SUNOCO LOGISTICS PARTNERS LP
Form 424B5
May 18, 2005

Table of Contents

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Registration No. 333-103710

Prospectus Supplement
(To Prospectus dated March 14, 2003)

2,500,000 Common Units
Representing Limited Partner Interests

We are selling 2,500,000 common units representing limited partner interests in Sunoco Logistics Partners L.P. Our common units are listed on the New York Stock Exchange under the symbol SXL. The last reported sales price of our common units on the New York Stock Exchange on May 17, 2005 was $37.50 per common unit.

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

	Per Common Unit	Total
Public offering price	$37.500	$93,750,000
Underwriting discount	$ 1.594	$ 3,985,000
Proceeds to Sunoco Logistics Partners L.P. (before expenses)	$35.906	$89,765,000

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

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

Lehman Brothers, on behalf of the underwriters, expects to deliver the common units on or about May 23, 2005.

Lehman Brothers

Citigroup

Goldman, Sachs & Co.

KeyBanc Capital Markets

RBC Capital Markets

Stifel, Nicolaus & Company Incorporated

May 17, 2005

Table of Contents

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

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

TABLE OF CONTENTS
Prospectus Supplement

Prospectus dated March 14, 2003

Table of Contents

SUMMARY

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

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

Sunoco Logistics Partners L.P.

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

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

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

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

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

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

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

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

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

Our Business Strategies

Our primary business strategies are to:

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

Our Competitive Strengths

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

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

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

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

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

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

Our Relationship with Sunoco and its Affiliates

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

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

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

Recent Developments

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

These assets consist primarily of:

- a 187-mile, 16-inch crude oil pipeline extending from Corsicana, Texas to Wichita Falls, Texas with an operating capacity of approximately 125,000 bpd;
- a crude oil terminal located in Corsicana with approximately 2.9 million barrels of shell capacity for crude oil storage, which is connected to the crude oil pipelines that are part of this acquisition; and
- a 104-mile, 12-inch crude oil pipeline extending from Kilgore, Texas to Corsicana, which is currently idle and which we currently do not intend to place in service.

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

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

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

Our Ownership, Structure and Management

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

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

- There will be 11,805,309 publicly held common units outstanding representing an aggregate 47.9% limited partner interest;
- Sunoco, through its ownership of our general partner, will own 3,801,005 common units and 8,537,729 subordinated units representing an aggregate 50.1% limited partner interest; and

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

Table of Contents

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

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

Table of Contents

The Offering

Common units offered by us	2,500,000 common units. 2,875,000 common units if the underwriters exercise their option to purchase an additional 375,000 common units.
Units outstanding before this offering	15,606,314 common units and 8,537,729 subordinated units.
Units outstanding after this offering and the redemption of the common units	15,606,314 common units and 8,537,729 subordinated units.
Use of proceeds	We will use all of the net proceeds from this common unit offering to redeem 2,500,000 common units owned by our general partner for a per unit amount equal to the net proceeds per unit we will receive in this offering before expenses. The net proceeds from any exercise of the underwriters option to purchase additional common units will be used to redeem from our general partner common units equal to the number of common units issued upon exercise of that option. Our general partner will reimburse us for all offering expenses that we incur in connection with this offering and any exercise of the underwriters option to purchase additional common units.
Cash distributions	Under our partnership agreement, we must distribute all of our cash on hand as of the end of each quarter, less reserves established by our general partner in its reasonable discretion and payment of fees and expenses, including payments to our general partner. We refer to this cash as available cash, and we define it in our partnership agreement. On April 25, 2005, we announced a quarterly cash distribution of $0.625 per unit for the first quarter of 2005, or $2.50 on an annualized basis. We paid the quarterly distribution for the first quarter of 2005 on May 13, 2005 to unitholders of record as of May 6, 2005. When our quarterly cash distribution exceeds $0.50 per limited partner unit in any quarter, our general partner receives a higher percentage of the cash distributed in excess of $0.50 per limited partner unit, in increasing percentages up to 50% if the quarterly cash distribution exceeds $0.70 per limited partner unit. For a description of our cash distribution policy, please read Cash Distributions in the accompanying prospectus.
Subordination period	The subordination period for the subordinated units will end once we meet the financial requirements in the partnership agreement, but it generally cannot end before December 31, 2006.

	When the subordination period ends, all remaining subordinated units will convert into common units on a one-for-one basis, and the common units will no longer be entitled to arrearages.
Early conversion of subordinated units	We met the financial requirements in our partnership agreement for the quarter ended on December 31, 2004 for the early conversion of a portion of our subordinated units. As a result, on February 15, 2005, 25%, or 2,845,910, of our originally issued subordinated units converted into common units. If we meet these

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

Table of Contents

Summary Financial and Operating Data

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

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

	Sunoco Logistics and Predecessor	Sunoco Logistics			
	Year Ended December 31,			Three Months Ended March 31,	
	2002(1)	2003(2)	2004(3)	2004	2005
		(Audited)		(Unaudited)	
	($ in thousands, except per unit amounts)				
Income Statement Data:					
Revenues:					
Sales and other operating revenue:					
Affiliates	$1,147,721	$1,383,090	$1,751,612	$ 365,113	$ 476,923
Unaffiliated customers	676,307	1,274,383	1,699,673	379,794	534,926
Other income(4)	6,904	16,730	13,932	3,169	3,627
Total revenues	1,830,932	2,674,203	3,465,217	748,076	1,015,476
Costs and expenses:					
Cost of products sold and operating expenses	1,690,896	2,519,160	3,307,480	710,692	974,911
Depreciation and amortization	31,334	27,157	31,933	7,539	8,122
Selling, general and administrative expenses	43,073	48,412	48,449	12,059	11,917
Total costs and expenses	1,765,303	2,594,729	3,387,862	730,290	994,950
Operating income	65,629	79,474	77,355	17,786	20,526
Net interest cost and debt expense	17,299	20,040	20,324	4,775	5,228

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

Table of Contents

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

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

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

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

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

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

income for the period from January 1, 2002 to February 7, 2002 totaled $3.4 million.

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

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

	Year Ended December 31,			**Three Months Ended March 31,**	
	2002	**2003**	**2004**	**2004**	**2005**