Participant's Mandatory Deferred Compensation Account and/or Voluntary Deferred Compensation Account may be paid out as a lump sum at the request of the designated beneficiary, and with the consent of the Committee.

ARTICLE VI

Source of Payments

All payments of deferred Compensation shall be paid in cash from the general funds of the Company and the Company shall be under no obligation to segregate any assets in connection with the maintenance of any Mandatory Deferred Compensation Account or Voluntary Deferred Compensation Account, nor shall anything contained in this Plan nor any action taken pursuant to the Plan create or be construed to create a trust of any kind, or a fiduciary relationship between the

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Company and Participant. Title to the beneficial ownership of any assets, whether cash or investments, that the Company may designate to pay the amount credited to a Mandatory Deferred Compensation Account or a Voluntary Deferred Compensation Account shall at all times remain in the Company and Participant shall not have any property interest whatsoever in any specific assets of the Company. Participant's interest in any Mandatory Deferred Compensation Account or Voluntary Deferred Compensation Account shall be limited to the right to receive payments pursuant to the terms of this Plan and such rights to receive shall be no greater than the right of any other unsecured general creditor of the Company.

ARTICLE VII

Change in Control

7.1 Effect of Change in Control on Payment. Anything to the contrary in this Plan notwithstanding, a Participant may make an election at any time (a "Change in Control Election") to receive, in a single lump sum payment, upon the occurrence of a Change in Control, the balance of such Participant's Mandatory Deferred Compensation Account and/or Voluntary Deferred Compensation Account, as of the valuation date immediately preceding the Change in Control. Any Change in Control Election, or revocation of an existing Change in Control Election, shall be null and void if a Change in Control occurs within twelve (12) months after it is made, and the Participant's most recent preceding Change in Control Election, if timely made and not revoked at least twelve (12) months before the Change in Control, shall remain in force. Each such election or revocation shall be in writing and in conformity with such rules as may be prescribed by the Committee. If no Change in Control Election is in force upon the occurrence of a Change in Control, from the date of such Change in Control and for twelve (12) months thereafter, each Participant, whether or not still a Director, shall have the right to withdraw, in a single lump-sum cash payment, an amount equal to ninety-five percent (95%) of the balance of each of such Participant's Mandatory Deferred Compensation Account and/or Voluntary Deferred Compensation Account (a "95% Withdrawal"), as of the valuation date immediately preceding the date of withdrawal; provided, however, that if this option is exercised, such Participant will forfeit to the Company the remaining five percent (5%) of the balance of each such account (as of the valuation date immediately preceding the date of withdrawal) from which the funds are withdrawn as a penalty. Payments pursuant to a 95% Withdrawal shall be made as soon as practicable, but no later than thirty (30) days after the Participant notifies the

Committee in writing that such Participant is exercising the right to undertake a 95% Withdrawal.

7.2 Amendment on or after Change in Control. On or after a Change in Control, or before, but in connection with, a Change in Control, no action shall be taken that would affect adversely the rights of any Participant or the operation of this Article VII with respect to the balance in the Participant's Accounts immediately before such action, including, by way of example and not of limitation, the amendment, suspension or termination of the Plan.

7.3 Attorney's Fees. The Company shall pay all legal fees and related expenses incurred by a Participant in seeking to obtain or enforce any payment, benefit or right such Participant may be entitled to under the plan after a Change in Control. The Participant shall reimburse the Company for such fees and expenses at such time as a court of competent jurisdiction, or another independent third party having similar authority, determines that the Participant's claim was frivolously brought without reasonable expectation of success on the merits thereof.

ARTICLE VIII Miscellaneous

8.1 Nonalienation of Benefits. Participant shall not have the right to sell, assign, transfer or otherwise convey or encumber in whole or in part the right to receive any payment under this Plan except in accordance with Article V.

8.2 Acceptance of Terms. The terms and conditions of this Plan shall be binding upon the heirs, beneficiaries and other successors in interest of Participant to the same extent that said terms and conditions are binding upon the Participant.

8.3 Administration of the Plan. The Plan shall be administered by the Committee which may make such rules and regulations and establish such procedures for the administration of this Plan as it deems appropriate. In the event of any dispute or disagreements as to the interpretation of this Plan or of any rule, regulation or procedure or as to any questioned right or obligation arising from or related to this Plan, the decision of the Committee shall be final and binding upon all persons.

8.4 Termination and Amendment. The Plan may be terminated at any time by the Board of Directors of Sunoco Partners LLC, and may be amended at any time by the Committee; provided, however, that, without the prior written consent of the Participant, no such amendment or termination shall affect adversely the rights of any Participant or beneficiary of a Participant with

respect to amounts credited to such Participant's Mandatory Deferred Compensation Account and/or Voluntary Deferred Compensation Account prior to such amendment or termination.

8.5 Severability. In the case any one or more of the provisions contained in this Plan shall be invalid, illegal or unenforceable in any respect the remaining provisions shall be construed in order to effectuate the purposes hereof and the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

8.6 Governing Law. THIS PLAN SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF.

Exhibit 12.1

STATEMENT OF COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES (UNAUDITED)
Sunoco Logistics Partners L.P.

	Sunoco Logistics Partners L.P. Historical Partnership and Predecessor Combined (a)	Sunoco Logistics (Predecessor) Historical (b)
	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Fixed Charges:		
Interest cost and debt expense	\$ 8,717	\$ 6,820
Interest allocable to rental expense (c)	505	510
Total	\$ 9,222	\$ 7,330
Earnings:		
Combined income before income tax expense	\$ 27,394	\$ 25,793
Equity in income of less than 50 percent owned affiliated company (d)	(3,390)	(1,816)
Dividends received from less than 50 percent owned affiliated company (d)	1,607	1,862
Fixed charges	9,222	7,330
Interest capitalized	545	948
Amortization of previously capitalized interest	84	64
Total	\$ 35,462	\$ 34,181
Ratio of Earnings to Fixed Charges	3.85	4.66

-
- (a) The historical financial statements of Sunoco Logistics Partners L.P. for the six months ended June 30, 2002 reflect the historical cost-basis accounts of Sunoco Logistics (Predecessor) for the period from January 1, 2002 through February 7, 2002 and of Sunoco Logistics Partners L.P. for the period from February 8, 2002 (the date of the initial public offering of the master partnership) through June 30, 2002.
- (b) The historical combined financial statements of Sunoco Logistics Partners L.P. for the six months ended June 30, 2001 reflect the historical cost-basis accounts of its predecessor, Sunoco Logistics (Predecessor).
- (c) Represents one-third of the total operating lease rental expense which is that portion deemed to be interest.
- (d) Reflects amounts attributable to Explorer Pipeline Company, a 9.4% owned corporate joint venture accounted for by the equity method.

CERTIFICATION
OF
PERIODIC FINANCIAL REPORT
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002,
18 U.S.C. Section 1350

I, Deborah M. Fretz, President and Chief Executive Officer of Sunoco Partners LLC, the general partner of the registrant Sunoco Logistics Partners L.P., hereby certify that the registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2002 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the period report fairly presents, in all material respects, the financial condition and results of operations of Sunoco Logistics Partners L.P.

/s/ DEBORAH M. FRETZ

Name: Deborah M. Fretz
Title: President and Chief Executive Officer
Date: August 14, 2002

CERTIFICATION
OF
PERIODIC FINANCIAL REPORT
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002,
18 U.S.C. Section 1350

I, Colin A. Oerton, Vice President and Chief Financial Officer of Sunoco Partners LLC, the general partner of the registrant Sunoco Logistics Partners L.P., hereby certify that the registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2002 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the period report fairly presents, in all material respects, the financial condition and results of operations of Sunoco Logistics Partners L.P.

/s/ COLIN A. OERTON

Name: Colin A. Oerton
Title: Vice President and Chief Financial Officer
Date: August 14, 2002