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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934:**
For the year ended December 31, 2001

Commission File Number 1-16417

VALERO L.P.
Organized under the laws of the State of Delaware
I.R.S. Employer Identification No. 74-2958817

One Valero Place
San Antonio, Texas 78212
Telephone number: (210) 370-2000

Securities registered pursuant to Section 12(b) of the Act: Common Units representing limited partnership interests registered on the New York Stock Exchange.

Securities registered pursuant to 12(g) of the Act: None.

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 o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. ☒

As of February 28, 2002, the aggregate market value of common units held by non-affiliates based on the last sales price as quoted on the NYSE was $189,862,000.

The number of common units outstanding as of February 28, 2002 was 9,654,572.

**VALERO L.P.
FORM 10-K
DECEMBER 31, 2001**

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This Annual Report on Form 10-K contains statements with respect to our expectations or beliefs as to future events. These types of statements are "forward-looking" and are subject to uncertainties. See "Certain Forward-Looking Statements" on page 41.

PART I

Item 1. and 2. Business and Properties

General

We are a Delaware limited partnership that owns and operates most of the crude oil and refined product pipeline, terminalling and storage assets that support Valero Energy Corporation's McKee, Three Rivers and Ardmore refineries and its marketing operations located in Texas, Oklahoma, Colorado, New Mexico and Arizona. Our common units are listed on the New York Stock Exchange under the "VLI" symbol. Our principal executive offices are located at One Valero Place, San Antonio, Texas 78212 and our telephone number is (210) 370-2000. We conduct all of our operations through a subsidiary entity, Valero Logistics Operations, L.P.

We were originally formed under the name of "Shamrock Logistics, L.P.," and changed our name to "Valero L.P." effective January 1, 2002, upon completion of Valero Energy Corporation's (Valero Energy) acquisition of Ultramar Diamond Shamrock Corporation (UDS) on December 31, 2001. In addition, "Shamrock Logistics Operations, L.P." changed its name to "Valero Logistics Operations, L.P." effective January 1, 2002. When used in this report, the terms "we," "our," "us" or similar words or phrases may refer, depending upon the context, to Valero L.P., or to Valero Logistics Operations, L.P. or both taken as a whole.

We generate revenues from our pipeline operations by charging tariffs for transporting crude oil and refined products through our pipelines. We also generate revenue through our terminalling operations by charging a terminalling fee to our customers, primarily Valero Energy and its affiliates. The terminalling fee is earned when the refined products enter the terminal and includes the cost of transferring the refined products from the terminal to trucks. An additional fee is charged at the refined product terminals for blending additives into certain refined products. We do not generate any separate revenue from our crude oil storage facilities. Instead, the costs associated with these facilities were considered in establishing the tariff rates charged for transporting crude oil from the storage facilities to the refineries.

The term throughput as used in this document generally refers to the crude oil or refined product barrels, as applicable, that pass through each pipeline, even if those barrels also are transported in another of our pipelines for which we received a separate tariff.

Our Relationship With Valero Energy

Valero Energy is one of the top three U.S. refining companies in terms of refining capacity. It acquired UDS on December 31, 2001, and now owns and operates 12 refineries, three of which are served by our pipelines and terminals:

- the McKee refinery, which has a current total capacity to process 170,000 barrels per day, or bpd, of crude oil and other feedstocks, making it the largest refinery located between the Texas Gulf Coast and the West Coast;
- the Three Rivers refinery, which has a current total capacity to process 98,000 bpd of crude oil and other feedstocks; and
- the Ardmore refinery, which has a current total capacity to process 85,000 bpd of crude oil and other feedstocks.

Valero Energy markets the refined products produced by these refineries primarily in Texas, Oklahoma, Colorado, New Mexico and Arizona through a network of approximately 2,700 company-operated and dealer-operated convenience stores, as well as through other wholesale and spot market sales and exchange agreements.

During the year ended December 31, 2001, we generated revenues of $98.8 million with Valero Energy and its affiliates accounting for 99% of this amount. Although we intend to pursue strategic acquisitions as opportunities may arise, we expect to continue to derive most of our revenues from Valero Energy and its affiliates for the foreseeable future.

Pipelines and Terminals Usage Agreement and Services Agreement with Valero Energy

Our operations are strategically located within Valero Energy's refining and marketing supply chain, but we do not own or operate any refining or marketing assets. Valero Energy is dependent upon us to provide transportation services that support the refining and marketing operations we serve. Under a Pipelines and Terminals Usage Agreement, Valero Energy has agreed through April, 2008:

- to transport in our crude oil pipelines at least 75% of the aggregate volumes of the crude oil shipped to the McKee, Three Rivers and Ardmore refineries;
- to transport in our refined product pipelines at least 75% of the aggregate volumes of the refined products (excluding residual oils, primarily asphalt and fuel oil) shipped from these refineries; and
- to use our refined product terminals for terminalling services for at least 50% of the refined products (excluding residual oils, primarily asphalt and fuel oil) shipped from these refineries.

Valero Energy met and exceeded its obligations under the Pipelines and Terminals Usage Agreement during the year ended December 31, 2001.

Valero Energy's obligation to use our crude oil and refined product pipelines and terminals will be suspended if material changes occur in the market conditions for the transportation of crude oil and refined products, or in the markets served by these refineries, that have a material adverse effect on Valero Energy, or if we are unable to handle the volumes Valero Energy requests that we transport due to operational difficulties with the pipelines or terminals. In the event Valero Energy does not transport in our pipelines or use our terminals to terminal the minimum volume requirements and its obligation has not been suspended under the terms of the agreement, it is required to make a cash payment determined by multiplying the shortfall in volume by the weighted average tariff rate or terminal fee charged.

In addition, Valero Energy has agreed to remain the shipper for crude oil and refined products owned by it transported through our pipelines, and neither challenge, nor cause others to challenge, our interstate or intrastate tariff rates for the transportation of crude oil and refined products until at least April, 2008.

We do not currently have any employees. Under a Services Agreement between us and Valero Energy and certain of its affiliates, employees of Valero Energy and its affiliates perform services on our behalf, and those entities are reimbursed for the services rendered by their employees. In addition, we pay Valero Energy and its affiliates an annual fee of $5,200,000 under the Services Agreement to perform and provide us with other services.

Valero Energy owns and controls our general partner, Riverwalk Logistics, L.P. UDS Logistics, LLC, the limited partner of our general partner, owns a total of 4,424,322 common units and 9,599,322 subordinated units representing an aggregate 71.6% limited partner interest in us. Our general partner owns a 2% interest in us and also owns incentive distribution rights giving it higher percentages of our cash distributions as various target distribution levels are met. In addition, we have entered into an Omnibus Agreement with Valero Energy, which, among other things, governs potential competition between us, on the one hand, and Valero Energy and its affiliates, on the other.

Business Strategies

The primary objective of our business strategies is to increase distributable cash flow per unit. Our business strategies include:

Sustaining high levels of throughput and cash flow.

Our base strategy is to sustain our current levels of throughput and cash flow, which we expect will provide a strong platform for the future growth of our transportation, terminalling and storage business. Accordingly, we intend to continue to invest in our existing pipeline, terminalling and storage assets in order to maintain and increase the current capacity and throughput of our pipelines. In order to ensure stable throughput of crude oil and refined products for our pipelines, we have established what we believe are competitive tariff rates for our pipelines and we have also entered into the seven-year Pipelines and Terminals Usage Agreement with Valero Energy described above. Our pipelines are directly connected to the McKee, Three Rivers and Ardmore refineries, and we provide their most competitive access to crude oil and other feedstock requirements and distribution of their refined products to Valero Energy's markets in Texas, Oklahoma, Colorado, New Mexico and Arizona. During the year ended December 31, 2001, the McKee, Three Rivers and Ardmore refineries obtained approximately 78% of their crude oil and other feedstocks through our crude oil pipelines, distributed approximately 80% of their refined products through our refined product pipelines and used our terminalling services for approximately 60% of their refined products shipped from the refineries.

Increasing throughput in our existing pipelines and shifting volumes to higher tariff pipelines.

We have available capacity in all of our existing pipelines. During the year ended December 31, 2001, we averaged approximately 64% capacity utilization in our crude oil pipelines and approximately 61% capacity utilization in our refined product pipelines. Over time, we believe the increasing refined product demand in the southwestern and Rocky Mountain regions of the United States will allow us to shift some refined product throughput to our higher tariff, longer-distance refined product pipelines from some of our lower tariff refined product pipelines. In the future, depending on market conditions, we may also have the opportunity to transport through our pipelines, crude oil and refined products that are currently transported through pipelines retained by Valero Energy and to transport additional third-party volumes.

Increasing our pipeline and terminal capacity through expansions and new construction.

We are continually evaluating opportunities to increase capacity in our existing pipelines by adding pumping stations or horsepower to existing pumping stations or increasing pipeline diameter to keep pace with increases in crude oil and refined product demand. In 2000, we completed an expansion project to increase the capacity of our McKee to Colorado Springs refined product pipeline by 20,000 barrels per day. In 2001, we initiated a project, completed in January, 2002, that expanded our share of capacity in the Amarillo to Albuquerque refined product pipeline by 4,667 barrels per day.

We will also consider extending existing refined product pipelines or constructing new refined product pipelines to meet rising refined product demand that Valero Energy intends to supply in high growth areas in the southwestern and Rocky Mountain regions of the United States.

Pursuing selective strategic and accretive acquisitions that complement our existing asset base.

We plan to actively pursue opportunities to purchase assets that increase our cash flow per unit. Since mid-2001, we have exercised three options to purchase assets under the Omnibus Agreement with Valero Energy that was put in place at the time we became a public entity. In July 2001, we acquired the Southlake refined product terminal for $5,600,000; in December 2001, we acquired the Ringgold crude oil storage facility for $5,200,000; and in February 2002, we acquired the Wichita Falls crude oil

pipeline and storage facility for $64,000,000. After funding the cost of each of these acquisitions, approximately $40,000,000 remains available under our $120,000,000 revolving credit facility, which we entered into in December, 2000. We believe future acquisition opportunities may include some of the assets owned by Valero Energy as well as assets owned by third parties. We expect that the assets to be acquired may include pipelines, terminals and storage facilities, and other assets that we believe will contribute to the successful execution of our business strategies.

Continuing to improve our operating efficiency.

We aggressively monitor and control our cost structure. We have been able to implement cost saving initiatives such as utilizing chemical additives to reduce friction in some of our pipelines and aggressively negotiating more favorable rate structures with our power providers. We intend to continue to make investments to improve our operations and pursue cost saving initiatives.

Pipeline Operations

We have an ownership interest in 9 crude oil pipelines with an aggregate length of approximately 782 miles and 18 refined product pipelines with an aggregate length of approximately 2,845 miles. We operate all of the pipelines except for:

- the McKee to Denver refined product pipeline in which we have a minority ownership interest and which is operated by the Phillips Pipeline Company; and
- the Hooker to Clawson segment of the Hooker to McKee crude oil pipeline in which segment we have a 50% ownership interest and which is operated by the Jayhawk Pipeline Company.

In each of the pipelines, only Valero Energy transports crude oil or refined products in the capacity attributable to our ownership interest except for:

- the Amarillo to Albuquerque refined product pipeline, in which Equiva Trading Company also transports refined products through our share of the pipeline; and
- the Amarillo to Abernathy refined product pipeline, in which Phillips Texas Pipeline Company also transports refined products through our share of the pipeline.

For the pipelines in which we own less than a 100% ownership interest, we fund capital expenditures in proportion to our respective ownership percentages.

Crude Oil Pipelines

Our crude oil pipelines deliver crude oil and other feedstocks, such as gas oil and normal butane, from various points in Texas, Oklahoma, Kansas and Colorado to Valero Energy's McKee, Three Rivers and Ardmore refineries. The table below sets forth the average daily number of barrels of crude oil we transported through our crude oil pipelines, in the aggregate, in each of the years presented.

	Aggregate Throughput Years Ended December 31,				
	2001	2000	1999	1998	1997
			(barrels/day)		
Crude Oil	303,811	294,784	280,041	265,243	282,736

The following table sets forth, for each of our crude oil pipelines, the origin and destination, length in miles (not adjusted for ownership percentage), ownership percentage, capacity, throughput and capacity utilization.

Origin and Destination	Length	Ownership	Capacity	Year Ended December 31, 2001 Throughput	Capacity Utilization
	(miles)		(barrels/day)	(barrels/day)	
Cheyenne Wells, CO to McKee	252.2	100%	17,500	13,389	77%
Dixon, TX to McKee	44.2	100%	85,000	55,898	66%
Hooker, OK to Clawson, TX(1)	30.8	50%	22,000	11,224	51%
Clawson, TX to McKee(2)	40.7	100%	36,000	13,114	68%
Wichita Falls to McKee(3)	271.7	100%	110,000	—	—
Corpus Christi, TX to Three Rivers	69.7	100%	120,000	78,601	66%
Ringgold, TX to Wasson, OK(2)	44.2	100%	90,000	37,776	56%
Healdton, OK to Ringling, OK	3.5	100%	52,000	12,682	24%
Wasson, OK to Ardmore	24.5	100%	90,000	81,127	90%
	781.5		622,500	303,811	64%

(1) We receive a split tariff with respect to 100% of the barrels transported in the Hooker to Clawson segment, notwithstanding our 50% ownership interest. Accordingly, the capacity, throughput and capacity utilization are given with respect to 100% of the pipeline.

(2) This pipeline transports barrels relating to two tariff routes, one of which begins at this pipeline's origin and ends at this pipeline's destination and one of which is a longer tariff route with an origin or destination on another pipeline of ours which connects to this pipeline. Throughput disclosed above for this pipeline reflects

only the barrels subject to the tariff route beginning at this pipeline's origin and ending at this pipeline's destination. To accurately determine the actual capacity utilization of the pipeline, as well as aggregate capacity utilization, all barrels passing through the pipelines have been taken into account for purposes of calculating capacity utilization.

(3) Effective February 1, 2002, we acquired the Wichita Falls crude oil pipeline from Valero Energy. During 2000 and 2001, the capacity of the pipeline was expanded from 85,000 barrels per day to 110,000 barrels per day. During the year ended December 31, 2001, the throughput was 69,267 barrels per day and the capacity utilization was 82%.

Refined Product Pipelines

Our refined product pipelines transport refined products from Valero Energy's McKee, Three Rivers and Ardmore refineries, directly or indirectly, to markets in Texas, Oklahoma, Colorado, New Mexico and Arizona. The refined products transported in these pipelines include conventional gasoline, federal specification reformulated gasoline, other oxygenated gasolines, distillates (including high- and low-sulfur diesel fuel and jet fuel), natural gas liquids (such as propane and butane), blendstocks and petrochemical raw materials such as toluene, xylene and raffinate. Blendstocks are intermediate products in the refining process, that are used as feedstocks by other refineries. Toluene, xylene and raffinate are raw materials used by petrochemical plants in the manufacture of diverse products such as styrofoam, nylon, plastic bottles and foam cushions. During the year ended December 31, 2001, gasoline and distillates represented approximately 59% and 29%, respectively, of the total throughput in our refined product pipelines.

The table below sets forth the average daily number of barrels of refined products we transported through our refined product pipelines, in the aggregate, in each of the years presented.

	Aggregate Throughput Years Ended December 31,				
	2001	2000	1999	1998	1997
			(barrels/day)		
Refined products	308,047	309,803	297,397	268,064	257,183

The following table sets forth, for each of our refined product pipelines, the origin and destination, length in miles (not adjusted for ownership percentage), ownership percentage, capacity, throughput and capacity utilization. In instances where we own less than 100% of a pipeline, our ownership percentage is indicated, and the capacity, throughput and capacity utilization information reflect only our ownership interest in these pipelines.

				Year Ended December 31, 2001	
Origin and Destination	Length	Ownership	Capacity	Throughput	Capacity Utilization
	(miles)		(barrels/day)	(barrels/day)	
McKee to El Paso, TX	407.7	67%	40,000	39,158	98%
McKee to Colorado Springs, CO(1)	256.4	100%	52,000	12,017	44%
Colorado Springs, CO to Airport	1.7	100%	12,000	1,402	12%
Colorado Springs, CO to Denver, CO	100.6	100%	32,000	10,793	34%
McKee to Denver, CO (Phillips)	321.1	30%	12,450	11,973	96%
McKee to Amarillo, TX (6")(1)(2)	49.1	100%	51,000	31,680	73%
McKee to Amarillo, TX (8")(1)(2)	49.1	100%			
Amarillo, TX to Abernathy, TX(3)	102.1	39%	6,812	5,984	88%
Amarillo, TX to Albuquerque, NM	292.7	50%	16,083	12,639	79%
McKee to Skellytown, TX	52.8	100%	52,000	8,169	16%
Skellytown, TX to Mont Belvieu, TX (Skelly-Belvieu)	571.2	50%	26,000	16,352	63%
Three Rivers to San Antonio, TX	81.1	100%	33,600	27,877	83%
Three Rivers to Laredo, TX	98.1	100%	16,800	12,270	73%
Three Rivers to Corpus Christi, TX	71.6	100%	15,000	5,060	34%
Three Rivers to Pettus, TX (12")	28.8	100%	24,000	18,886	79%
Three Rivers to Pettus, TX (8")	28.8	100%	15,000	9,327	62%
Ardmore to Wynnewood, OK	31.1	100%	90,000	57,083	63%
El Paso, TX to Kinder Morgan	12.1	67%	40,000	27,377	68%
Other refined product pipelines(4)	288.7	50%	N/A	N/A	N/A
	2,844.8		534,745	308,047	61%

(1) This pipeline transports barrels relating to two tariff routes, one of which begins at this pipeline's origin and ends at this pipeline's destination and one of which is a longer tariff route with an origin or destination on another pipeline of ours which connects to this pipeline. Throughput disclosed above for this pipeline reflects only the barrels subject to the tariff route beginning at this pipeline's origin and ending at this pipeline's destination. To accurately determine the actual capacity utilization of the pipeline, as well as aggregate capacity utilization, all barrels passing through the pipelines have been taken into account for purposes of calculating capacity utilization.

(2) The throughput, capacity, and capacity utilization information listed opposite the McKee to Amarillo 6-inch pipeline includes both McKee to Amarillo pipelines on a combined basis.

(3) Effective January 2001, the Amarillo to Abernathy refined product pipeline removed two of its pump stations from service, which decreased the pipeline's capacity from 9,288 barrels per day to 6,812 barrels per day. The capacity utilization for the year ended December 31, 2001 is based on the capacity of 6,812 barrels per day.

(4) Represents the idle looped 6-inch sections of the Amarillo to Albuquerque refined product pipeline.

Storage and Terminalling Operations

Crude Oil Storage Facilities

Our crude oil storage facilities are designed to serve the needs of the McKee, Three Rivers and Ardmore refineries. Our storage facilities have been designed to handle increasing throughput and varieties of foreign and domestic crude oil. Their design attributes include:

- multiple tanks to facilitate simultaneous handling of multiple crude oil varieties in accordance with normal pipeline batch sizes; and
- electronic switching systems connecting each tank to the main crude oil pipeline to facilitate efficient switching and, in some cases, blending between crude oil grades with minimal contamination.

Our most significant crude oil storage asset is the marine-based Corpus Christi crude oil storage facility. It has a storage capacity of 1,600,000 barrels of crude oil, which allows our customer, Valero Energy, to accept larger quantities delivered by tankers and more varieties of crude oil. The four tanks in this storage facility provide us with added flexibility in blending crude oil to achieve the optimal crude oil slate for the Three Rivers refinery. We own the Corpus Christi crude oil storage facility and the land underlying the facility is subject to a long-term operating lease.

The following table outlines our crude oil storage facilities' location, capacity, number of tanks, mode of receipt and delivery and average throughput:

Location	Capacity	Number of Tanks	Mode of Receipt	Mode of Delivery	Year Ended December 31, 2001 Average Throughput
	(barrels)				(barrels/day)
Corpus Christi, TX	1,600,000	4	Marine	Pipeline	78,601
Dixon, TX	240,000	3	Pipeline	Pipeline	55,898
Ringgold, TX(1)	600,000	2	Pipeline	Pipeline	37,776
Wichita Falls, TX(2)	660,000	4	Pipeline	Pipeline	—
Wasson, OK	226,000	2	Pipeline	Pipeline	81,127
	3,326,000	15			253,402

(1) The Ringgold crude oil storage facility was purchased on December 1, 2001.

(2) Effective February 1, 2002, we acquired the Wichita Falls crude oil storage facility from Valero Energy. During 2000 and 2001, the capacity of the facility was expanded from 360,000 barrels to 660,000 barrels with the addition of one tank. During the year ended December 31, 2001, the throughput was 69,267 barrels per day.

Refined Product Terminals

Our refined product terminals have automated loading facilities available 24 hours a day. Billing of customers is electronically accomplished by our Fuels Automation and Nomination System (FANS). This automatic system provides for control of allocations, credit and carrier certification by remote input of data by our customers. All terminals have an electronic monitoring and control system that

monitors the effectiveness of the ground protection and vapor control and will cause an automated shutdown of the terminal operations if necessary. For environmental and safety protection, all terminals have primary vapor control systems consisting of flares, vapor combustors or carbon absorption vapor recovery units.

All terminal tanks and underground terminal piping are protected against corrosion. Tanks designed for gasoline are equipped with either internal or external floating roofs, which minimize emissions and prevent potentially flammable vapor accumulation between fluid levels and the roof of the tank. All terminal facilities have facility response plans, spill prevention and control measure plans and other plans and programs to respond to emergencies.

Many of our terminal loading racks are protected with water deluge systems activated by vapor sensors, heat sensors or an emergency switch. Our Colorado Springs, El Paso and San Antonio terminals are also protected by foam systems to be activated in case of fire. The only terminal that stores and loads propane is El Paso. Our propane tanks are protected against fire hazards with a deluge system. This system automatically activates with heat sensors in the event of a fire. All terminals are subject to participation in a comprehensive environmental management plan to assure compliance with air, solid wastes and wastewater regulations.

Our Harlingen, Texas terminal does not directly connect to any of our pipelines; rather it handles refined products delivered by barge from Valero Energy.

We own the property on which our terminals are located, except in Colorado Springs, Corpus Christi and Harlingen, where the underlying real estate is subject to long-term operating leases.

The following table outlines our refined product terminals' location, capacity, number of tanks, mode of receipt and delivery and average throughput:

Location	Capacity	Number of Tanks	Mode of Receipt	Mode of Delivery	Year Ended December 31, 2001 Average Throughput

	(barrels)				(barrels/day)
Abernathy, TX	172,000	13	Pipeline	Truck	5,661
Amarillo, TX	271,000	15	Pipeline	Truck/Pipeline	21,103
Albuquerque, NM	193,000	10	Pipeline	Truck/Pipeline	11,225
Denver, CO	111,000	10	Pipeline	Truck	19,126
Colorado Springs, CO	324,000	8	Pipeline	Truck/Pipeline	12,210
El Paso, TX(1)	346,684	22	Pipeline	Truck/Pipeline	40,717
Southlake, TX(2)	286,000	6	Pipeline	Truck	25,007
Corpus Christi, TX	371,000	15	Pipeline	Marine/Pipeline	12,720
San Antonio, TX	221,000	10	Pipeline	Truck	20,737
Laredo, TX	203,000	6	Pipeline	Truck	12,270
Harlingen, TX	314,000	7	Marine	Truck	8,396
	2,812,684	122			189,172

(1) We have a 66.67% ownership interest in the El Paso refined product terminal. The capacity and throughput amounts represent the proportionate share of capacity and throughput attributable to our ownership interest. The throughput represents barrels distributed from the El Paso refined product terminal and deliveries to a third-party refined product pipeline.

(2) Effective July 1, 2001, we acquired the Southlake refined product terminal from Valero Energy. The average throughput in the above table represents the barrels moved through the terminal from July 1, 2001 to December 31, 2001.

Pipeline, Storage Facility, and Terminal Control Operations

All of our crude oil and refined product pipelines are operated via satellite communication systems from one of two central control rooms located in San Antonio and McKee, Texas. The San Antonio control center primarily monitors and controls our refined product pipelines, and the McKee control center primarily monitors and controls our crude oil pipelines. Each control center can provide backup capability for the other, and each center is capable of monitoring and controlling all of our pipelines. There is also a backup control center located at our San Antonio refined product terminal approximately 25 miles from our primary control center in San Antonio.

The control centers operate with modern, state-of-the-art System Control and Data Acquisition systems (SCADA). Both control centers are equipped with computer systems designed to continuously monitor real time operational data, including crude oil and refined product throughput, flow rates and pressures. In addition, the control centers monitor alarms and throughput balances. The control centers operate remote pumps, motors, engines and valves associated with the delivery of crude oil and refined products. The computer systems are designed to enhance leak-detection capabilities, sound automatic alarms if operational conditions outside of pre-established parameters occur and provide for remote-controlled shutdown of pump stations on the pipelines. Pump stations, crude oil storage facilities and meter-measurement points along the pipelines are linked by satellite or telephone communication systems for remote monitoring and control, which reduces our requirement for full-time on-site personnel at most of these locations.

A number of our crude oil storage facilities and refined product terminals are also operated through our central control centers. Other crude oil storage facilities and refined product terminals are modern, automated facilities but are locally controlled.

Safety and Maintenance

We perform scheduled maintenance on all of our pipelines and make repairs and replacements when necessary or appropriate. We believe that all of our pipelines have been constructed and are maintained in all material respects in accordance with applicable federal, state and local laws and the regulations and standards prescribed by the American Petroleum Institute, the Department of Transportation and accepted industry practice.

Competition

As a result of our physical integration with Valero Energy's McKee, Three Rivers and Ardmore refineries and our contractual relationship with Valero Energy, we believe that we will not face significant competition for barrels of crude oil transported to, and barrels of refined products transported from, the McKee, Three Rivers and Ardmore refineries, particularly during the term of the Pipelines and Terminals Usage Agreement with Valero Energy. However, we face competition from other pipelines who may be able to supply Valero Energy's end-user markets with refined products on a more competitive basis. If Valero Energy reduced its retail sales of refined products or its wholesale customers reduced their purchases of refined products, the volumes transported through our pipelines would be reduced, which would cause a decrease in cash and revenues generated from our operations.

Valero Energy leases certain pipeline assets that deliver refined products into markets served by our pipelines and terminals. It leases the common carrier pipelines originating at Pettus Station at Pettus, Texas through which gasoline and distillates from the Three Rivers refinery are delivered to the Valero Energy refined product terminal in San Antonio and through which raffinate, distillates and natural gas liquids originating at the Three Rivers refinery are delivered to various Corpus Christi destinations. Valero Energy also leases a combination 6- and 8-inch pipeline that delivers refined products from Valero Energy's Corpus Christi refinery to its refined product terminal located in Edinburg, Texas. Valero Energy's Edinburg refined product terminal serves markets that are also served

by our Harlingen refined product terminal. We operate the above described refined product pipelines and terminals under a contract with Valero Energy. In addition, Valero Energy owns certain crude oil gathering systems that deliver crude oil to the McKee refinery.

The Texas and Oklahoma markets served by the refined product pipelines originating at the Three Rivers and Ardmore refineries are accessible by Texas Gulf Coast refiners through common carrier pipelines, with the exception of the Laredo, Texas and Nuevo Laredo, Mexico markets. The Nuevo Laredo, Mexico market is accessible

by refineries operated by Pemex, the national oil company of Mexico. In addition, the markets served by the refined product pipelines originating at the McKee refinery are also accessible by Texas Gulf Coast and Midwestern refiners through common carrier pipelines.

We believe that high capital requirements, environmental considerations and the difficulty in acquiring rights-of-way and related permits make it difficult for other entities to build competing pipelines in areas served by our pipelines. As a result, competing pipelines are likely to be built only in those cases in which strong market demand and attractive tariff rates support additional capacity in an area. We know of three additional refined product pipelines which may serve our market areas:

- The Longhorn Pipeline is a common carrier refined product pipeline with an initial capacity of 70,000 barrels per day. It will be capable of delivering refined products from the Texas Gulf Coast to El Paso, Texas. Most of the pipeline has been constructed, it has obtained regulatory approval and startup is expected to occur before the end of 2002. We expect that a portion of the refined products transported into the El Paso area in this pipeline will ultimately be transported into the Phoenix and Tucson, Arizona markets. As a result, Valero Energy's allocated capacity in Kinder Morgan's Santa Fe Pacific East pipeline, which transports refined products from El Paso to the Arizona markets, may be reduced. In addition, the increased supply of refined products entering the El Paso and Arizona markets through the Longhorn Pipeline may cause a decline in the demand for refined products from Valero Energy. These factors, in turn, might reduce the demand for transportation of refined products through our pipeline from McKee to El Paso.

- Williams Pipe Line Company has announced a new refined product pipeline project from Northwestern New Mexico to Salt Lake City, Utah. The design capacity of the system is 75,000 barrels per day. Potential refined product sources for this new refined product pipeline could be New Mexico refiners, U.S. Gulf Coast refiners or refineries owned by Valero Energy.

- Equilon Pipeline last year announced a refined product pipeline project from Odessa, Texas to Bloomfield, New Mexico. Refined products would be transported from West Texas to the Bloomfield, New Mexico area. The project would also require new pipeline connections on the southern and northern ends of the project. This project also includes a new refined product terminal near Albuquerque, New Mexico. This proposed Odessa to Bloomfield refined product pipeline could cause a reduction in demand for the transportation of refined products to the Albuquerque market in our refined product pipelines. This project could also connect to the Williams Salt Lake City project discussed above. This proposed Equilon refined product pipeline would also cross two of our refined product pipelines, the McKee to El Paso refined product pipeline and the Amarillo to Albuquerque refined product pipeline. Construction has not yet commenced on this project.

Given the expected increase in demand for refined products in the southwestern and Rocky Mountain market regions, we do not believe that these new refined product pipelines, when fully operational, will have a material adverse effect on our financial condition or results of operations.

Regulation

Rate Regulation

Prior to July 2000, affiliates of Valero Energy owned and operated our pipelines. These affiliates were the only shippers in Valero Energy's ownership capacity in most of the pipelines, including the common carrier pipelines. In preparation for our initial public offering, we filed revised tariffs with the appropriate regulatory commissions to adjust the tariffs on many of our pipelines to better reflect current throughput volumes and market conditions or cost-based pricing. We filed the appropriate notices of the revised tariffs with the Federal Energy Regulatory Commission (FERC) for our interstate pipelines. For our intrastate pipelines, we filed revised tariffs with the Texas Railroad Commission, the Oklahoma Public Utility Commission and the Colorado Public Utility Commission. In connection with our initial public offering, we obtained the agreement of Valero Energy and its affiliates, which are the only shippers in most of our pipelines, not to challenge the validity of our tariff rates until at least April, 2008.

General Interstate Regulation. Our interstate common carrier pipeline operations are subject to rate regulation by the FERC under the Interstate Commerce Act. The Interstate Commerce Act requires that tariff rates for crude oil pipelines, which includes petroleum product and petrochemical pipelines (crude oil, petroleum product and petrochemical pipelines are referred to collectively as "petroleum pipelines" in this document), be just and reasonable and non-discriminatory. The Interstate Commerce Act permits challenges to proposed new or changed rates by protest and challenges to rates that are already on file and in effect by complaint. Upon the appropriate showing, a successful complainant may obtain damages or reparations for generally up to two years prior to the filing of a complaint. Valero Energy has agreed to be responsible for any Interstate Commerce Act liabilities with respect to activities or conduct occurring during periods prior to April 16, 2001, the closing of our initial public offering, and we will be responsible for Interstate Commerce Act liabilities with respect to activities or conduct occurring after April 16, 2001.

The FERC is authorized to suspend the effectiveness of a new or changed tariff rate for a period of up to seven months and to investigate the rate. The FERC may also place into effect a new or changed tariff rate on at least one days' notice, subject to refund and investigation. If upon the completion of an investigation the FERC finds that the rate is unlawful, it may require the pipeline operator to refund to shippers, with interest, any difference between the rates the FERC determines to be lawful and the rates under investigation. In addition, the FERC will order the pipeline to change its rates prospectively to the lawful level. In general, petroleum pipeline rates must be cost-based, although settlement rates, which are rates that have been agreed to by all shippers, are permitted, and market-based rates may be permitted in certain circumstances.

Energy Policy Act of 1992 and Subsequent Developments. In October 1992, Congress passed the Energy Policy Act of 1992. The Energy Policy Act deemed interstate petroleum pipeline rates in effect for the 365-day period ending on the date of enactment of the Energy Policy Act, or that were in effect on the 365th day preceding enactment and had not been subject to complaint, protest or investigation during the 365-day period, to be just and reasonable under the Interstate Commerce Act. Some of our pipeline rates are deemed just and reasonable and therefore are grandfathered under the Energy Policy Act. The Energy Policy Act provides that the FERC may change grandfathered rates upon complaints only under the following limited circumstances:

- a substantial change has occurred since enactment in either the economic circumstances or the nature of the services which were the basis for the rate;

- the complainant was contractually barred from challenging the rate prior to enactment of the Energy Policy Act and filed the complaint within 30 days of the expiration of the contractual bar; or

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- a provision of the tariff is unduly discriminatory or preferential.

The Energy Policy Act further required the FERC to issue rules establishing a simplified and generally applicable ratemaking methodology for interstate petroleum pipelines and to streamline procedures in petroleum pipeline proceedings. On October 22, 1993, the FERC responded to the Energy Policy Act directive by issuing Order No. 561, which adopts a new indexing rate methodology for interstate petroleum pipelines. Under the new regulations, effective January 1, 1995, petroleum pipelines are able to change their rates within prescribed ceiling levels that are tied to changes in the Producer Price Index for Finished Goods, minus one percent. Rate increases made under the index will be subject to protest, but the scope of the protest proceeding will be limited to an inquiry into whether the portion of the rate increase resulting from application of the index is substantially in excess of the pipeline's increase in costs. The new indexing methodology is applicable to any existing rate, whether grandfathered or whether established after enactment of the Energy Policy Act.

Intrastate Regulation. Some of our pipeline operations are subject to regulation by the Texas Railroad Commission, the Oklahoma Public Utility Commission or the Colorado Public Utility Commission. The applicable state statutes require that pipeline rates be non-discriminatory and provide a fair return on the aggregate value of the pipeline property used to render services. State commissions have generally not been aggressive in regulating common carrier pipelines and have generally not investigated the rates or practices of petroleum pipelines in the absence of shipper complaints. Complaints to state agencies have been infrequent and are usually resolved informally. Although no assurance can be given that our intrastate rates would ultimately be upheld if challenged, we believe that, given this history, the tariffs now in effect are not likely to be challenged.

Our pipelines. The FERC generally has not investigated interstate rates on its own initiative when those rates, like ours, have been mutually agreed to by the pipeline owner and the shippers. In addition, as discussed above, intrastate pipelines generally are subject to "light-handed" regulation by state commissions and we do not believe the intrastate tariffs now in effect are likely to be challenged. However, the FERC or a state regulatory commission could investigate our rates at the urging of a third party if the third party is either a current shipper or is able to show that it has a substantial economic interest in our tariff rate level. If an interstate rate were challenged, we would seek to either rely on a cost of service justification or to establish that, due to the presence of competing alternatives to our pipeline, the tariff rate should be a market-based rate.

If our rates were successfully challenged, the amount of cash available for distribution to unitholders could be materially reduced.

We do not believe that it is likely that there will be a challenge to our rates by a current shipper that would materially affect our revenues or cash flows. Valero Energy is the only current shipper shipping in our ownership capacity in substantially all of our pipelines. Valero Energy has committed not to challenge our rates until at least April, 2008. Under the Pipelines and Terminals Usage Agreement, in which Valero Energy has committed not to challenge our rates, Valero Energy also has committed to continue its historical practice of:

- buying crude oil before it enters our crude oil pipelines and acting in the capacity of the shipper of that crude oil in our crude oil pipelines; and
- owning the refined products at least until the refined products exit the refined product terminals and acting in the capacity of the shipper of the refined products in the refined product pipelines.

We also do not anticipate challenges from new shippers because we believe that it is unlikely we will have new shippers in any of our existing pipelines. In the case of crude oil pipelines, Valero Energy in almost all cases would be the shipper and would therefore not challenge our tariff rates until at least April, 2008. In the case of refined product pipelines, we do not anticipate new shippers because Valero

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Energy will be the owner of substantially all of the refined products produced at the refineries and the refineries are the only current origin points for shipments in our refined product pipelines.

Because our pipelines are common carrier pipelines, we may be required to accept new shippers who wish to transport in our pipelines. It is possible that any new shippers, or current shippers or other interested parties, may decide to challenge our tariff rates. If any rate challenge or challenges were successful, cash available for distribution to unitholders could be materially reduced.

Environmental Regulation

General

Various federal, state and local laws and regulations governing the discharge of materials into the environment, or otherwise relating to the protection of the environment, affect our operations and costs. In particular, our activities in connection with storage and transportation of crude oil, refined products and other liquid hydrocarbons are subject to stringent environmental regulation. As with the petroleum pipeline industry in general, compliance with existing and anticipated regulations increases our overall cost of business. Areas affected include capital costs to construct, maintain and upgrade equipment and facilities. While these regulations affect our maintenance capital expenditures and net income, we believe that these regulations do not affect our competitive position in that the operations of our competitors that comply with these regulations are similarly affected. Environmental regulations have historically been subject to frequent change by regulatory authorities, and we are unable to predict the ongoing cost to us of complying with these laws and regulations or the future impact of these regulations on our operations. Violation of federal or state environmental laws, regulations and permits can result in the imposition of significant civil and criminal penalties, injunctions and construction bans or delays. A discharge of hydrocarbons or hazardous substances into the environment could, to the extent the event is not insured, subject us to substantial expense, including both the cost to comply with applicable regulations and claims by neighboring landowners or other third parties for personal injury and property damage. In connection with our acquisition of crude oil and refined product pipeline, terminalling and storage assets from Valero Energy, Valero Energy has agreed to indemnify us for environmental liabilities related to the assets transferred to us that arose prior to April 16, 2001, the closing of our initial public offering, and are discovered within 10 years after April 16, 2001 (excluding liabilities resulting from a change in law after April 16, 2001).

Water

The Oil Pollution Act was enacted in 1990 and amends provisions of the Federal Water Pollution Control Act of 1972 and other statutes as they pertain to prevention and response to petroleum spills. The Oil Pollution Act subjects owners of facilities to strict, joint and potentially unlimited liability for removal costs and other consequences of a petroleum spill, where the spill is into navigable waters, along shorelines or in the exclusive economic zone of the U.S. In the event of a petroleum spill into navigable waters, substantial liabilities could be imposed upon us. States in which we operate have also enacted similar laws. Regulations are currently being developed under the Oil Pollution Act and state laws that may also impose additional regulatory burdens on our operations. Spill prevention control and countermeasure requirements of federal laws and some state laws require diking, booms and similar structures to help prevent contamination of navigable waters in the event of a petroleum overflow, rupture or leak. We are in substantial compliance with these laws. Additionally, the Office of Pipeline Safety of the U.S. Department of Transportation has approved our petroleum spill emergency response plans.

The Federal Water Pollution Control Act of 1972 imposes restrictions and strict controls regarding the discharge of pollutants into navigable waters. Permits must be obtained to discharge pollutants into federal and state waters. The Federal Water Pollution Control Act of 1972 imposes substantial potential

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liability for the costs of removal, remediation and damages. In addition, some states maintain groundwater protection programs that require permits for discharges or operations that may impact groundwater conditions. We believe that compliance with existing permits and compliance with foreseeable new permit requirements will not have a material adverse effect on our financial condition or results of operations.

Air Emissions

Our operations are subject to the Federal Clean Air Act and comparable state and local statutes. Amendments to the Federal Clean Air Act enacted in late 1990 require most industrial operations in the U.S. to incur capital expenditures in order to meet air emission control standards developed by the Environmental Protection Agency and state environmental agencies. In addition, the 1990 Federal Clean Air Act Amendments include a new operating permit for major sources, which applies to some of our facilities. We will be required to incur certain capital expenditures in the next several years for air pollution control equipment in connection with maintaining or obtaining permits and approvals addressing air emission related issues. Although we can give no assurances, we believe implementation of the 1990 Federal Clean Air Act Amendments will not have a material adverse effect on our financial condition or results of operations.

Solid Waste

We generate non-hazardous solid wastes that are subject to the requirements of the Federal Resource Conservation and Recovery Act and comparable state statutes. The Environmental Protection Agency is considering the adoption of stricter disposal standards for non-hazardous wastes, including crude oil and gas wastes. The Federal Resource Conservation and Recovery Act also governs the disposal of hazardous wastes. We are not currently required to comply with a substantial portion of the Federal Resource Conservation and Recovery Act requirements because our operations generate minimal quantities of hazardous wastes. However, it is possible that additional wastes, which could include wastes currently generated during operations, will in the future be designated as "hazardous wastes." Hazardous wastes are subject to more rigorous and costly disposal requirements than are non-hazardous wastes. Any changes in the regulations could result in additional maintenance capital expenditures or operating expenses.

Hazardous Substances

The Comprehensive Environmental Response, Compensation and Liability Act, referred to as CERCLA, also known as Superfund, imposes liability, without regard to fault or the legality of the original act, on some classes of persons that contributed to the release of a "hazardous substance" into the environment. These persons include the owner or operator of the site and entities that disposed or arranged for the disposal of the hazardous substances found at the site. CERCLA also authorizes the Environmental Protection Agency and, in some instances, third parties to act in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. In the course of our ordinary operations, we may generate waste that falls within CERCLA's definition of a "hazardous substance." While we may responsibly manage hazardous substances that we control, the intervening acts of third parties may expose us to joint and several liability under CERCLA for all or part of the costs required to clean up sites at which these hazardous substances have been disposed of or released into the environment.

We currently own or lease, and have in the past owned or leased, properties where hydrocarbons are being or have been handled. Although we have utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons or other waste may have been disposed of or released on or under the properties owned or leased by us or on or under other locations where these wastes have been taken for disposal. In addition, many of these properties have been operated by third

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parties whose treatment and disposal or release of hydrocarbons or other wastes was not under our control. These properties and wastes disposed thereon may be subject to CERCLA, the Federal Resource Conservation and Recovery Act and analogous state laws. Under these laws, we could be required to remove or remediate previously disposed wastes (including wastes disposed of or released by prior owners or operators), to clean up contaminated property (including contaminated groundwater) or to perform remedial operations to prevent future contamination. As of December 31, 2001, we have not incurred any environmental liabilities which were not covered by Valero Energy's environmental indemnification.

OSHA

We are subject to the requirements of the Federal Occupational Safety and Health Act and comparable state statutes that regulate the protection of the health and safety of workers. In addition, the Federal Occupational Safety and Health Act hazard communication standard requires that information be maintained about hazardous materials used or produced in operations and that this information be provided to employees, state and local government authorities and citizens. We believe that our operations are in substantial compliance with the Federal Occupational Safety and Health Act requirements, including general industry standards, record keeping requirements and monitoring of occupational exposure to regulated substances.

Endangered Species Act

The Endangered Species Act restricts activities that may affect endangered species or their habitats. While some of our facilities are in areas that may be designated as habitat for endangered species, we believe that we are in substantial compliance with the Endangered Species Act. However, the discovery of previously unidentified endangered species could cause us to incur additional costs or operational restrictions or bans in the affected area.

Hazardous Materials Transportation Requirements

The Department of Transportation regulations affecting pipeline safety require pipeline operators to implement measures designed to reduce the environmental impact of crude oil discharge from onshore crude oil pipelines. These regulations require operators to maintain comprehensive spill response plans, including extensive spill response training for pipeline personnel. In addition, the Department of Transportation regulations contain detailed specifications for pipeline operation and maintenance. We believe our operations are in substantial compliance with these regulations.

Environmental Remediation

Contamination resulting from spills of crude oil and refined products is not unusual within the petroleum pipeline industry. Therefore, our operations are subject to environmental laws and regulations adopted by various federal, state and local governmental authorities in the jurisdictions in which we operate. Although we believe our operations are in general compliance with applicable environmental regulations, risks of additional costs and liabilities are inherent within the petroleum pipeline industry and there can be no assurance that significant costs and liabilities will not be incurred. Accordingly we have adopted policies, practices and procedures in the areas of pollution control, product safety, occupational health and the handling, storage, use and disposal of hazardous materials to prevent material environmental or other damage, and to limit the financial liability which could result from such events.

In connection with the initial public offering of Valero L.P. on April 16, 2001, Valero Energy agreed to indemnify us for environmental liabilities that arose prior to April 16, 2001 and are discovered within 10 years after April 16, 2001. Excluded from this indemnification are costs that arise

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from changes in environmental law after April 16, 2001. In addition, as an operator or owner of the assets, we could be held liable for pre-April 16, 2001 environmental damage should Valero Energy be unable to fulfill its obligation. However, we believe that such a situation is remote given Valero Energy's financial condition.

As of December 31, 2001, we have not incurred any environmental liabilities which were not covered by the environmental indemnification.

Title to Properties

Substantially all of our pipelines are constructed on rights-of-way granted by the apparent record owners of the property and in some instances these rights-of-way are revocable at the election of the grantor. In many instances, lands over which rights-of-way have been obtained are subject to prior liens that have not been subordinated to the rights-of-way grants. In some cases, not all of the apparent record owners have joined in the rights-of-way grants, but in substantially all of these cases, signatures of the owners of majority interests have been obtained. We have obtained permits from public authorities to cross over or under, or to lay pipelines in or along watercourses, county roads, municipal streets and state highways, and in some instances, these permits are revocable at the election of the grantor. We have also obtained permits from railroad companies to cross over or under lands or rights-of-way, many of which are also revocable at the grantor's election. In some cases, property for pipeline purposes was purchased in fee. All of the pump stations are located on property owned in fee or property under long-term leases. In some states and under some circumstances, we have the right of eminent domain to acquire rights-of-way and lands necessary for our common carrier pipelines.

Some of the leases, easements, rights-of-way, permits and licenses transferred to Valero Logistics Operations effective July 1, 2000, required the consent of the grantor to transfer these rights, which in some instances is a governmental entity. The general partner believes that it has obtained sufficient third-party consents, permits and authorizations for the transfer of the assets necessary for us to operate our business in all material respects as described in this document. With respect to any consents, permits or authorizations that have not been obtained, the general partner believes that these consents, permits or authorizations will be obtained within a reasonable period, or that the failure to obtain these consents, permits or authorizations will have no material adverse effect on the operation of our business.

Our general partner believes that we have satisfactory title to all of our assets. Although title to these properties is subject to encumbrances in some cases, such as customary interests generally retained in connection with acquisition of real property, liens related to environmental liabilities associated with historical operations, liens for current taxes and other burdens and minor easements, restrictions and other encumbrances to which the underlying properties were subject at the time of acquisition by our predecessor or us, our general partner believes that none of these burdens will materially detract from the value of these properties or from our interest in these properties or will materially interfere with their use in the operation of our business.

Employees

Valero L.P. does not have any employees, officers or directors. Riverwalk Logistics, L.P., the general partner, is responsible for the management of Valero L.P. and Valero Logistics Operations. Valero GP, LLC, the general partner of Riverwalk Logistics, L.P., is responsible for managing the affairs of Riverwalk Logistics, L.P., and through it, the affairs of Valero L.P. and Valero Logistics Operations. As of December 31, 2001, Valero Energy employs approximately 160 employees to carry out our operations. Valero L.P. also receives administrative services from other Valero Energy employees under the Services Agreement. The vast majority of Valero Energy's employees are not represented by a union. There are employees that support Valero Energy's crude oil gathering systems who are

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represented by unions. These employees primarily support the crude oil gathering operations, but on some occasions support crude oil trunkline operations associated with Valero Logistics Operations.

Item 3. Legal Proceedings

No material litigation has been filed or is pending against Valero L.P. or Valero Logistics Operations as of December 31, 2001. We are a party to various legal actions that have arisen in the ordinary course of our business. We do not believe that the resolution of these matters will, in the aggregate, have a material adverse effect on our financial condition or results of operations.

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

No matters were submitted to a vote of the unitholders, through solicitation of proxies or otherwise, during the fourth quarter of the year ended December 31, 2001.

PART II

Item 5. Market for Registrant's Common Units and Related Unitholder Matters

Our common units are listed and traded on the New York Stock Exchange under the symbol "VLI." From our initial public offering on April 16, 2001 through December 31, 2001, our common units were listed and traded on the New York Stock Exchange under the symbol "UDL." At the close of business on February 28, 2002,

we had 52 holders of record of our common units. The high and low closing sales price ranges (composite transactions) by quarter for 2001 since our initial public offering were as follows:

Year 2001	Price Range of Common Unit	
	High	Low
4th Quarter	$ 40.40	$ 33.10
3rd Quarter	35.60	30.00
2nd Quarter	31.95	27.66

The quarterly cash distributions applicable to 2001 were as follows:

Year 2001	Record Date	Payment Date	Amount Per Unit
4th Quarter	February 1, 2002	February 14, 2002	$ 0.60
3rd Quarter	November 1, 2001	November 14, 2001	0.60
2nd Quarter	August 1, 2001	August 14, 2001	0.50

We have also issued subordinated units, all of which are held by UDS Logistics, LLC, an affiliate of our general partner, for which there is no established public trading market. Such issuance of subordinated units was exempt from registration with the Securities and Exchange Commission under Section 4(2) of the Securities Act of 1933. During the subordination period, the holders of our common units are entitled to receive each quarter a minimum quarterly distribution of $0.60 per unit ($2.40 annualized) prior to any distribution of available cash to holders of our subordinated units. The subordination period is defined generally as the period that will end on the first day of any quarter beginning after December 31, 2005 if (1) we have distributed at least the minimum quarterly distribution on all outstanding units with respect to each of the immediately preceding three consecutive, non-overlapping four-quarter periods and (2) our adjusted operating surplus, as defined in our partnership agreement, during such periods equals or exceeds the amount that would have been

sufficient to enable us to distribute the minimum quarterly distribution on all outstanding units on a fully diluted basis and the related distribution on the 2% general partner interest during those periods.

In addition, all of the subordinated units may convert to common units on a one-for-one basis on the first day following the record date for distributions for the quarter ending December 31, 2005, if we meet the tests set forth in our partnership agreement. If the subordination period ends, the rights of the holders of subordinated units will no longer be subordinated to the rights of the holders of common units and the subordinated units may be converted into common units.

During the subordination period, our cash is distributed first 98% to the holders of common units and 2% to our general partner until there has been distributed to the holders of common units an amount equal to the minimum quarterly distribution and arrearages in the payment of the minimum quarterly distribution on the common units for any prior quarter. Any additional cash is distributed 98% to the holders of subordinated units and 2% to our general partner until there has been distributed to the holders of subordinated units an amount equal to the minimum quarterly distribution.

Our general partner, Riverwalk Logistics, L.P., is entitled to incentive distributions if the amount we distribute with respect to any quarter exceeds specified target levels shown below:

Quarterly Distribution Amount per Unit	Percentage of Distribution	
	Unitholders	General Partner
Up to $0.60	98%	2%
Above $0.60 up to $0.66	90%	10%
Above $0.66 up to $0.90	75%	25%
Above $0.90	50%	50%

Use of Initial Public Offering Proceeds

On April 16, 2001, we issued 4,424,322 common units and 9,599,322 subordinated units to an affiliate of our general partner. Also on April 16, 2001, the closing date of the initial public offering, we sold 5,175,000 common units to the public at a price of $24.50 per unit or $126,787,000. Net proceeds from the sale of common units were $111,912,000. In addition, concurrent with the closing of the initial public offering, we borrowed $20,506,000 under our revolving credit facility and incurred $436,000 of debt issuance costs. We used the proceeds from the equity offering and bank borrowings to repay $107,676,000 of debt due to affiliates of our general partner and $20,517,000 to reimburse affiliates of our general partner for previously incurred capital expenditures.

Item 6. Selected Financial Data

Organization

The following tables set forth selected financial data and operating data of Valero L.P. (formerly Shamrock Logistics, L.P.) and its subsidiary, Valero Logistics Operations, L.P. (formerly Shamrock Logistics Operations, L.P.) as of December 31, 2001 and 2000 and for the year ended December 31, 2001 and the six months ended December 31, 2000 (collectively referred to as the successor to the Ultramar Diamond Shamrock Logistics Business).

The selected financial data and operating data as of and for the years ended December 31, 1999, 1998 and 1997 and for the six months ended June 30, 2000 was derived from the audited financial statements of the Ultramar Diamond Shamrock Logistics Business (predecessor).

Prior to July 1, 2000, the pipeline, terminalling and storage assets and operations included in the consolidated and combined financial statements in Item 8. Financial Statements and Supplementary Data were referred to as the Ultramar Diamond Shamrock Logistics Business as if it had existed as a

single separate entity from UDS. UDS formed Valero Logistics Operations to assume ownership of and to operate the assets of the Ultramar Diamond Shamrock Logistics Business. Effective July 1, 2000, UDS transferred the pipelines, terminalling and storage assets and certain liabilities of the Ultramar Diamond Shamrock Logistics Business to Valero Logistics Operations. This transfer represented a reorganization of entities under common control and was recorded at historical cost.

Effective April 16, 2001, the closing date of Valero L.P.'s initial public offering, the ownership interests of Valero Logistics Operations held by various subsidiaries of UDS were transferred to Valero L.P. in exchange for ownership interests (common and subordinated units) in Valero L.P. This transfer also represented a reorganization of entities under common control and was recorded at historical cost.

Tariff Rate and Terminalling Revenue Changes

The financial data included in the tables below have been prepared utilizing the actual pipeline tariff rates and terminalling fees in effect during the periods presented. Effective January 1, 2000, the Ultramar Diamond Shamrock Logistics Business filed revised tariff rates on many of its crude oil and refined product pipelines to reflect the total cost of the pipeline, the current throughput capacity, the current throughput utilization and other market conditions. The tariff rates in effect before January 1, 2000 were based on initial pipeline cost and were not revised upon subsequent expansions or increases or decreases in throughput levels. The revised tariff rates resulted in lower tariff revenues. Prior to 1999, the Ultramar Diamond Shamrock Logistics Business did not charge a separate terminalling fee for terminalling services at its refined product terminals. These costs were charged back to the related refinery. Beginning January 1, 1999, the Ultramar Diamond Shamrock Logistics Business began charging a separate terminalling fee at its refined product terminals.

The financial statements in Item 8. Financial Statements and Supplementary Data and the selected financial data in the tables below do not reflect the revised tariff rates prior to January 1, 2000 and do not reflect the establishment of terminalling fees prior to January 1, 1999.

	Successor		Predecessor			
				Years Ended December 31,		
	Year Ended December 31, 2001	Six Months Ended December 31, 2000	Six Months Ended June 30, 2000	1999	1998	1997
	(in thousands, except per unit data and barrel/day information)					
Statement of Income Data:						
Revenues(1)	$ 98,827	$ 47,550	$ 44,503	$ 109,773	$ 97,883	$ 84,881
Costs and expenses:						
Operating expenses	29,997	14,419	15,458	24,248	28,027	24,042
General and administrative expenses	5,349	2,549	2,590	4,698	4,552	4,761
Depreciation and amortization	13,390	5,924	6,336	12,318	12,451	11,328
Taxes other than income	3,586	1,174	2,454	4,765	4,152	4,235
Total costs and expenses	52,322	24,066	26,838	46,029	49,182	44,366
Gain on sale of property, plant and equipment(2)	—	—	—	2,478	7,005	—
Operating income	46,505	23,484	17,665	66,222	55,706	40,515
Interest expense, net	(3,811)	(4,748)	(433)	(777)	(796)	(158)
Equity income from Skelly-Belvieu	3,179	1,951	1,926	3,874	3,896	3,025
Income before income taxes	45,873	20,687	19,158	69,319	58,806	43,382
Benefit (provision) for income taxes(3)	—	—	30,812	(26,521)	(22,517)	(16,559)
Net income	$ 45,873	$ 20,687	$ 49,970	$ 42,798	$ 36,289	$ 26,823
Basic and diluted net income per unit (4)	$ 1.82					
Cash distributions per unit	$ 1.70					
Other Financial Data:						
Adjusted EBITDA(5)	$ 62,769	$ 31,760	$ 27,223	$ 80,678	$ 65,399	$ 57,499
Distributions from Skelly-Belvieu	2,874	2,352	2,306	4,238	3,692	4,009
Net cash provided by (used in) operating activities	74,258	(81)	18,321	49,976	44,950	44,731
Net cash provided by (used in) investing activities	(15,052)	215	(2,579)	6,865	18,395	(52,141)
Net cash provided by (used in) financing activities	(51,414)	(133)	(15,742)	(56,841)	(63,345)	7,410
Maintenance capital expenditures	2,786	619	1,699	2,060	2,345	633
Expansion capital expenditures	15,140	1,518	3,186	7,313	9,952	12,359
Total capital expenditures	17,926	2,137	4,885	9,373	12,297	12,992
Operating Data (barrels/day):						

Crude oil pipeline throughput	303,811	295,524	294,037	280,041	265,243	282,736
Refined product pipeline throughput	308,047	306,877	312,759	297,397	268,064	257,183
Refined product terminal throughput	189,172	162,904	168,433	161,340	144,093	136,454

	Successor December 31,		Predecessor December 31,		
	2001	2000	1999	1998	1997
	(in thousands)		(in thousands)		
Balance Sheet Data:					
Property, plant and equipment, net	$ 284,852	$ 280,017	$ 284,954	$ 297,121	$ 319,169
Total assets	323,386	329,484	308,214	321,002	346,082
Long-term debt, including current portion and debt due to parent	26,122	118,360	11,102	11,455	11,738
Partners' equity/net parent investment	291,535	204,838	254,807	268,497	295,403

(1) If the revised tariff rates and the terminalling fee had been implemented effective January 1, 1997, revenues would have been as follows for the years presented. The revised tariff rates and terminalling fee were in effect throughout the years ended December 31, 2001 and 2000. The amounts in the table below are unaudited and are in thousands.

	Predecessor Year Ended December 31,		
	1999	1998	1997
Revenues—historical	$ 109,773	$ 97,883	$ 84,881
Decrease in tariff revenues	(21,892)	(17,067)	(16,197)
Increase in terminalling revenues	—	1,649	1,778
Net decrease	(21,892)	(15,418)	(14,419)
Revenues—as adjusted	$ 87,881	$ 82,465	$ 70,462

(2) In March 1998, the Ultramar Diamond Shamrock Logistics Business (predecessor) recognized a gain on the sale of a 25% interest in the McKee to El Paso refined product pipeline and the El Paso refined product terminal to Phillips Petroleum Company. In August 1999, the Ultramar Diamond Shamrock Logistics Business (predecessor) recognized a gain on the sale of an additional 8.33% interest in the McKee to El Paso refined product pipeline and terminal to Phillips Petroleum Company.

(3) Effective July 1, 2000, UDS transferred most of its Mid-Continent pipeline, terminalling and storage assets and certain related liabilities of the Ultramar Diamond Shamrock Logistics Business (predecessor) to Valero Logistics Operations (successor). As a limited partnership, Valero Logistics Operations is not subject to federal or state income taxes. Due to this change in tax status, the deferred income tax liability of $38,217,000 as of June 30, 2000 was written off in the statement of income of the Ultramar Diamond Shamrock Logistics Business (predecessor) for the six months ended June 30, 2000. The resulting net benefit for income taxes of $30,812,000 for the six months ended June 30, 2000, includes the write-off of the deferred income tax liability less the provision for income taxes of $7,405,000 for the six months ended June 30, 2000. The income tax provisions for periods prior to July 1, 2000 were based upon the effective income tax rate for the Ultramar Diamond Shamrock Logistics Business of 38%. The effective income tax rate exceeds the U.S. federal statutory income tax rate due to state income taxes.

(4) Net income applicable to the limited partners, after deduction of the general partner's 2% allocation, for the period from April 16, 2001 to December 31, 2001, was $35,032,000 and net income applicable to the general partner was $715,000. Net income per unit is computed by first allocating net income to each class of unitholder, after deduction of the general partner's 2% interest. Basic and diluted net income per unit is the same. Net income per unit for the periods prior to April 16, 2001 is not shown as units had not been issued.

(5) Adjusted EBITDA is defined as operating income, plus depreciation and amortization, less gain on sale of property, plant and equipment, plus distributions from Skelly-Belvieu Pipeline Company, of which Valero Logistics Operations owns 50%, and excluding the impact of volumetric expansions, contractions and measurement discrepancies in the pipelines. Beginning July 1, 2000, the impact of volumetric expansions, contractions and measurement discrepancies in the pipelines has been borne by the shippers in our pipelines and is therefore not reflected in operating income subsequent to July 1, 2000. The effect of volumetric expansions, contractions and measurement discrepancies in the pipelines was a net reduction to income before income taxes of $916,000, $378,000, $555,000 and $1,647,000 for the six months ended June 30, 2000 and for the years ended December 31, 1999, 1998 and 1997, respectively.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

Current Organization

Valero L.P. owns and operates most of the crude oil and refined product pipeline, terminalling and storage assets located in Texas, Oklahoma, New Mexico and Colorado that support Valero Energy's McKee, Three Rivers and Ardmore refineries located in Texas and Oklahoma.

Valero Energy's refining operations include various logistics assets (pipelines, terminals, marine dock facilities, bulk storage facilities, refinery delivery racks, rail car loading equipment and shipping and trucking operations) that support the refining and retail operations. A portion of the logistics assets consists of crude oil and refined

product pipelines, refined product terminals and crude oil storage facilities located in Texas, Oklahoma, New Mexico and Colorado that support the McKee, Three Rivers and Ardmore refineries located in Texas and Oklahoma. These pipeline, terminalling and storage assets transport crude oil and other feedstocks to the refineries and transport refined products from the refineries to terminals for further distribution. Valero Energy markets the refined products produced by these refineries primarily in Texas, Oklahoma, Colorado, New Mexico and Arizona through a network of approximately 2,700 company-operated and dealer-operated convenience stores, as well as through other wholesale and spot market sales and exchange agreements.

Valero Energy is one of the largest independent refining and marketing companies in the United States. Subsequent to the acquisition of UDS by Valero Energy, Valero Energy owns and operates twelve refineries in Texas (5), California (2), Louisiana, Oklahoma, Colorado, New Jersey and Quebec, Canada with a combined throughput capacity of approximately 1,900,000 barrels per day. Valero Energy produces premium, environmentally clean products such as reformulated gasoline, low-sulfur diesel and oxygenates and gasoline meeting specifications of the California Air Resources Board (CARB). Valero Energy also produces conventional gasoline, distillates, jet fuel, asphalt and petrochemicals. Valero Energy markets its refined products through a network of approximately 4,800 company-operated and dealer-operated convenience stores, 86 cardlock stations, as well as through other wholesale and spot market sales and exchange agreements. In the northeast United States and in eastern Canada, Valero Energy sells, on a retail basis, home heating oil to approximately 250,000 households.

Acquisition of UDS by Valero Energy

On May 7, 2001, UDS announced that it had entered into an Agreement and Plan of Merger (the acquisition agreement) with Valero Energy whereby UDS agreed to be acquired by Valero Energy for total consideration of approximately $4.3 billion. In September 2001, the board of directors and shareholders of both UDS and Valero Energy approved the acquisition and, on December 31, 2001, Valero Energy completed its purchase acquisition of UDS. Under the acquisition agreement, UDS shareholders received, for each share of UDS common stock they held, at their election, cash, Valero Energy common stock or a combination of cash and Valero Energy common stock, having a value

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equal to the sum of $27.50 plus 0.614 shares of Valero Energy common stock valued at $35.78 per share (based on the average closing Valero Energy common stock price over a ten trading-day period ending three days prior to December 31, 2001).

UDS was an independent refiner and retailer of refined products and convenience store merchandise in the central, southwest and northeast regions of the United States and eastern Canada. UDS owned and operated seven refineries located in Texas (2), California (2), Oklahoma, Colorado and Quebec, Canada and marketed its products through a network of approximately 4,500 convenience stores and 86 cardlock stations. In the northeast United States and in eastern Canada, UDS sold, on a retail basis, home heating oil to approximately 250,000 households.

Shamrock Logistics, L.P. (Shamrock Logistics) and Shamrock Logistics Operations, L.P. (Shamrock Logistics Operations) were both subsidiaries of UDS. On December 31, 2001, upon Valero Energy's acquisition of UDS, Valero Energy assumed ownership of Shamrock Logistics and Shamrock Logistics Operations. Effective January 1, 2002, Shamrock Logistics was renamed Valero L.P. and its trading symbol on the NYSE was changed from "UDL" to "VLI." Also, effective January 1, 2002, Shamrock Logistics Operations was renamed Valero Logistics Operations, L.P.

Prior to the acquisition, Valero Energy owned and operated six refineries in Texas (3), Louisiana, New Jersey and California with a combined throughput capacity of more than 1,100,000 barrels per day. Valero Energy marketed its gasoline, diesel fuel and other refined products in 34 states through a bulk and rack marketing network and, in California, through approximately 350 retail locations. Upon completion of the acquisition, Valero Energy became the ultimate parent of Riverwalk Logistics, L.P., our general partner. In addition, Valero Energy became the obligor under the various agreements UDS had with us, including the Services Agreement, the Pipelines and Terminals Usage Agreement and the environmental indemnification.

Reorganizations and Initial Public Offering

Prior to July 1, 2000, the pipeline, terminalling and storage assets and operations included discussed in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations were referred to as the Ultramar Diamond Shamrock Logistics Business as if it had existed as a single separate entity from UDS. UDS formed Valero Logistics Operations to assume ownership of and to operate the assets of the Ultramar Diamond Shamrock Logistics Business. Effective July 1, 2000, UDS transferred the crude oil and refined product pipelines, terminalling and storage assets and certain liabilities of the Ultramar Diamond Shamrock Logistics Business (predecessor) to Valero Logistics Operations (successor). The transfer of assets and certain liabilities to Valero Logistics Operations represented a reorganization of entities under common control and was recorded at historical cost.

Effective with the closing of an initial public offering of common units of Valero L.P. on April 16, 2001, the ownership of Valero Logistics Operations held by various subsidiaries of Valero Energy was transferred to Valero L.P. in exchange for ownership interests (common and subordinated units) in Valero L.P. This transfer also represented a reorganization of entities under common control and was recorded at historical cost.

The following discussion is based on the operating results of the consolidated and combined financial statements of Valero L.P., Valero Logistics Operations and the Ultramar Diamond Shamrock Logistics Business as follows:

- consolidated financial statements of Valero L.P. and Valero Logistics Operations (successor) as of December 31, 2001 and for the period from April 16, 2001 to December 31, 2001;

- combined financial statements of Valero L.P. and Valero Logistics Operations (successor) as of December 31, 2000 and for the period from July 1, 2000 to December 31, 2000 and the period from January 1, 2001 to April 15, 2001; and
- combined financial statements of Valero L.P., Valero Logistics Operations and the Ultramar Diamond Shamrock Logistics Business (predecessor) for the six months ended June 30, 2000 and for the year ended December 31, 1999.

This consolidated and combined financial statement presentation more clearly reflects our financial position and results of operations as a result of the recent reorganizations of entities under common control.

Seasonality

The operating results of Valero L.P. are affected by factors affecting the business of Valero Energy, including refinery utilization rates, crude oil prices, the demand for and prices of refined products and industry refining capacity.

The throughput of crude oil we transport is directly affected by the level of, and refiner demand for, crude oil in markets served directly by our crude oil pipelines. Crude oil inventories tend to increase due to over production of crude oil by producing companies and countries and planned maintenance turnaround activity by refiners. As crude oil inventories increase, the market price for crude oil declines, along with the market prices for refined products. To bring crude oil inventories back in line with demand, refiners reduce production levels, which also has the effect of increasing crude oil market prices.

The throughput of the refined products we transport is directly affected by the level of, and user demand for, refined products in the markets served directly or indirectly by our pipelines. Demand for gasoline in most markets peaks during the summer driving season, which extends from April to September, and declines during the fall and winter months. Demand for gasoline in the Arizona market, however, generally is higher in the winter months than summer months due to greater tourist activity and second home usage in the winter months. Historically, we have not experienced significant fluctuations in throughput due to the stable demand for refined products and the growing population base in the southwestern and Rocky Mountain regions of the United States.

Results of Operations

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

The results of operations for the year ended December 31, 2001 presented in the following table are derived from the consolidated statement of income for Valero L.P. and Valero Logistics Operations, L.P. for the period from April 16, 2001 to December 31, 2001 and the combined statement of income for Valero L.P. and Valero Logistics Operations for the period from January 1, 2001 to April 15, 2001, which in this discussion are combined and referred to as the year ended December 31, 2001. The results of operations for the year ended December 31, 2000 presented in the following table is derived from the statement of income of the Ultramar Diamond Shamrock Logistics Business for the six months ended June 30, 2000 and the combined statement of income of Valero L.P. and Valero Logistics Operations for the six months ended December 31, 2000, which in this discussion are combined and referred to as the year ended December 31, 2000.

Financial Data:

	Years Ended December 31,	
	2001	**2000**
	(in thousands)	
Statements of Income Data:		
Revenues	$ 98,827	$ 92,053
Costs and expenses:		
Operating expenses	29,997	29,877
General and administrative expenses	5,349	5,139
Depreciation and amortization	13,390	12,260
Taxes other than income taxes	3,586	3,628
Total costs and expenses	52,322	50,904
Operating income	46,505	41,149
Interest expense, net	(3,811)	(5,181)
Equity income from Skelly-Belvieu	3,179	3,877
Income before income taxes	$ 45,873	$ 39,845

Operating Data:

The following table reflects throughput barrels for our crude oil and refined product pipelines and the total throughput for all of our refined product terminals for the years ended December 31, 2001 and 2000. The throughput barrels for the year ended December 31, 2000 combine the barrels transported by the Ultramar Diamond Shamrock Logistics Business for the six months ended June 30, 2000 with the barrels transported by Valero L.P. for the six months ended December 31, 2000.

	Years Ended December 31,		
	2001	**2000**	**% Change**
	(in thousands of barrels)		
Crude oil pipeline throughput:			
Dixon to McKee	20,403	22,736	(10)%
Wasson to Ardmore (both pipelines)	29,612	28,003	6 %
Ringgold to Wasson	13,788	10,724	29 %
Corpus Christi to Three Rivers	28,689	31,271	(8)%
Other crude oil pipelines	18,399	15,157	21 %

Total crude oil pipelines	110,891	107,891	3 %
Refined product pipeline throughput:			
McKee to Colorado Springs to Denver	8,838	8,982	(2)%
McKee to El Paso	24,285	22,277	9 %
McKee to Amarillo (both pipelines) to Abernathy	13,747	13,219	4 %
Amarillo to Albuquerque	4,613	4,714	(2)%
McKee to Denver	4,370	4,307	1 %
Ardmore to Wynnewood	20,835	20,705	1 %
Three Rivers to Laredo	4,479	5,886	(24)%
Three Rivers to San Antonio	10,175	9,761	4 %
Other refined product pipelines	21,095	23,537	(10)%
Total refined product pipelines	112,437	113,388	(1)%
Refined product terminal throughput	64,522	60,629	6 %

Revenues for the year ended December 31, 2001 were $98,827,000 as compared to $92,053,000 for the year ended December 31, 2000, an increase of 7% or $6,774,000. This increase in revenues is due primarily to the following items:

- revenues for the Ringgold to Wasson and the Wasson to Ardmore crude oil pipelines increased $1,400,000 due to a combined 12% increase in throughput barrels, resulting from UDS purchasing greater quantities of crude oil from third parties near Ringgold instead of gathering crude oil barrels near Wasson. In March 2001, UDS sold its Oklahoma crude oil gathering operation which was located near Wasson;

- revenues for the Corpus Christi to Three Rivers crude oil pipeline increased $1,390,000 despite the 8% decrease in throughput barrels for the year ended December 31, 2001 as compared to 2000. The Corpus Christi to Three Rivers crude oil pipeline was temporarily converted into a refined product pipeline during the third quarter of 2001 due to the alkylation unit shutdown at UDS' Three Rivers refinery. The increase in revenues is primarily due to the increased tariff rate charged to transport refined products during the third quarter of 2001. In addition, effective May 2001, the crude oil tariff rate was increased to cover the additional costs (dockage and wharfage fees) associated with operating a marine crude oil storage facility in Corpus Christi;

- revenues for the McKee to El Paso refined product pipeline increased $1,187,000 primarily due to a 9% increase in throughput barrels resulting from an increase in UDS' sales into the Arizona market. The McKee to El Paso refined product pipeline connects with a third party pipeline which runs to Arizona;

- revenues for the Three Rivers to Laredo refined product pipeline decreased by $464,000 due to a 24% decrease in throughput barrels partially offset by an increase in the tariff rate effective July 1, 2001. The Laredo refined product terminal revenues also decreased by $290,000 due to the 24% decrease in throughput barrels. The lower throughput barrels are a result of Pemex's expansion of its Monterrey, Mexico refinery that increased the supply of refined products to Nuevo Laredo, Mexico, which is across the border from Laredo, Texas;

- revenues for the Southlake refined product terminal, acquired on July 1, 2001, increased by $1,341,000 and throughput barrels increased by 4,601,000 for the year ended December 31, 2001; and

- revenues for all refined product terminals, excluding the Southlake and Laredo refined product terminals, increased $1,343,000 primarily due to an increase in the terminalling fee charged at our marine-based refined product terminals to cover the additional costs (dockage and wharfage fees) associated with operating a marine refined product terminal and the additional fee of $0.042 per barrel charged for blending additives into certain refined products.

Operating expenses increased $120,000 for the year ended December 31, 2001 as compared to the year ended December 31, 2000 primarily due to the following items:

- during the year ended December 31, 2000, we recognized a loss of $916,000 due to the impact of volumetric expansions, contractions and measurement discrepancies in our pipelines related to the first six months of 2000. Beginning July 1, 2000, the impact of volumetric expansions, contractions and measurement discrepancies in the pipelines is borne by the shippers and is therefore no longer reflected in operating expenses;

- utility expenses increased by $1,538,000, or 17%, due to higher electricity rates during the year ended December 31, 2001 as compared to the year ended December 31, 2000 resulting from higher natural gas costs;

- the acquisition of the Southlake refined product terminal increased operating expenses by $308,000;

- employee related expenses increased due to higher accruals for incentive compensation; and

- other operating expenses decreased due to lower rental expenses for fleet vehicles, satellite communications and safety equipment as a result of more favorable leasing arrangements.

General and administrative expenses increased 4% for the year ended December 31, 2001 as compared to 2000 due to increased general and administrative costs related to being a publicly held entity. Prior to July 1, 2000, UDS allocated approximately 5% of its general and administrative expenses incurred in the United States to its pipeline, terminalling and storage operations to cover costs of centralized corporate functions such as legal, accounting, treasury, engineering, information technology and other corporate services. Effective July 1, 2000, UDS entered into a Services Agreement with us to provide the general and administrative services noted above for an annual fee of $5,200,000, payable monthly. This annual fee is in addition to the incremental general and administrative costs incurred from third parties as a result of our being a publicly held entity. General and administrative expenses were as follows:

Years Ended December 31,

	2001	2000
	(in thousands)	
Services Agreement	$ 5,200	$ 2,600
Allocation of UDS general and administrative expenses for first six months of 2000	—	2,839
Third-party expenses	730	200
Reimbursement from partners on jointly-owned pipelines	(581)	(500)
	$ 5,349	$ 5,139

Depreciation and amortization expense increased $1,130,000 for the year ended December 31, 2001 as compared to the year ended December 31, 2000 due to the additional depreciation related to the Southlake refined product terminal and Ringgold crude oil storage facility acquired during 2001 and additional depreciation related to the recently completed capital projects.

Interest expense for the year ended December 31, 2001 was $3,811,000 as compared to $5,181,000 for 2000. During the period from January 1, 2001 to April 15, 2001, we incurred $2,513,000 of interest expense related to the $107,676,000 of debt due to parent that we assumed on July 1, 2000 and paid off on April 16, 2001. In addition, beginning April 16, 2001, Valero Logistics Operations borrowed $20,506,000 under the revolving credit facility resulting in $738,000 of interest expense for the eight and a half months ended December 31, 2001. Interest expense prior to July 1, 2000 relates only to the debt due to the Port of Corpus Christi Authority of Nueces County, Texas. Interest expense from July 1, 2000 through April 15, 2001 relates to the debt due to parent and the debt due to the Port of Corpus Christi Authority. Interest expense subsequent to April 16, 2001 relates to the borrowings under the revolving credit facility and the debt due to the Port of Corpus Christi Authority.

Equity income from Skelly-Belvieu for the year ended December 31, 2001 decreased $698,000, or 18%, as compared to 2000 due primarily to a 13% decrease in throughput barrels in the Skellytown to Mont Belvieu refined product pipeline. The decreased throughput in 2001 is due to both UDS and Phillips Petroleum Company utilizing greater quantities of natural gas to run their refining operations instead of selling the natural gas to third parties in Mont Belvieu.

Effective July 1, 2000, UDS transferred the assets and certain liabilities of the Ultramar Diamond Shamrock Logistics Business (predecessor) to Valero Logistics Operations (successor). As limited partnerships, Valero L.P. and Valero Logistics Operations are not subject to federal or state income taxes. Due to this change in tax status, the deferred income tax liability of $38,217,000 as of June 30, 2000 was written off in the statement of income of the Ultramar Diamond Shamrock Logistics Business

(predecessor) for the six months ended June 30, 2000. The resulting net benefit for income taxes of $30,812,000 for the six months ended June 30, 2000, includes the write-off of the deferred income tax liability less the provision for income taxes of $7,405,000 for the six months ended June 30, 2000. The income tax provision for the six months ended June 30, 2000 was based upon the effective income tax rate for the Ultramar Diamond Shamrock Logistics Business of 38%. The effective income tax rate exceeds the U.S. federal statutory income tax rate due to state income taxes.

Income before income taxes for the year ended December 31, 2001 was $45,873,000 as compared to $39,845,000 for the year ended December 31, 2000. The increase of $6,028,000 is primarily due to the increase in revenues resulting from higher tariff rates and higher throughput barrels in our pipelines and terminals for 2001 as compared to 2000.

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

The results of operations for the year ended December 31, 2000 presented in the following table are derived from the statement of income of the Ultramar Diamond Shamrock Logistics Business for the six months ended June 30, 2000 and the combined statement of income of Valero L.P. and Valero Logistics Operations for the six months ended December 31, 2000, which in this discussion are combined and referred to as the year ended December 31, 2000. The results of operations for the year ended December 31, 1999 presented in the following table is derived from the statement of income for the Ultramar Diamond Shamrock Logistics Business for the year ended December 31, 1999.

Financial Data:

		Predecessor
	Year Ended December 31, 2000	Year Ended December 31, 1999
	(in thousands)	
Statement of Income Data:		
Revenues	$ 92,053	$ 109,773
Costs and expenses:		
Operating expenses	29,877	24,248
General and administrative expenses	5,139	4,698
Depreciation and amortization	12,260	12,318
Taxes other than income taxes	3,628	4,765
Total costs and expenses	50,904	46,029
Gain on sale of property, plant and equipment	—	2,478
Operating income	41,149	66,222
Interest expense, net	(5,181)	(777)
Equity income from Skelly-Belvieu	3,877	3,874

Income before income taxes	$	39,845	$	69,319

Operating Data:

The following table reflects throughput barrels for our crude oil and refined product pipelines and the total throughput for all of our refined product terminals for the years ended December 31, 2000 and 1999. The throughput barrels for the year ended December 31, 2000 combine the barrels transported by the Ultramar Diamond Shamrock Logistics Business for the six months ended June 30, 2000 with the barrels transported by Valero, L.P. for the six months ended December 31, 2000.

		Predecessor	
	Year Ended December 31, 2000	Year Ended December 31, 1999	% Change
	(in thousands of barrels)		
Crude oil pipeline throughput:			
Dixon to McKee	22,736	22,305	2 %
Wasson to Ardmore (both pipelines)	28,003	26,339	6 %
Ringgold to Wasson	10,724	10,982	(2)%
Corpus Christi to Three Rivers	31,271	29,417	6 %
Other crude oil pipelines	15,157	13,172	15 %
Total crude oil pipelines	107,891	102,215	6 %
Refined product pipeline throughput:			
McKee to Colorado Springs to Denver	8,982	9,064	(1)%
McKee to El Paso	22,277	19,767	13 %
McKee to Amarillo (both pipelines) to Abernathy	13,219	14,995	(12)%
Amarillo to Albuquerque	4,714	4,584	3 %
McKee to Denver	4,307	3,924	10 %
Ardmore to Wynnewood	20,705	20,014	3 %
Three Rivers to Laredo	5,886	5,381	9 %
Three Rivers to San Antonio	9,761	10,154	(4)%
Other refined product pipelines	23,537	20,667	14 %
Total refined product pipelines	113,388	108,550	4 %
Refined product terminal throughput	60,629	58,889	3 %

Revenues for the year ended December 31, 2000 were $92,053,000 as compared to $109,773,000 for the year ended December 31, 1999, a decrease of 16% or $17,720,000. Effective January 1, 2000, we implemented revised tariff rates on many of our pipelines, which resulted in lower revenues being recognized in 2000 as compared to 1999. Adjusting the revenues for the year ended December 31, 1999 using the newly established tariff rates and the throughput barrels resulted in as adjusted revenues of $87,881,000. On a comparative basis, revenues increased $4,172,000 or 5%. The following discussion is based on a comparison of the as adjusted revenues for the year ended December 31, 1999 and the actual revenues for the year ended December 31, 2000:

- revenues for the McKee to El Paso refined product pipeline increased $1,618,000 due to a 13% increase in throughput barrels, resulting from higher refined product demand in El Paso and the Arizona market and temporary refinery disruptions on the West Coast;

- revenues increased $990,000 for the Corpus Christi to Three Rivers crude oil pipeline due to a 6% increase in throughput barrels. In 2000, UDS increased production at the Three Rivers refinery to meet the growing demand in south Texas;

- revenues generated from the refined product terminals were $15,516,000 for the year ended December 31, 2000 as compared to $15,238,000 for the year ended December 31, 1999 due to a combined 3% increase in throughput at the various terminals;

- revenues from the McKee to Denver refined product pipeline increased $266,000 in 2000 as compared to 1999 as throughput increased 10% due to increasing demand in Denver, Colorado;

- revenues from the Three Rivers to Pettus (Corpus Christi segment) refined product pipeline increased $433,000 in 2000 as compared to 1999 as throughput increased 112% due to rising refined product demand in south Texas; and

- revenues for the Three Rivers to Laredo refined product pipeline increased $260,000 for 2000 as compared to 1999 due to a 9% increase in throughput barrels, resulting from increased refined product demand in Laredo, Texas and its sister city of Nuevo Laredo, Mexico. Laredo, Texas is one of the fastest growing cities in the United States and UDS is the major supplier of refined products to this area of Texas.

Operating expenses increased $5,629,000, or 23%, in 2000 from 1999 primarily due to the following items:

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higher operating expenses of $538,000 resulting from a loss of $916,000 in 2000 as compared to a loss of $378,000 in 1999 due to the impact of volumetric expansions and contractions and discrepancies in the measurement of throughput. Effective July 1, 2000, the impact of these items is borne by the shippers in our pipelines and is therefore not reflected in operating expenses;

- higher maintenance expenses of $1,747,000 primarily related to discretionary environmental expenditures on terminal operations;
- utility expenses increasing $1,801,000 in 2000 as compared to 1999 as a result of higher throughput barrels in most pipelines and terminals and higher electricity rates in the fourth quarter of 2000 as a result of higher natural gas costs; and
- higher salary and employee benefit expenses of $853,000 in 2000 as compared to 1999 due to increased benefit accruals and rising salary costs.

Depreciation and amortization expense decreased $58,000 for the year ended December 31, 2000 as compared to the year ended December 31, 1999 due to the sale of an additional 8.33% interest in the McKee to El Paso refined product pipeline and terminal in August 1999. Partially offsetting the decrease was additional depreciation related to the recently completed capital projects, including the expansion of the McKee to Colorado Springs and the Amarillo to Albuquerque refined product pipelines.

General and administrative expenses increased 9% in 2000 as compared to 1999 due to increased general and administrative costs at UDS while the net amount reimbursed by partners on jointly owned pipelines in 2000 remained comparable to 1999. General and administrative expenses were as follows:

	Years Ended December 31,	
	2000	1999
	(in thousands)	
Services Agreement	$ 2,600	$ —
Allocation of UDS general and administrative expenses	2,839	5,201
Third-party expenses	200	—
Reimbursements from partners on jointly-owned pipelines	(500)	(503)
	$ 5,139	$ 4,698

Interest expense of $5,181,000 for the year ended December 31, 2000 was higher than the $777,000 recognized during the year ended December 31, 1999 due to the additional interest expense recognized in the third and fourth quarters of 2000 related to the $107,676,000 of debt due to parent.

Equity income from Skelly-Belvieu represents the 50% interest in the net income of Skelly-Belvieu Pipeline Company, which operates the Skellytown to Mont Belvieu refined product pipeline. Equity income from Skelly-Belvieu for the year ended December 31, 2000 was $3,877,000 as compared to $3,874,000 for the year ended December 31, 1999.

Effective July 1, 2000, UDS transferred the assets and certain liabilities of the Ultramar Diamond Shamrock Logistics Business (predecessor) to Valero Logistics Operations (successor). As limited partnerships, Valero L.P. and Valero Logistics Operations are not subject to federal or state income taxes. Due to this change in tax status, the deferred income tax liability of $38,217,00 as of June 30, 2000 was written off in the statement of income of the Ultramar Diamond Shamrock Logistics Business for the six months ended June 30, 2000. The resulting net benefit for income taxes of $30,812,000 for the six months ended June 30, 2000, includes the write-off of the deferred income tax liability less the provision for income taxes of $7,405,000 for the first six months of 2000. The income tax provision for 1999 was based upon the effective income tax rate for the Ultramar Diamond Shamrock Logistics Business of 38.3%. The effective income tax rate exceeds the U.S. federal statutory income tax rate due to state income taxes.

Income before income taxes for the year ended December 31, 2000 was $39,845,000 as compared to $69,319,000 for the year ended December 31, 1999. The decrease of $29,474,000, or 43%, is primarily due to the decreased tariff revenues as a result of the revised tariff rates that went into effect January 1, 2000, the impact of which was $21,892,000.

Outlook for First Quarter 2002 and Remainder of 2002

Due to an unusual combination of circumstances in the first quarter of 2002, Valero Energy significantly reduced its production at most of its refineries, including the McKee, Ardmore and Three Rivers refineries, for economic reasons. The exceptionally mild winter experienced throughout the United States, the impact to the economy in general of the September 11th terrorist attacks and the OPEC crude oil production cuts, contributed to weak refinery margins in January and February 2002. In addition, many of Valero Energy's refineries were down for scheduled maintenance turnarounds during this time, including the Ardmore and Three Rivers refineries.

As a result of Valero Energy's reduction in refinery production during January and February 2002, throughput in Valero L.P.'s pipelines and terminals is expected to be down 5% in the first quarter of 2002, versus fourth quarter of 2001 levels, excluding the throughput for the Wichita Falls crude oil pipeline effective February 1, 2002. Accordingly, we currently expect net income per unit for Valero L.P. to be in the range of $0.50 per unit for the first quarter of 2002. In March 2002, Valero Energy's production has returned to more normal seasonal levels and they currently do not anticipate significant economic based production cuts through December, 2002. For the remainder of 2002, we anticipate that throughput levels in our pipelines and terminals will increase from those seen during the first quarter of 2002 based on a projected improvement in supply and demand fundamentals for the refining and marketing industry.

Based on the additional cash flow generated from the Wichita Falls acquisition completed on February 1, 2002 and the anticipated return to normal operating levels going forward, management intends to recommend to the board of directors an increase of $0.05 per unit in the quarterly cash distribution to $0.65 per unit for the first quarter of 2002.

Liquidity and Capital Resources

Our primary cash requirements, in addition to normal operating expenses, are for capital expenditures (both maintenance and expansion), business and asset acquisitions, distributions to partners and debt service. We expect to fund our short-term needs for such items as maintenance capital expenditures and quarterly distributions to the partners from operating cash flows. Capital expenditures for long-term needs resulting from future expansion projects and acquisitions are expected to be funded by a variety of sources including cash flows from operating activities, borrowings under the revolving credit facility and the issuance of additional common units and other capital market transactions.

Financing

On December 15, 2000, Valero Logistics Operations entered into a five year $120,000,000 revolving credit facility. Borrowings under the revolving credit facility bear interest at either an alternative base rate or the LIBOR rate at the option of Valero Logistics Operations. The revolving credit facility requires that Valero Logistics Operations maintain certain financial ratios and includes other restrictive covenants, including a prohibition on distributions by Valero Logistics Operations if any default, as defined in the revolving credit facility, exists or would result from the distribution. Management believes that Valero Logistics Operations is in compliance with all of these ratios and covenants.

As of December 31, 2001, the outstanding balance of borrowings under the revolving credit facility was $16,000,000. On February 1, 2002, we borrowed $64,000,000 under the revolving credit facility to fund the acquisition of the Wichita Falls crude oil pipeline and storage facility from Valero Energy, resulting in an outstanding balance of $80,000,000 as of February 28, 2002.

Initial Public Offering

On April 16, 2001, we completed our initial public offering of 5,175,000 common units at a price of $24.50 per unit. Total proceeds were $126,787,000 before offering costs and underwriters' commissions. In addition, we borrowed $20,506,000 under our revolving credit facility. A summary of the use of proceeds is as follows (in thousands):

Use of proceeds:		
Underwriters' commissions	$	8,875
Professional fees and other offering costs		6,000
Debt issuance costs		436
Repayment of debt due to parent		107,676
Reimbursement of capital expenditures		20,517
Total use of proceeds	$	143,504

The net proceeds of $3,789,000 were available for working capital and general corporate purposes.

Distributions

Valero L.P.'s partnership agreement, as amended, sets forth the calculation to be used to determine the amount and priority of cash distributions that the common unitholders, subordinated unitholders and general partner will receive. During the subordination period, the holders of our common units are entitled to receive each quarter a minimum quarterly distribution of $0.60 per unit ($2.40 annualized) prior to any distribution of available cash to holders of our subordinated units. The subordination period is defined generally as the period that will end on the first day of any quarter beginning after December 31, 2005 if (1) we have distributed at least the minimum quarterly distribution on all outstanding units with respect to each of the immediately preceding three consecutive, non-overlapping

four-quarter periods and (2) our adjusted operating surplus, as defined in our partnership agreement, during such periods equals or exceeds the amount that would have been sufficient to enable us to distribute the minimum quarterly distribution on all outstanding units on a fully diluted basis and the related distribution on the 2% general partner interest during those periods.

In addition, all of the subordinated units may convert to common units on a one-for-one basis on the first day following the record date for distributions for the quarter ending December 31, 2005, if we meet the tests set forth in the partnership agreement. If the subordination period ends, the rights of the holders of subordinated units will no longer be subordinated to the rights of the holders of common units and the subordinated units may be converted into common units.

For the period from April 16, 2001 to December 31, 2001, we paid cash distributions to unitholders totaling $21,571,000, which represents the required minimum quarterly distribution for that period. In addition, in February 2002, we paid a distribution of $0.60 per unit or $11,552,000 to unitholders representing the distribution of available cash generated in the fourth quarter of 2001. General partner cash distributions applicable to the period from April 16, 2001 to December 31, 2001, totaled $667,000, of which $236,000 related to cash generated in the fourth quarter of 2001.

Capital Requirements

The petroleum pipeline industry is capital-intensive, requiring significant investments to upgrade or enhance existing operations and to meet environmental regulations. Our capital expenditures consist primarily of:

- maintenance capital expenditures, such as those required to maintain equipment reliability and safety and to address environmental regulations; and
- expansion capital expenditures, such as those to expand and upgrade pipeline capacity and to construct new pipelines, terminals and storage facilities to meet Valero Energy's needs. In addition, expansion capital expenditures will include acquisitions of pipelines, terminals or storage assets owned by Valero Energy or other parties.

We expect to fund our capital expenditures from cash provided by operations and to the extent necessary, from proceeds of borrowings under the revolving credit facility and debt offerings.

During the year ended December 31, 2001, we incurred maintenance capital expenditures of $2,786,000 primarily related to tank and automation upgrades at the refined product terminals and cathodic (corrosion) protection and automation upgrades for both refined product and crude oil pipelines. Also during the year ended December 31, 2001, we incurred expansion capital expenditures of $15,140,000 for various acquisitions and capital projects. Acquisitions included the July 2001

acquisition of the Southlake refined product terminal from Valero Energy for $5,600,000 and the December 2001 acquisition of the Ringgold crude oil storage facility from Valero Energy for $5,200,000. Capital projects included $1,813,000 for rights-of-way related to the expansion of the Amarillo to Albuquerque refined product pipeline, which is net of Phillips Petroleum Company's 50% share of such cost.

Effective February 1, 2002, we exercised our option to purchase the Wichita Falls to McKee crude oil pipeline and storage facility from Valero Energy at a cost of $64,000,000.

During the year ended December 31, 2000, we incurred $7,022,000 of capital expenditures, including $4,704,000 relating to expansion capital projects and $2,318,000 related to maintenance projects. Expansion capital projects included the project to expand the capacity of the McKee to Colorado Springs refined product pipeline from 32,000 barrels per day to 52,000 barrels per day, which was completed in the fourth quarter of 2000.

During the year ended December 31, 1999, we incurred $9,373,000 of capital expenditures, including $5,392,000 relating to the expansion of the capacity of the McKee to Colorado Springs refined product pipeline from 32,000 barrels per day to 52,000 barrels per day, and $1,565,000 relating to the expansion of the total capacity of the McKee to El Paso refined product pipeline from 40,000 barrels per day to 60,000 barrels per day.

Partially offsetting the cash outflows related to capital expenditures are cash inflows from our 50% interest in Skelly-Belvieu Pipeline Company, the distributions from which totaled $2,874,000, $4,658,000 and $4,238,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

We anticipate that we will continue to have adequate liquidity to fund future recurring operating, investing and financing activities. Our ability to complete future debt and equity offerings and the timing of any such offerings will depend upon various factors including prevailing market conditions, interest rates and our financial condition.

Related Party Transactions

Services Agreement

Effective July 1, 2000, UDS entered into the Services Agreement with us, whereby UDS agreed to provide the corporate functions of legal, accounting, treasury, information technology and other services for an annual fee of $5,200,000 for a period of eight years. The $5,200,000 is adjustable annually based on the Consumer Price Index published by the U.S. Department of Labor, and may also be adjusted to take into account additional service levels necessitated by the acquisition or construction of additional assets. Management believes that the $5,200,000 is a reasonable approximation of the general and administrative costs related to our current pipeline, terminalling and storage operations. This annual fee is in addition to the incremental general and administrative costs incurred from third parties as a result of our being a publicly held entity.

The Services Agreement also requires that we reimburse UDS for various recurring costs of employees who work exclusively within the pipeline, terminalling and storage operations and for certain other costs incurred by Valero Energy relating solely to us. These employee costs include salary, wages and benefit costs. Concurrent with the acquisition of UDS by Valero Energy, Valero Energy became the obligor under the Services Agreement.

Prior to July 1, 2000, UDS allocated approximately 5% of its general and administrative expenses incurred in the United States to its pipeline, terminalling and storage operations to cover costs of centralized corporate functions and other corporate services. A portion of the allocated general and administrative costs is passed on to partners, which jointly own certain pipelines and terminals with us. Also, prior to July 1, 2000, the Ultramar Diamond Shamrock Logistics Business participated in UDS' centralized cash management program, wherein all cash receipts were remitted to UDS and all cash disbursements were funded by UDS. Other transactions include intercompany transportation, storage and terminalling revenues and related expenses, administrative and support expenses incurred by UDS and allocated to the Ultramar Diamond Shamrock Logistics Business and income taxes.

Pipelines and Terminals Usage Agreement

On April 16, 2001, UDS entered into the Pipelines and Terminals Usage Agreement with us, whereby UDS agreed to use our pipelines to transport at least 75% of the crude oil shipped to and at least 75% of the refined products shipped from the McKee, Three Rivers and Ardmore refineries and to use our refined product terminals for terminalling services for at least 50% of all refined products shipped from these refineries until at least April, 2008. For the year ended December 31, 2001, UDS used our pipelines to transport 78% of its crude oil shipped to and 80% of the refined products shipped from the McKee, Three Rivers and Ardmore refineries, and used our terminalling services for

60% of all refined products shipped from these refineries. Valero Energy also assumed the obligation under the Pipelines and Terminals Usage Agreement in connection with the acquisition of UDS by Valero Energy.

Equity Ownership

As of December 31, 2001, UDS Logistics, LLC, an indirect wholly owned subsidiary of Valero Energy, owns 4,424,322 of our outstanding common units and all 9,599,322 of our outstanding subordinated units. As a result, UDS Logistics, LLC owns 71.6% of our outstanding equity and Riverwalk Logistics, L.P. owns the 2% general partner interest.

Environmental

Our operations are subject to environmental laws and regulations adopted by various federal, state and local governmental authorities in the jurisdictions in which we operate. Although we believe our operations are in general compliance with applicable environmental regulations, risks of additional costs and liabilities are inherent in pipeline, terminalling and storage operations, and there can be no assurance that significant costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly stringent environmental laws, regulations, and enforcement policies thereunder, and claims for damages to property or persons resulting from the operations, could result in substantial costs and liabilities. Accordingly, we have adopted policies, practices and procedures in the areas of pollution control, product safety, occupational health and the handling, storage, use and disposal of hazardous materials to prevent material environmental or other damage, and to

limit the financial liability which could result from such events. However, some risk of environmental or other damage is inherent in pipeline, terminalling and storage operations, as it is with other entities engaged in similar businesses.

In connection with the transfer of assets and liabilities from the Ultramar Diamond Shamrock Logistics Business to Shamrock Logistics Operations on July 1, 2000, UDS agreed to indemnify Shamrock Logistics Operations for environmental liabilities that arose prior to July 1, 2000. In connection with the initial public offering of Valero L.P. on April 16, 2001, UDS agreed to indemnify Valero L.P. for environmental liabilities that arose prior to April 16, 2001 and are discovered within 10 years after April 16, 2001. Excluded from this indemnification are liabilities that result from a change in environmental law after April 16, 2001. In addition, as an operator or owner of the assets, we could be held liable for pre-April 16, 2001 environmental damage should Valero Energy be unable to fulfill its obligation. However, we believe that such a situation is remote given Valero Energy's financial condition.

Environmental exposures are difficult to assess and estimate due to unknown factors such as the magnitude of possible contamination, the timing and extent of remediation, the determination of our liability in proportion to other parties, improvements in cleanup technologies and the extent to which environmental laws and regulations may change in the future. Although environmental costs may have a significant impact on results of operations for any single period, we believe that such costs will not have a material adverse effect on our financial position. As of December 31, 2001, we have not incurred any environmental liabilities which were not covered by the environmental indemnification.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with United States generally accepted accounting principles requires management to select appropriate accounting policies and to make estimates and assumptions that effect the amounts reported in the consolidated and combined financial statements and accompanying notes. Actual results could differ from those estimates. See note 2 Summary of Significant Accounting Policies on page 51 for our significant accounting policies.

On an ongoing basis, management reviews its estimates based on currently available information. Changes in facts and circumstances may result in revised estimates. Any affects to our financial position or results of operations resulting from revisions to estimates are recorded in the period in which the facts and circumstances that give rise to the revision become known. We deem the following estimates and accounting policies to be critical:

Tariff Rates

Tariff rates which we charge for the transportation of crude oil and refined products in our pipelines are subject to extensive federal and/or state regulation. Reductions to the current tariff rates we charge could have a material adverse effect on our results of operations. Valero Energy has agreed not to challenge our tariff rates until at least April, 2008.

Depreciation

Depreciation expense is calculated using the straight-line method over the estimated useful lives of our property, plant and equipment. Because of the expected long useful lives of our property, plant and equipment, we depreciate them over an 8-year to 40-year period. Changes in the estimated useful lives of our property, plant and equipment could have a material adverse affect on our results of operations.

Goodwill

Goodwill is the excess of cost over the fair value of net assets acquired. Effective January 1, 2002, with the adoption of FASB Statement No. 142, "Goodwill and Other Intangible Assets," amortization of goodwill will cease and the unamortized balance will be tested annually for impairment. Management's estimates will be crucial to determining whether an impairment exists and, if so, the effect of such impairment. We believe that future reported net income may be more volatile because impairment losses related to goodwill are likely to occur irregularly and in varying amounts.

Environmental Liabilities

Environmental laws and regulations adopted by various federal, state and local governmental authorities in the jurisdictions in which we operate impact our business. Although we believe our operations are in general compliance with applicable environmental regulations, risks of additional costs and liabilities are inherent in pipeline, terminalling and storage operations, and there can be no assurance that significant costs and liabilities will not be incurred. Environmental remediation costs are expensed and the associated accrual established when site restoration and environmental remediation and cleanup obligations are either known or considered probable and can be reasonably estimated. Adjustments to initial estimates are recorded, from time to time, to reflect changing circumstances and estimates based upon additional information developed in subsequent periods. In connection with the initial public offering of Valero L.P., Valero Energy agreed to indemnify us for environmental liabilities that arose prior to April 16, 2001 and are discovered within 10 years after April 16, 2001. Excluded from this indemnification are costs that arise from changes in environmental law after April 16, 2001. In addition, as an operator or owner of the assets, we could be held liable for pre-April 16, 2001 environmental damage should Valero Energy be unable to fulfill its obligation. However, we believe that such a situation is remote given Valero Energy's financial condition. As of December 31, 2001, we have not incurred any environmental liabilities which were not covered by the environmental indemnification.

Income Taxes

Although we are a limited partnership and not subject to federal or state income taxes, the IRS could challenge positions we have taken for tax purposes and could treat us as a corporation. While we

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believe challenges to our positions should be rare, any changes to our tax structure could have a material adverse effect on our results of operations.

Relationship with Valero Energy

Under the Services Agreement, we pay Valero Energy $5,200,000 per year for performing general and administrative services and reimburse it for other costs, including employee and third-party costs as well as costs incurred by reason of our being a public entity. The Service Agreement and other agreements with Valero Energy are described under Related Party Transactions on page 37. From time to time, we need to make judgments as to whether or not particular services are covered by the $5,200,000 annual fee. These service judgments are reviewed by our internal and independent auditors and reported to our audit committee at least quarterly.

New Accounting Pronouncements

FASB Statement No. 141

In June 2001, the FASB issued Statement No. 141, "Business Combinations." Statement No. 141 addresses financial accounting and reporting for business combinations and supersedes APB Opinion No. 16, "Business Combinations," and Statement No. 38, "Accounting for Preacquisition Contingencies of Purchased Enterprises." All business combinations within the scope of Statement No. 141 are to be accounted for using the purchase method. The provisions of Statement No. 141 apply to all business combinations initiated after June 30, 2001 and to all business combinations accounted for using the purchase method for which the date of acquisition is July 1, 2001 or later. We implemented Statement No. 141 on July 1, 2001; however, the acquisition of both the Southlake refined product terminal and the Ringgold crude oil storage facility have been accounted for at historical cost because they were acquired from our parent.

FASB Statement No. 142

Also in June 2001, the FASB issued Statement No. 142, "Goodwill and Other Intangible Assets." Statement No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, "Intangible Assets." Statement No. 142 addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. The provisions of Statement No. 142 are required to be applied starting with fiscal years beginning after December 15, 2001. This statement is required to be applied at the beginning of an entity's fiscal year and to be applied to all goodwill and other intangible assets recognized in its financial statements at that date. The statement provides that goodwill and other intangible assets that have indefinite useful lives will not be amortized but instead will be tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives, but such lives will not be limited to 40 years. Impairment losses for goodwill and indefinite-lived intangible assets that arise due to the initial application of Statement No. 142 are to be reported as resulting from a change in accounting principle. We have reviewed the requirements of Statement No. 142 and the impact of adoption effective January 1, 2002 will result in the cessation of goodwill amortization beginning January 1, 2002, which amortization approximates $300,000 annually. In addition, we believe that future reported net income may be more volatile because impairment losses related to goodwill are likely to occur irregularly and in varying amounts.

FASB Statement No. 143

Also in June 2001, the FASB issued Statement No. 143, "Accounting for Asset Retirement Obligations." This statement establishes standards for accounting for an obligation associated with the retirement of a tangible long-lived asset. An asset retirement obligation should be recognized in the financial statements in the period in which it meets the definition of a liability as defined in FASB Concepts Statement No. 6, "Elements of Financial Statements." The amount of the liability would initially be measured at fair value. Subsequent to initial measurement, an entity would recognize changes in the amount of the liability resulting from (a) the passage of time and (b) revisions to either the timing or amount of estimated cash flows. Statement No. 143 also establishes standards for accounting for the cost associated with an asset retirement obligation. It requires that, upon initial recognition of a liability for an asset retirement obligation, an entity capitalize that cost by recognizing an increase in the carrying amount of the related long-lived asset. The capitalized asset retirement cost would then be allocated to expense using a systematic and rational method. Statement No. 143 will be effective for financial statements issued for fiscal years beginning after June 15, 2002, with earlier application encouraged. We are currently evaluating the impact of adopting this new statement.

FASB Statement No. 144

In August 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Statement No. 144 addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. This statement supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," but retains Statement No. 121's fundamental provisions for recognition and measurement of impairment of long-lived assets to be held and used and measurement of long-lived assets to be disposed of by sale. This statement also supersedes APB Opinion No. 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," for the disposal of a segment of a business. Statement No. 144 does not apply to goodwill or other intangible assets, the accounting and reporting of which is addressed in newly issued Statement No. 142, "Goodwill and Other Intangible Assets." The provisions of Statement No. 144 are effective for financial statements for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. We are currently evaluating the impact of adopting this new statement.

Certain Forward-Looking Statements

This annual report on Form 10-K contains certain "forward-looking" statements as such term is defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and information relating to us that is based on the beliefs of management as well as assumptions made by and information currently available to management. When used in this report, the words "anticipate," "believe," "estimate," "expect," and "intend" and words or phrases of similar expressions, as they relate to us or management, identify forward-looking statements. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions relating to the operations and results of operations, including as a result of competitive factors such as competing pipelines, pricing pressures, changes in market conditions, reductions in production at the refineries that we supply with crude oil and whose refined products we transport, inability to acquire additional non-affiliated pipeline entities, reductions in space allocated to us in interconnecting third party pipelines, shifts in market demand, general economic conditions and other factors.

Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein as anticipated, believed, estimated, expected or intended.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Valero L.P. currently does not engage in interest rate, foreign currency exchange rate or commodity price hedging transactions.

The principal market risk (i.e., the risk of loss arising from adverse changes in market rates and prices) to which we are exposed is interest rate risk on our debt. We manage our debt considering various financing alternatives available in the market. Borrowings under our revolving credit facility do not give rise to significant interest rate risk because the interest rate on borrowings under the revolving credit facility float with market rates. Thus the carrying amount of outstanding borrowings under the revolving credit facility approximates fair value. Our remaining debt is fixed rate debt with an 8% interest rate. The estimated fair value of our fixed rate debt as of December 31, 2001 was $11,240,000 as compared to the carrying value of $10,122,000. The fair value was estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements. Because the total of this fixed rate debt is not material to our financial position or performance, there is currently minimal impact related to market interest rate risk.

Item 8. Financial Statements and Supplementary Data

Report of Independent Public Accountants

To the Board of Directors and Unitholders of
Valero L.P.:

We have audited the accompanying consolidated and combined balance sheets, respectively, of Valero L.P., formerly Shamrock Logistics, L.P. (a Delaware limited partnership) and Valero Logistics Operations, L.P., formerly Shamrock Logistics Operations, L.P. successor to the Ultramar Diamond Shamrock Logistics Business (a Delaware limited partnership) (collectively, the Partnerships) as of December 31, 2001 and 2000 (successor), and the related consolidated and combined, respectively, statements of income, cash flows, partners' equity/net parent investment for the year ended December 31, 2001 and the six months ended December 31, 2000 (successor) and the related combined statements of income, cash flows, partners' equity/net parent investment for the six months ended June 30, 2000 and the year ended December 31, 1999 (predecessor). These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated and combined, respectively, financial position of the Partnerships as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

San Antonio, Texas
March 5, 2002

VALERO L.P. AND VALERO LOGISTICS OPERATIONS, L.P.
(formerly Shamrock Logistics, L.P. and Shamrock Logistics Operations, L.P.)
(successor to the Ultramar Diamond Shamrock Logistics Business)
CONSOLIDATED AND COMBINED BALANCE SHEETS
(in thousands)

	December 31,	
	2001	2000
Assets		
Current assets:		
Cash and cash equivalents	$ 7,796	$ 4
Receivable from parent	6,292	22,348
Accounts receivable	2,855	2,386
Other current assets	—	3,528
Total current assets	16,943	28,266
Property, plant and equipment	406,241	388,537
Less accumulated depreciation and amortization	(121,389)	(108,520)
Property, plant and equipment, net	284,852	280,017
Goodwill, net	4,715	5,014
Investment in affiliate	16,492	16,187

Other noncurrent assets, net	384	—
Total assets	$ 323,386	$ 329,484
Liabilities and Partners' Equity		
Current liabilities:		
Current portion of long-term debt	$ 462	$ 608
Accounts payable and accrued liabilities	4,084	2,685
Taxes other than income taxes	1,643	3,601
Total current liabilities	6,189	6,894
Long-term debt, less current portion	25,660	10,076
Debt due to parent	—	107,676
Other long-term liabilities	2	—
Commitments and contingencies		
Partners' equity:		
Common Units (9,599,322 outstanding as of December 31, 2001)	169,305	—
Subordinated Units (9,599,322 outstanding as of December 31, 2001)	116,399	—
Limited partners' equity	—	202,790
General partner equity	5,831	2,048
Total partners' equity	291,535	204,838
Total liabilities and partners' equity	$ 323,386	$ 329,484

See accompanying notes to consolidated and combined financial statements.

VALERO L.P. AND VALERO LOGISTICS OPERATIONS, L.P.
(formerly Shamrock Logistics, L.P. and Shamrock Logistics Operations, L.P.)
(successor to the Ultramar Diamond Shamrock Logistics Business)
CONSOLIDATED AND COMBINED STATEMENTS OF INCOME
(in thousands, except unit and per unit data)

	Successor		Predecessor	
	Year Ended December 31, 2001	Six Months Ended December 31, 2000	Six Months Ended June 30, 2000	Year Ended December 31, 1999
Revenues	$ 98,827	$ 47,550	$ 44,503	$ 109,773
Costs and expenses:				
Operating expenses	29,997	14,419	15,458	24,248
General and administrative expenses	5,349	2,549	2,590	4,698
Depreciation and amortization	13,390	5,924	6,336	12,318
Taxes other than income taxes	3,586	1,174	2,454	4,765
Total costs and expenses	52,322	24,066	26,838	46,029
Gain on sale of property, plant and equipment	—	—	—	2,478
Operating income	46,505	23,484	17,665	66,222
Interest expense, net	(3,811)	(4,748)	(433)	(777)
Equity income from affiliate	3,179	1,951	1,926	3,874
Income before income taxes	45,873	20,687	19,158	69,319
Benefit (provision) for income taxes	—	—	30,812	(26,521)
Net income	$ 45,873	$ 20,687	$ 49,970	$ 42,798
Allocation of 2001 net income:				
Net income applicable to the period January 1 to April 15, 2001	$ 10,126			

Net income applicable to the period after April 15, 2001	35,747
Net income	$ 45,873
General partner interest in net income applicable to the period after April 15, 2001	$ 715
Limited partners' interest in net income applicable to the period after April 15, 2001	$ 35,032
Basic and diluted net income per unit applicable to the period after April 15, 2001	$ 1.82
Weighted average number of units outstanding for the period from April 16 to December 31, 2001	19,198,644

See accompanying notes to consolidated and combined financial statements.

VALERO L.P. AND VALERO LOGISTICS OPERATIONS, L.P.
(formerly Shamrock Logistics, L.P. and Shamrock Logistics Operations, L.P.)
(successor to the Ultramar Diamond Shamrock Logistics Business)
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
(in thousands)

	Successor		Predecessor	
	Year Ended December 31, 2001	Six Months Ended December 31, 2000	Six Months Ended June 30, 2000	Year Ended December 31, 1999
Cash Flows from Operating Activities:				
Net income	$ 45,873	$ 20,687	$ 49,970	$ 42,798
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	13,390	5,924	6,336	12,318
Amortization of debt issuance costs	90	—	—	—
Equity income from affiliate	(3,179)	(1,951)	(1,926)	(3,874)
Gain on sale of property, plant and equipment	—	—	—	(2,478)
(Benefit) provision for deferred income taxes	—	—	(36,677)	3,622
Changes in operating assets and liabilities:				
Decrease (increase) in receivable from parent	16,056	(22,347)	—	(1)
Decrease (increase) in accounts receivable	(469)	(1,676)	263	(42)
Decrease (increase) in other current assets	3,528	(3,528)	—	—
Increase (decrease) in accounts payable, accrued liabilities and taxes other than income taxes	(559)	2,810	492	(142)
Increase in other noncurrent assets	(474)	—	—	—
Increase (decrease) in other long-term liabilities	2	—	(137)	(2,225)
Net cash provided by (used in) operating activities	74,258	(81)	18,321	49,976
Cash Flows from Investing Activities:				
Maintenance capital expenditures	(2,786)	(619)	(1,699)	(2,060)
Expansion capital expenditures	(15,140)	(1,518)	(3,186)	(7,313)
Distributions received from affiliate	2,874	2,352	2,306	4,238
Proceeds from sale of property, plant and equipment	—	—	—	12,000
Net cash (used in) provided by investing activities	(15,052)	215	(2,579)	6,865
Cash Flows from Financing Activities:				
Proceeds from long-term debt borrowings	25,506	—	—	—
Repayment of long-term debt	(10,068)	(134)	(284)	(353)
Partners' contributions	—	1	—	1
Distributions to parent and affiliates	(29,000)	—	(15,458)	(56,489)
Net proceeds from sales of common units to the public	111,912	—	—	—
Distribution to affiliates of parent for reimbursement of capital expenditures	(20,517)	—	—	—
Repayment of debt due to parent	(107,676)	—	—	—

Payment of distributions to unitholders	(21,571)	—	—	—
Net cash used in financing activities	(51,414)	(133)	(15,742)	(56,841)
Net increase in cash and cash equivalents	7,792	1	—	—
Cash and cash equivalents as of the beginning of period	4	3	3	3
Cash and cash equivalents as of the end of period	$ 7,796	$ 4	$ 3	$ 3

See accompanying notes to consolidated and combined financial statements.

SHAMROCK LOGISTICS, L.P. AND SHAMROCK LOGISTICS OPERATIONS, L.P.
(successor to the Ultramar Diamond Shamrock Logistics Business)
COMBINED STATEMENTS OF PARTNERS' EQUITY/NET PARENT INVESTMENT
Six Months Ended December 31, 2000 and June 30, 2000 and the Year Ended December 31, 1999
(in thousands)

Balance as of January 1, 1999	$ 268,497
Net income	42,798
Net change in parent advances	(56,489)
Partners contributions	1
Balance as of December 31, 1999	254,807
Net income	49,970
Net change in parent advances	(15,458)
Formalization of the terms of debt due to parent	(107,676)
Balance as of June 30, 2000	181,643
Net income	20,687
Partners contributions	1
Environmental liabilities as of June 30, 2001 retained by Ultramar Diamond Shamrock Corporation	2,507
Balance as of December 31, 2000	$ 204,838

VALERO L.P. AND VALERO LOGISTICS OPERATIONS, L.P.
(formerly Shamrock Logistics, L.P. and Shamrock Logistics Operations, L.P.)
(successor to the Ultramar Diamond Shamrock Logistics Business)
CONSOLIDATED AND COMBINED STATEMENT OF PARTNERS' EQUITY
Year Ended December 31, 2001
(in thousands)

	Limited Partners'			
	Common	Subordinated	General Partner	Total Partners' Equity
Combined balance as of January 1, 2001	$ 202,790	$ —	$ 2,048	$ 204,838
Net income applicable to the period January 1 to April 15, 2001	10,025	—	101	10,126
Distributions to affiliates of Ultramar Diamond Shamrock Corporation of net income applicable to the period July 1, 2000 to April 15, 2001	(28,710)	—	(290)	(29,000)
Distribution to affiliates of Ultramar Diamond Shamrock Corporation for reimbursement of capital expenditures	(20,517)	—	—	(20,517)
Issuance of common and subordinated units for the contribution of Valero Logistics Operations' limited partner interest	(113,141)	109,453	3,688	—
Sale of common units to the public	111,912	—	—	111,912
Net income applicable to the period from April 16 to December 31, 2001	17,516	17,516	715	35,747
Cash distributions to unitholders	(10,570)	(10,570)	(431)	(21,571)
Consolidated balance as of December 31, 2001	$ 169,305	$ 116,399	$ 5,831	$ 291,535

See accompanying notes to consolidated and combined financial statements.

VALERO L.P. AND VALERO LOGISTICS OPERATIONS, L.P.
(formerly Shamrock Logistics, L.P. and Shamrock Logistics Operations, L.P.)

NOTE 1: Organization

Valero L.P. (formerly Shamrock Logistics, L.P.), a Delaware limited partnership and majority-owned subsidiary of Valero Energy Corporation was formed to ultimately acquire Valero Logistics Operations, L.P. (formerly Shamrock Logistics Operations, L.P.)

Valero Logistics Operations, L.P. (Valero Logistics Operations), a Delaware limited partnership and a subsidiary of Valero L.P., was formed to operate the crude oil and refined product pipeline, terminalling and storage assets of the Ultramar Diamond Shamrock Logistics Business.

Valero L.P. owns and operates most of the crude oil and refined product pipeline, terminalling and storage assets located in Texas, Oklahoma, New Mexico and Colorado that support Valero Energy Corporation's (Valero Energy) McKee, Three Rivers and Ardmore refineries located in Texas and Oklahoma.

Valero Energy is an independent refining and marketing company. Prior to the acquisition of Ultramar Diamond Shamrock Corporation (UDS) on December 31, 2001, Valero Energy owned and operated six refineries in Texas (3), California, Louisiana and New Jersey with a combined throughput capacity of more than 1,100,000 barrels per day. Valero Energy produces premium, environmentally clean products such as reformulated gasoline, low-sulfur diesel fuel and oxygenates and gasoline meeting specifications of the California Air Resources Board (CARB). Valero Energy also produces conventional gasoline, distillates, jet fuel, asphalt and petrochemicals and markets its products through an extensive wholesale bulk and rack marketing network, and through branded retail and other retail distributor locations.

UDS was an independent refiner and retailer of refined products and convenience store merchandise in the central, southwest and northeast regions of the United States and eastern Canada. UDS owned and operated seven refineries located in Texas (2), California (2), Oklahoma, Colorado and Quebec, Canada and marketed its products through a network of approximately 4,500 convenience stores and 86 cardlock stations. In the northeast United States and in eastern Canada, UDS sold, on a retail basis, home heating oil to approximately 250,000 households.

Valero Energy's refining operations include various logistics assets (pipelines, terminals, marine dock facilities, bulk storage facilities, refinery delivery racks, rail car loading equipment and shipping and trucking operations) that support the refining and retail operations. A portion of the logistics assets consists of crude oil and refined product pipelines, refined product terminals and crude oil storage facilities located in Texas, Oklahoma, New Mexico and Colorado that support the McKee, Three Rivers and Ardmore refineries located in Texas and Oklahoma. These pipeline, terminalling and storage assets transport crude oil and other feedstocks to the refineries and transport refined products from the refineries to terminals for further distribution. Valero Energy markets the refined products produced by these refineries primarily in Texas, Oklahoma, Colorado, New Mexico and Arizona through a network of approximately 2,700 company-operated and dealer-operated convenience stores, as well as through other wholesale and spot market sales and exchange agreements.

Acquisition of UDS by Valero Energy

On May 7, 2001, UDS announced that it had entered into an Agreement and Plan of Merger (the acquisition agreement) with Valero Energy whereby UDS agreed to be acquired by Valero Energy for total consideration of approximately $4.3 billion. In September 2001, the board of directors and shareholders of both UDS and Valero Energy approved the acquisition and, on December 31, 2001, Valero Energy completed its acquisition of UDS. Under the acquisition agreement, UDS shareholders received, for each share of UDS common stock they held, at their election, cash, Valero Energy common stock or a combination of cash and Valero Energy common stock, having a value equal to the sum of $27.50 plus 0.614 shares of Valero Energy common stock valued at $35.78 per share (based on the average closing Valero Energy common stock price over a ten trading-day period ending three days prior to December 31, 2001).

Shamrock Logistics, L.P. (Shamrock Logistics) and Shamrock Logistics Operations, L.P. (Shamrock Logistics Operations) were both subsidiaries of UDS. On December 31, 2001, upon Valero Energy's acquisition of UDS, Valero Energy assumed UDS' ownership of Shamrock Logistics and Shamrock Logistics Operations. Effective January 1, 2002, Shamrock Logistics was renamed Valero L.P. and its trading symbol on the NYSE was changed from "UDL" to "VLI." Also, effective January 1, 2002, Shamrock Logistics Operations was renamed Valero Logistics Operations, L.P.

Valero Energy is the ultimate parent of Riverwalk Logistics, L.P., the general partner of both Valero L.P. and Valero Logistics Operations. In addition, Valero Energy became the obligor under the various agreements between UDS and us, including the Services Agreement, the Pipelines and Terminals Usage Agreement and the environmental indemnification.

As used in these financial statements, the terms "we," "our," "us" or similar words or phrases may refer, depending on the context, to Valero L.P. or Valero Logistics Operations or both of them taken as a whole.

Reorganizations and Initial Public Offering

Prior to July 1, 2000, the pipeline, terminalling and storage assets and operations included in these financial statements were referred to as the Ultramar Diamond Shamrock Logistics Business as if it had existed as a single separate entity from UDS. UDS formed Valero Logistics Operations to assume ownership of and to operate the assets of the Ultramar Diamond Shamrock Logistics Business. Effective July 1, 2000, UDS transferred the crude oil and refined product pipelines, terminalling and storage assets and certain liabilities of the Ultramar Diamond Shamrock Logistics Business (predecessor) to Valero Logistics Operations (successor). The transfer of assets and certain liabilities to Valero Logistics Operations represented a reorganization of entities under common control and was recorded at historical cost.

Effective with the closing of an initial public offering of common units of Valero L.P. on April 16, 2001, the ownership of Valero Logistics Operations held by various subsidiaries of UDS was transferred to Valero L.P. in exchange for ownership interests (common and subordinated units) in Valero L.P. This transfer also represented a reorganization of entities under common control and was recorded at historical cost.

The financial statements included in this Form 10-K represent the consolidated and combined financial statements of Valero L.P., Valero Logistics Operations and the Ultramar Diamond Shamrock Logistics Business as follows:

- consolidated financial statements of Valero L.P. and Valero Logistics Operations (successor) as of December 31, 2001 and for the period from April 16, 2001 to December 31, 2001;

- combined financial statements of Valero L.P. and Valero Logistics Operations (successor) as of December 31, 2000 and for the period from July 1, 2000 to December 31, 2000 and the period from January 1, 2001 to April 15, 2001; and

- combined financial statements of Valero L.P., Valero Logistics Operations and the Ultramar Diamond Shamrock Logistics Business (predecessor) for the six months ended June 30, 2000 and for the year ended December 31, 1999.

This consolidated and combined financial statement presentation more clearly reflects our financial position and results of operations as a result of the recent reorganizations of entities under common control.

Operations

Our operations include interstate pipelines, which are subject to regulation by the Federal Energy Regulatory Commission (FERC) and intrastate pipelines, which are subject to regulation by either the Texas Railroad Commission, the Oklahoma Public Utility Commission or the Colorado Public Utility Commission, depending on the location of the pipeline. These regulations include rate regulations, which govern the tariff rates charged to pipeline customers for transportation through a pipeline. Tariff rates for each pipeline are required to be filed with the respective commission upon completion of a pipeline and when a tariff rate is being revised. In addition, the regulations include annual reporting requirements for each pipeline.

The following is a listing of our principal assets and operations:

<u>Crude Oil Pipelines</u>

Corpus Christi to Three Rivers

Wasson to Ardmore (both pipelines)

Ringgold to Wasson

Dixon to McKee

Wichita Falls to McKee

Various other crude oil pipelines

<u>Refined Product Pipelines</u>

McKee to El Paso

McKee to Denver (operated by Phillips Pipeline Company)

McKee to Colorado Springs to Denver

McKee to Amarillo (both pipelines) to Abernathy

Amarillo to Albuquerque

Three Rivers to San Antonio

Three Rivers to Laredo

Ardmore to Wynnewood

Various other refined product pipelines

<u>Crude Oil Storage Facilities and Refined Product Terminals</u>

Corpus Christi crude oil storage facility

Ringgold crude oil storage facility

Wichita Falls crude oil storage facility

Southlake refined product terminal

El Paso refined product terminal

Amarillo refined product terminal

Denver refined product terminal

Colorado Springs refined product terminal

San Antonio refined product terminal

Laredo refined product terminal

Harlingen refined product terminal

Various other crude oil storage facilities and refined product terminals

Investment in Affiliate — Skelly-Belvieu Pipeline Company, LLC

Formed in 1993, the Skelly-Belvieu Pipeline Company, LLC (Skelly-Belvieu) owns a natural gas liquids pipeline that begins in Skellytown, Texas and extends to Mont Belvieu, Texas near Houston. Skelly- Belvieu is owned 50% by Valero Logistics Operations and 50% by Phillips Pipeline Company.

Assets Retained by Valero Energy (formerly UDS)

UDS and its affiliates had retained certain pipeline, terminalling and storage assets as of July 1, 2000 because they were either (a) undergoing construction activities, (b) being evaluated for other developmental opportunities, or (c) inactive. We had the option to purchase the assets that were undergoing construction activities, which consisted of the Wichita Falls crude oil pipeline and storage facility, the Southlake refined product terminal and the Ringgold crude oil storage facility. The Southlake refined product terminal and the Ringgold crude oil storage facility were purchased by us in 2001 (see Note 4: Acquisitions). The Wichita Falls crude oil pipeline and storage facility was purchased by us in the first quarter of 2002 (see Note 20: Subsequent Events).

NOTE 2: Summary of Significant Accounting Policies

Basis of Presentation: These consolidated and combined financial statements include the accounts and operations of Valero L.P. and Valero Logistics Operations. All intercompany transactions have been eliminated. The investment in affiliate is accounted for under the equity method. The operations of certain of the crude oil and refined product pipelines and terminals that are jointly owned with other companies are proportionately consolidated in the accompanying financial statements.

Use of Estimates: The preparation of financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. On an ongoing basis, management reviews its estimates, including those related to commitments, contingencies and environmental liabilities, based on currently available information. Changes in facts and circumstances may result in revised estimates.

Cash and Cash Equivalents: All highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

Property, Plant and Equipment: Property, plant and equipment is stated at cost. Additions to property, plant and equipment, including maintenance and expansion capital expenditures and capitalized interest, are recorded at cost. Maintenance capital expenditures represent capital

expenditures to replace partially or fully depreciated assets to maintain the existing operating capacity of existing assets and extend their useful lives. Expansion capital expenditures represent capital expenditures to expand the operating capacity of existing assets, whether through construction or acquisition. Repair and maintenance expenses associated with existing assets that are minor in nature and do not extend the useful life of existing assets are charged to operating expenses as incurred. Depreciation is provided principally using the straight-line method over the estimated useful lives of the related assets. For certain interstate pipelines, the depreciation rate used is based on FERC requirements and ranges from 1% to 17% of the net asset value. When property, plant and equipment is retired or otherwise disposed of, the difference between the carrying value and the net proceeds is recognized as gain or loss in the statement of income in the year retired.

Goodwill: The excess of cost over the fair value of net assets acquired (goodwill) is being amortized using the straight-line method over 20 years. Effective January 1, 2002, amortization of goodwill will cease and the unamortized balance will be tested annually for impairment. See the discussion of FASB Statement No. 142 below regarding these required accounting changes.

Impairment: Long-lived assets, including goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The evaluation of recoverability is performed using undiscounted estimated net cash flows generated by the related asset. If an asset is deemed to be impaired, the amount of impairment is determined as the amount by which the net carrying value exceeds discounted estimated net cash flows. Effective January 1, 2002, impairment accounting requirements will change. See the discussion of FASB Statement No. 144 below regarding the required accounting change.

Environmental Remediation Costs: Environmental remediation costs are expensed and the associated accrual established when site restoration and environmental remediation and cleanup obligations are either known or considered probable and can be reasonably estimated. Accrued liabilities are not discounted to present value and are not reduced by possible recoveries from third parties. Environmental costs include initial site surveys, costs for remediation and restoration, including direct internal costs, and ongoing monitoring costs, as well as fines, damages and other costs, when estimable. Adjustments to initial estimates are recorded, from time to time, to reflect changing circumstances and estimates based upon additional information developed in subsequent periods.

Revenue Recognition: Revenues are derived from interstate and intrastate pipeline transportation, storage and terminalling of refined products and crude oil. Transportation revenues (based on pipeline tariff rates) are recognized as refined product or crude oil is transported through the pipelines. In the case of crude oil pipelines, the cost of the storage operations are included in the crude oil pipeline tariff rates. Terminalling revenues (based on a terminalling fee) are recognized as refined products are moved into the terminal and as additives are blended with refined products.

Operating Expenses: Operating expenses consist primarily of fuel and power costs, telecommunication costs, labor costs of pipeline field and support personnel, maintenance, utilities and insurance. Such expenses are recognized as incurred.

Federal and State Income Taxes: For the periods prior to July 1, 2000, the Ultramar Diamond Shamrock Logistics Business was included in the consolidated federal and state income tax returns of UDS. Deferred income taxes were computed based on recognition of future tax expense or benefits, measured by enacted tax rates that were attributable to taxable or deductible temporary differences between financial statement and income tax reporting bases of assets and liabilities. The current portion of income taxes payable prior to July 1, 2000 was due to UDS and has been included in the net

parent investment amount. Valero L.P. and Valero Logistics Operations are limited partnerships and are not subject to federal or state income taxes. Accordingly, the taxable income or loss of Valero L.P. and Valero Logistics Operations, which may vary substantially from income or loss reported for financial reporting purposes, is

generally includable in the federal and state income tax returns of the individual partners.

For transfers of publicly held units subsequent to the initial public offering, we have made an election permitted by section 754 of the Internal Revenue Code to adjust the common unit purchaser's tax basis in our underlying assets to reflect the purchase price of the units. This results in an allocation of taxable income and expense to the purchaser of the common units, including depreciation deductions and gains and losses on sales of assets, based upon the new unitholder's purchase price for the common units.

Net Parent Investment: The net parent investment represents a net balance as the result of various transactions between the Ultramar Diamond Shamrock Logistics Business and UDS. There are no terms of settlement or interest charges associated with this balance. The balance was the result of the Ultramar Diamond Shamrock Logistics Business' participation in UDS's central cash management program, wherein all of the Ultramar Diamond Shamrock Logistics Business' cash receipts were remitted to UDS and all cash disbursements were funded by UDS. Other transactions included intercompany transportation, storage and terminalling revenues and related expenses, administrative and support expenses incurred by UDS and allocated to the Ultramar Diamond Shamrock Logistics Business, and income taxes. In conjunction with the transfer of the assets and liabilities of the Ultramar Diamond Shamrock Logistics Business to Valero Logistics Operations on July 1, 2000, Valero L.P. and Valero Logistics Operations issued limited and general partner interests to various UDS subsidiaries.

Partners' Equity: Effective April 16, 2001, Valero L.P.'s consolidated partners' equity consisted of 2% general partner interest and 98% limited partners' interest (represented by common and subordinated units). From July 1, 2000 through April 15, 2001, both Valero L.P. and Valero Logistics Operations partners' equity consisted of a 1% general partner interest and a 99% limited partner interest.

Net Income per Unit: The computation of basic net income per unit is based on the weighted-average number of common and subordinated units outstanding during the year. Diluted net income per unit is based on the weighted average number of common and subordinated units outstanding during the year and, to the extent dilutive, unit equivalents consisting of unit options and restricted units.

Segment Disclosures: We operate in only one segment, the petroleum pipeline segment of the oil and gas industry.

Derivative Instruments: In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." In June 1999, the FASB issued Statement No. 137, "Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133." In June 2000, the FASB issued Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," which amends Statement No. 133. Statement No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. We adopted Statement

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No. 133, as amended, effective January 1, 2001 and there was no impact as we do not hold or trade derivative instruments.

Accounting Pronouncements

FASB Statement No. 141

In June 2001, the FASB issued Statement No. 141, "Business Combinations." Statement No. 141 addresses financial accounting and reporting for business combinations and supersedes APB Opinion No. 16, "Business Combinations," and Statement No. 38, "Accounting for Preacquisition Contingencies of Purchased Enterprises." All business combinations within the scope of Statement No. 141 are to be accounted for using the purchase method. The provisions of Statement No. 141 apply to all business combinations initiated after June 30, 2001 and to all business combinations accounted for using the purchase method for which the date of acquisition is July 1, 2001 or later. We implemented Statement No. 141 on July 1, 2001; however, the acquisition of both the Southlake refined product terminal and the Ringgold crude oil storage facility have been accounted for at historical cost because they were acquired from our parent.

FASB Statement No. 142

Also in June 2001, the FASB issued Statement No. 142, "Goodwill and Other Intangible Assets." Statement No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, "Intangible Assets." Statement No. 142 addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. The provisions of Statement No. 142 are required to be applied starting with fiscal years beginning after December 15, 2001. This statement is required to be applied at the beginning of an entity's fiscal year and to be applied to all goodwill and other intangible assets recognized in its financial statements at that date. The statement provides that goodwill and other intangible assets that have indefinite useful lives will not be amortized but instead will be tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives, but such lives will not be limited to 40 years. Impairment losses for goodwill and indefinite-lived intangible assets that arise due to the initial application of Statement No. 142 are to be reported as resulting from a change in accounting principle. We have reviewed the requirements of Statement No. 142 and the impact of adoption effective January 1, 2002 will result in the cessation of goodwill amortization beginning January 1, 2002, which amortization approximates $300,000 annually. In addition, we believe that future reported net income may be more volatile because impairment losses related to goodwill are likely to occur irregularly and in varying amounts.

FASB Statement No. 143

Also in June 2001, the FASB issued Statement No. 143, "Accounting for Asset Retirement Obligations." This statement establishes standards for accounting for an obligation associated with the retirement of a tangible long-lived asset. An asset retirement obligation should be recognized in the financial statements in the period in which it meets the definition of a liability as defined in FASB Concepts Statement No. 6, "Elements of Financial Statements." The amount of the liability would initially be measured at fair value. Subsequent to initial measurement, an entity would recognize changes in the amount of the liability resulting from (a) the passage of time and (b) revisions to either

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the timing or amount of estimated cash flows. Statement No. 143 also establishes standards for accounting for the cost associated with an asset retirement obligation. It requires that, upon initial recognition of a liability for an asset retirement obligation, an entity capitalize that cost by recognizing an increase in the carrying amount of the related long-lived asset. The capitalized asset retirement cost would then be allocated to expense using a systematic and rational method. Statement No. 143 will be

effective for financial statements issued for fiscal years beginning after June 15, 2002, with earlier application encouraged. We are currently evaluating the impact of adopting this new statement.

FASB Statement No. 144

In August 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Statement No. 144 addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. This statement supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," but retains Statement No. 121's fundamental provisions for recognition and measurement of impairment of long-lived assets to be held and used and measurement of long-lived assets to be disposed of by sale. This statement also supersedes APB Opinion No. 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," for the disposal of a segment of a business. Statement No. 144 does not apply to goodwill or other intangible assets, the accounting and reporting of which is addressed in newly issued Statement No. 142, "Goodwill and Other Intangible Assets." The provisions of Statement No. 144 are effective for financial statements for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. We are currently evaluating the impact of adopting this new statement.

NOTE 3: Initial Public Offering

On April 16, 2001, we completed our initial public offering of common units, by selling 5,175,000 common units to the public at $24.50 per unit. Total proceeds before offering costs and underwriters' commissions were $126,787,000. After the offering, outstanding equity included 9,599,322 common units, including 4,424,322 held by UDS Logistics, LLC, a subsidiary of Valero Energy, 9,599,322 subordinated units held by UDS Logistics, LLC and a 2% general partner interest held by Riverwalk Logistics, L.P.

Concurrent with the closing of the initial public offering, we borrowed $20,506,000 under our existing revolving credit facility. The net proceeds from the initial public offering and the borrowings under the revolving credit facility were used to repay the debt due to parent, make a distribution to affiliates of Valero Energy for reimbursement of previous capital expenditures incurred with respect to the assets transferred to us, and for working capital purposes.

A summary of the proceeds received and use of proceeds is as follows (in thousands):

Proceeds received:		
Sale of common units to the public	$	126,787
Borrowings under the revolving credit facility		20,506
Total proceeds		147,293
Use of proceeds:		
Underwriters' commissions		8,875
Professional fees and other costs		6,000
Debt issuance costs		436
Repayment of debt due to parent		107,676
Reimbursement of capital expenditures		20,517
Total use of proceeds		143,504
Net proceeds remaining	$	3,789

NOTE 4: Acquisitions

On July 2, 2001, we acquired the Southlake refined product terminal located in Dallas, Texas from UDS for $5,600,000, the option purchase price per the Omnibus Agreement. We paid for the terminal with available cash on hand, a portion of which was borrowed at the time of our initial public offering. During the six months ended December 31, 2001, the Southlake refined product terminal averaged approximately 25,000 barrels per day of throughput and increased our operating income by approximately $750,000.

On December 1, 2001, we acquired the crude oil storage facility at Ringgold, Texas from UDS for $5,200,000, the amended option purchase price per the Omnibus Agreement. We borrowed $5,000,000 under our revolving credit facility to acquire the facility. This crude oil storage facility, which has a capacity of 600,000 barrels, will improve crude oil scheduling and enhance the crude oil supply system for Valero Energy's Ardmore and McKee refineries.

NOTE 5: Property, Plant and Equipment

Property, plant and equipment, at cost, consisted of the following:

	Estimated Useful Lives	December 31, 2001	December 31, 2000
	(years)	(in thousands)	

Land and land improvements	—	$ 832	$ 830
Buildings	35	4,189	3,289
Pipeline and equipment	8-40	368,690	345,761
Rights of Way	20-35	25,493	25,477
Construction in progress	—	7,037	13,180
Total		406,241	388,537
Accumulated depreciation and amortization		(121,389)	(108,520)
Property, plant and equipment, net		$ 284,852	$ 280,017

In August 1999, upon the completion of an expansion of the McKee to El Paso refined product pipeline, we sold an 8.33% interest in the pipeline and the El Paso refined product terminal to Phillips Petroleum Company for $12,000,000, resulting in a pre-tax gain of $2,478,000. The ownership interest sold in the McKee to El Paso refined product pipeline and terminal represented excess throughput capacity that we had not utilized, thus revenues did not decline as a result of the sale.

Capitalized interest costs included in property, plant and equipment were $298,000 and $115,000 for the years ended December 31, 2001 and 1999, respectively. No interest was capitalized in the six months ended December 31, 2000 or in the six months ended June 30, 2000.

NOTE 6: Investment in Affiliate

We own a 50% interest in Skelly-Belvieu, which is accounted for under the equity method. The following presents summarized unaudited financial information related to Skelly-Belvieu as of December 31, 2001 and 2000, for the years ended December 31, 2001 and 1999 and for the six months ended December 31, 2000 and June 30, 2000:

	Year Ended December 31, 2001	Six Months Ended December 31, 2000	Six Months Ended June 30, 2000	Year Ended December 31, 1999
	(in thousands)			
Statements of Income Information:				
Revenues	$ 12,287	$ 6,883	$ 6,902	$ 12,133
Income before income taxes	5,587	3,517	3,469	5,954
Valero Logistics Operation's share of net income	3,179	1,951	1,926	3,874
Valero Logistics Operation's share of distributions	2,874	2,352	2,306	4,238

	December 31, 2001	December 31, 2000
	(in thousands)	
Balance Sheet Information:		
Current assets	$ 1,653	$ 1,618
Property, plant and equipment, net	50,195	50,649
Total assets	$ 51,848	$ 52,267
Current liabilities	$ 111	$ 369
Members' equity	51,737	51,898
Total liabilities and members' equity	$ 51,848	$ 52,267

NOTE 7: Long-term Debt

On December 15, 2000, we entered into a five-year $120,000,000 revolving credit facility. Borrowings under the revolving credit facility bear interest at either an alternative base rate or the LIBOR rate at our option. The revolving credit facility requires that we maintain certain financial ratios and includes other restrictive covenants, including a prohibition on distributions if any default, as defined in the revolving credit facility, exists or would result from the distribution. Management believes that we are in compliance with all of these ratios and covenants.

In conjunction with the initial public offering of our common units on April 16, 2001, we borrowed $20,506,000 under the revolving credit facility. The net proceeds from the initial public offering and the borrowings under the revolving credit facility were used to repay the debt due to parent, make a distribution to affiliates of UDS for reimbursement of previous capital expenditures incurred with respect to the assets transferred to us, and for working capital purposes.

We made repayments under the revolving credit facility in August 2001 of $5,506,000 and in October 2001 of $4,000,000. In November 2001, we borrowed $5,000,000 under the revolving credit

facility to fund the purchase of the Ringgold crude oil storage facility on December 1, 2001. The outstanding balance as of December 31, 2001 was $16,000,000.

In May 1994, the Ultramar Diamond Shamrock Logistics Business entered into a financing agreement with the Port of Corpus Christi Authority of Nueces County, Texas (Port Authority of Corpus Christi) for the construction of a crude oil storage facility. The original note totaled $12,000,000 and is due in annual installments of $1,222,000 through December 31, 2015. Interest on the unpaid principal balance accrues at a rate of 8% per annum. In conjunction with the July 1, 2000 transfer of assets and liabilities to Valero Logistics Operations, the $10,818,000 outstanding indebtedness owed to the Port of Corpus Christi Authority was assumed by Valero Logistics Operations. The land on which the crude oil storage facility was constructed is leased from the Port Authority of Corpus Christi (see Note 10: Commitments and Contingencies).

The aggregate long-term debt repayments are due as follows (in thousands):

2002	$	462
2003		449
2004		485
2005		524
2006		16,566
Thereafter		7,636
Total repayments	$	26,122

Interest payments totaled $1,559,000, $441,000, $433,000 and $948,000 for the year ended December 31, 2001, the six months ended December 31, 2000 and June 30, 2000 and the year ended December 31, 1999, respectively.

NOTE 8: Debt due to Parent

UDS, through various subsidiaries, constructed or acquired the various crude oil and refined product pipeline, terminalling and storage assets of the Ultramar Diamond Shamrock Logistics Business. Effective June 30, 2000, in conjunction with the initial public offering of common units of Valero L.P., the subsidiaries of UDS which owned the various assets of the Ultramar Diamond Shamrock Logistics Business formalized the terms under which certain intercompany accounts and working capital loans would be settled by executing promissory notes with an aggregate principal balance of $107,676,000. The promissory notes required that the principal be repaid no later than June 30, 2005 and bear interest at a rate of 8% per annum on the unpaid balance. Effective July 1, 2000, the $107,676,000 of debt due to parent was assumed by Valero Logistics Operations. Interest expense accrued and recorded as a reduction of receivable from parent totaled $4,307,000 for the six months ended December 31, 2000 and $2,513,000 for the period January 1, 2001 through April 15, 2001.

Concurrent with the closing of our initial public offering on April 16, 2001, we repaid these promissory notes using a portion of the net proceeds from the initial public offering and borrowings under the $120,000,000 revolving credit facility (see Note 3: Initial Public Offering).

NOTE 9: Environmental Matters

Our operations are subject to environmental laws and regulations adopted by various federal, state and local governmental authorities in the jurisdictions in which we operate. Although we believe our

operations are in general compliance with applicable environmental regulations, risks of additional costs and liabilities are inherent in pipeline, terminalling and storage operations, and there can be no assurance that significant costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly stringent environmental laws, regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from the operations, could result in substantial costs and liabilities. Accordingly, we have adopted policies, practices and procedures in the areas of pollution control, product safety, occupational health and the handling, storage, use and disposal of hazardous materials to prevent material environmental or other damage, and to limit the financial liability which could result from such events. However, some risk of environmental or other damage is inherent in pipeline, terminalling and storage operations, as it is with other entities engaged in similar businesses.

The balances of and changes in accruals for environmental matters which were included in accrued liabilities and other long-term liabilities, prior to July 1, 2000, consisted of the following:

		Six Months Ended June 30, 2000		Year Ended December 31, 1999
		(in thousands)		
Balance at beginning of year	$	2,757	$	4,319
Additions to (reductions from) accrual		100		(1,114)
Liabilities retained by UDS		(2,507)		—
Payments		(350)		(448)
Balance at end of year	$	—	$	2,757

During 1999, based on the annual review of environmental liabilities, it was determined that certain liabilities were overstated as the required cleanup obligations were less than originally estimated. Accordingly, environmental liabilities were reduced $1,114,000.

In connection with the transfer of assets and liabilities from the Ultramar Diamond Shamrock Logistics Business to Shamrock Logistics Operations on July 1, 2000, UDS agreed to indemnify Shamrock Logistics Operations for environmental liabilities that arose prior to July 1, 2000. In connection with the initial public offering of Valero L.P., UDS agreed to indemnify Valero L.P. for environmental liabilities that arose prior to April 16, 2001 and are discovered within 10 years after April 16, 2001. Excluded from this indemnification are liabilities that result from a change in environmental law after April 16, 2001. Effective with the acquisition of UDS, Valero

Energy has assumed this environmental indemnification. In addition, as an operator or owner of the assets, we could be held liable for pre-April 16, 2001 environmental damage should Valero Energy be unable to fulfill its obligation. However, we believe that such a situation is remote given Valero Energy's financial condition.

Environmental exposures are difficult to assess and estimate due to unknown factors such as the magnitude of possible contamination, the timing and extent of remediation, the determination of our liability in proportion to other parties, improvements in cleanup technologies and the extent to which environmental laws and regulations may change in the future. Although environmental costs may have a significant impact on results of operations for any single period, we believe that such costs will not have a material adverse effect on our financial position. As of December 31, 2001, we have not incurred any environmental liabilities which were not covered by the environmental indemnification.

NOTE 10: Commitments and Contingencies

In May 1994, the Ultramar Diamond Shamrock Logistics Business entered into several agreements with the Port Authority of Corpus Christi including a crude oil dock user agreement, a land lease agreement and a note agreement. The crude oil dock user agreement allows us to operate and manage a crude oil dock in Corpus Christi for a five-year period beginning August 1, 1994 and the agreement has automatically been renewed annually since August, 1999. We share use of the crude oil dock with two other users and operating costs are split evenly among the three users. The crude oil dock user agreement requires that we collect wharfage fees, based on the quantity of barrels off loaded from each vessel, and dockage fees, based on vessels berthing at the dock. These fees are remitted to the Port Authority of Corpus Christi monthly. The wharfage and one-half of the dockage fees that we pay for the use of the crude oil dock reduces the annual amount we owe to the Port Authority of Corpus Christi under the note agreement discussed in Note 7: Long Term Debt. The wharfage and dockage fees for our use of the crude oil dock totaled $1,449,000, $692,000, $698,000 and $1,302,000 for the year ended December 31, 2001, the six months ended December 31, 2000 and June 30, 2000 and the year ended December 31, 1999, respectively.

Effective April 1988, the Ultramar Diamond Shamrock Logistics Business, along with five other users entered into a refined product dock user agreement with the Port Authority of Corpus Christi to use a refined product dock for a two-year period and the agreement has automatically been renewed annually since April, 1990. We also operate the refined product dock and operating costs are split between us and one other user. We are responsible for collecting and remitting the refined product wharfage and dockage fees to the Port Authority of Corpus Christi. The wharfage and dockage fees for our use of the refined product dock totaled $166,000, $86,000, $114,000 and $211,000 for the year ended December 31, 2001, the six months ended December 31, 2000 and June 30, 2000 and the year ended December 31, 1999, respectively.

The crude oil and the refined product docks provide Valero Energy's Three Rivers refinery access to marine facilities to receive crude oil and deliver refined products. For the years ended December 31, 2001, 2000 and 1999, the Three Rivers refinery received 92%, 93% and 91%, respectively, of its crude oil requirements from crude oil received at the crude oil dock. Also, for the years ended December 31, 2001, 2000 and 1999, 6%, 6% and 7%, respectively, of the refined products produced at the Three Rivers refinery were transported via pipeline to the Corpus Christi refined product dock.

We have the following land leases related to refined product terminals and crude oil storage facilities:

- Corpus Christi crude oil storage facility: a 20-year noncancellable operating lease on 31.35 acres of land through 2014, at which time the lease is renewable every five years, for a total of 20 renewable years.

- Corpus Christi refined product terminal: a 5-year noncancellable operating lease on 5.21 acres of land through 2006, and a 5-year noncancellable operating lease on 8.42 acres of land through 2002, at which time the agreements are renewable for at least three five-year periods.

- Harlingen refined product terminal: a 13-year noncancellable operating lease on 5.88 acres of land through 2008, and a 30-year noncancellable operating lease on 9.04 acres of land through 2008.

- Colorado Springs airport terminal: a 50-year noncancellable operating lease on 46.26 acres of land through 2043, at which time the lease is renewable for another 50-year period.

The above land leases require monthly payments totaling $18,000 and are adjustable every five years based on changes in the Consumer Price Index.

In addition, we lease certain equipment and vehicles under operating lease agreements expiring through 2002. Future minimum rental payments applicable to noncancellable operating leases as of December 31, 2001, are as follows (in thousands):

2002	$ 205
2003	188
2004	188
2005	188
2006	174
Thereafter	1,586
Future minimum lease payments	$ 2,529

Rental expense for all operating leases totaled $281,000, $53,000, $203,000 and $315,000 for the year ended December 31, 2001, the six months ended December 31, 2000 and June 30, 2000 and the year ended December 31, 1999, respectively.

We are involved in various lawsuits, claims and regulatory proceedings incidental to our business. In the opinion of management, the outcome of such matters will not have a material adverse effect on our financial position or results of operations.

NOTE 11: Income Taxes

As discussed in "Note 2: Summary of Significant Accounting Policies," Valero L.P. and Valero Logistics Operations are limited partnerships and are not subject to federal or state income taxes. However, the operations of the Ultramar Diamond Shamrock Logistics Business were subject to federal and state income taxes and the results of operations prior to July 1, 2000 were included in UDS' consolidated federal and state income tax returns. The amounts presented below relate only to the Ultramar Diamond Shamrock Logistics Business and were calculated as if the Ultramar Diamond Shamrock Logistics Business filed separate federal and state income tax returns.

The transfer of assets and liabilities from the Ultramar Diamond Shamrock Logistics Business to Valero Logistics Operations was deemed a change in tax status. Accordingly, the deferred income tax liability as of June 30, 2000 of $38,217,000 was written off through the statement of income in the caption, benefit (provision) for income taxes.

The benefit (provision) for income taxes consisted of the following:

	Predecessor	
	Six Months Ended June 30, 2000	Year Ended December 31, 1999
	(in thousands)	
Current:		
Federal	$ (5,132)	$ (20,036)
State	(733)	(2,863)
Deferred:		
Federal	(1,415)	(3,327)
State	(125)	(295)
Write-off of the deferred income tax liability	38,217	—
Benefit (provision) for income taxes	$ 30,812	$ (26,521)

Deferred income taxes arise from temporary differences between the income tax bases of assets and liabilities and their reported amounts in the financial statements. The components of the Ultramar Diamond Shamrock Logistics Business' net deferred income tax liability consisted of the following:

	Predecessor
	June 30, 2000
	(in thousands)
Deferred income tax liabilities:	
Excess of book basis over tax basis of:	
Property, plant and equipment	$ 36,212
Investment in affiliate	2,960
Total deferred income tax liabilities	39,172
Deferred income tax assets—	
Accrued liabilities and payables	(955)
Net deferred income tax liability	$ 38,217

The differences between the Ultramar Diamond Shamrock Logistics Business' effective income tax rate and the U.S. federal statutory rate is reconciled as follows:

	Predecessor	
	Six Months Ended June 30, 2000	Year Ended December 31, 1999
U.S. federal statutory rate	35.0%	35.0%
State income taxes, net of federal taxes	3.1	3.1
Non-deductible goodwill	0.3	0.2
Effective income tax rate	38.4%	38.3%

Income taxes paid to UDS totaled $5,865,000 and $22,899,000 for the six months ended June 30, 2000 and for the year ended December 31, 1999, respectively.

The differences between net income and taxable net income are reconciled as follows:

	Predecessor	
	Six Months Ended June 30, 2000	Year Ended December 31, 1999
	(in thousands)	
Net income	$ 49,970	$ 42,798
(Benefit) provision for income taxes	(30,812)	26,521
Tax depreciation and amortization in excess of book depreciation and amortization	(3,076)	(7,990)
Book equity income in excess of taxable income of Skelly-Belvieu	(567)	(790)
Other, net	(983)	(3,288)
Taxable net income	$ 14,532	$ 57,251

NOTE 12: Financial Instruments and Concentration of Credit Risk

The estimated fair value of our fixed rate debt as of December 31, 2001 and 2000 was $11,240,000 and $119,220,000, respectively, as compared to the carrying value of $10,122,000 and $118,360,000, respectively. These fair values were estimated using discounted cash flow analysis, based on our current incremental borrowing rates for similar types of borrowing arrangements. Valero L.P. has not utilized derivative financial instruments related to these borrowings. Interest rates on borrowings under the revolving credit facility float with market rates and thus the carrying amount approximates fair value.

Substantially all of our revenues are derived from Valero Energy and its various subsidiaries. Valero Energy transports crude oil to three of its refineries using our various crude oil pipelines and storage facilities and transports refined products to its company-owned retail operations or wholesale customers using our various refined product pipelines and terminals. Valero Energy and its subsidiaries are investment grade customers; therefore, we do not believe that the trade receivables from Valero Energy represent a significant credit risk. However, the concentration of business with Valero Energy, which is a large refining and retail marketing company, has the potential to impact our overall exposure, both positively and negatively, to changes in the refining and marketing industry.

NOTE 13: Related Party Transactions

We have related party transactions with Valero Energy for pipeline tariff and terminalling fee revenues, certain employee costs, insurance costs, administrative costs and interest expense on the debt due to parent (for the period from July 1, 2000 to April 15, 2001). The receivable from parent as of December 31, 2001 and 2000 represents the net amount due from Valero Energy for these related party transactions and the net cash collected under Valero Energy's centralized cash management program on our behalf, respectively.

The following table summarizes transactions with Valero Energy (formerly UDS):

	Successor		Predecessor	
	Year Ended December 31, 2001	Six Months Ended December 30, 2000	Six Months Ended June 30, 2000	Year Ended December 31, 1999
	(in thousands)			
Revenues	$ 98,166	$ 47,210	$ 44,187	$ 108,467
Operating expenses	11,452	5,718	5,393	9,614
General and administrative expenses	5,200	2,600	2,839	5,201
Interest expense on debt due to parent	2,513	4,307	—	—

Services Agreement

Effective July 1, 2000, UDS entered into a Services Agreement with us, whereby UDS agreed to provide the corporate functions of legal, accounting, treasury, information technology and other services for an annual fee of $5,200,000 for a period of eight years. The $5,200,000 is adjustable annually based on the Consumer Price Index published by the U.S. Department of Labor, and may also be adjusted to take into account additional service levels necessitated by the acquisition or construction of additional assets. Management believes that the $5,200,000 is a reasonable approximation of the general and administrative costs related to the pipeline, terminalling and storage operations. This annual fee is in addition to the incremental general and administrative costs to be incurred from third parties as a result of our being a publicly held entity.

The Services Agreement also requires that we reimburse UDS for various recurring costs of employees who work exclusively within the pipeline, terminalling and storage operations and for certain other costs incurred by UDS relating solely to us. These employee costs include salary, wages and benefit costs. Concurrent with the acquisition of UDS by Valero Energy, Valero Energy became the obligor under the Services Agreement.

Prior to July 1, 2000, UDS allocated approximately 5% of its general and administrative expenses incurred in the United States to its pipeline, terminalling and storage operations to cover costs of centralized corporate functions and other corporate services. A portion of the allocated general and administrative costs is passed on to partners, which jointly own certain pipelines and terminals with us. The net amount of general and administrative costs allocated to partners of jointly owned pipelines totaled $581,000, $251,000, $249,000 and $503,000 for the year ended December 31, 2001, the six months ended December 31, 2000 and June 30, 2000 and the year ended December 31, 1999, respectively.

Pipelines and Terminals Usage Agreement

On April 16, 2001, UDS entered into a Pipelines and Terminals Usage Agreement with us, whereby UDS agreed to use our pipelines to transport at least 75% of the crude oil shipped to and at least 75% of the refined products shipped from the McKee, Three Rivers and Ardmore refineries and to use our refined product terminals for terminalling services for at least 50% of all refined products shipped from these refineries until at least April, 2008. For the year ended December 31, 2001, UDS used our pipelines to transport 78% of its crude oil shipped to and 80% of the refined products shipped from the McKee, Three Rivers and Ardmore refineries and UDS used our terminalling services for 60% of all refined products shipped from these refineries. Valero Energy also assumed the

obligation under the Pipelines and Terminals Usage Agreement in conjunction with the acquisition of UDS by Valero Energy.

If market conditions change with respect to the transportation of crude oil or refined products or to the end markets in which Valero Energy sells refined products, in a material manner such that Valero Energy would suffer a material adverse effect if it were to continue to use our pipelines and terminals at the required levels, Valero Energy's obligation to us will be suspended during the period of the change in market conditions to the extent required to avoid the material adverse effect.

NOTE 14: Employee Benefit Plans

The employees who work in Valero L.P. are included in the various employee benefit plans of Valero Energy. These plans include qualified, non-contributory defined benefit retirement plans, defined contribution 401(k) plans, employee and retiree medical, dental and life insurance plans, long-term incentive plans (i.e. stock options and bonuses) and other such benefits.

Our share of allocated parent company employee benefit plan expenses was $1,346,000, $662,000, $702,000, and $1,197,000 for the year ended December 31, 2001, the six months ended December 31, 2000 and June 30, 2000 and the year ended December 31, 1999, respectively. These employee benefit plan expenses are included in operating expenses with the related payroll costs.

NOTE 15: Impact of Tariff Rate and Terminalling Revenue Changes

Over the past several years, we have expanded the throughput capacity of several of our crude oil and refined product pipelines. The historical tariff rates were based on initial pipeline cost and were not revised upon subsequent expansions or increases or decreases in throughput levels.

As a result, we filed revised tariff rates on many of our crude oil and refined product pipelines to reflect the total cost of the pipeline, the current throughput capacity, the current throughput utilization and other market conditions. The revised tariff rates were implemented January 1, 2000 and the overall impact of the tariff rate changes resulted in a decrease to revenues.

Prior to 1999, we did not charge a separate terminalling fee for terminalling services at the refined product terminals. Terminalling revenues for 1998 and prior years were recognized based on the total costs incurred at the terminals, which costs were charged back to the related refinery. Effective January 1, 1999, we began charging a separate terminalling fee at the refined product terminals. The terminalling fee was established at a rate that we believed to be competitive with rates charged by other entities for terminalling similar refined products. Since the terminalling fee now includes a margin of profit, terminalling revenues increased.

If the revised tariff rates had been implemented effective January 1, 1999 revenues would have decreased approximately 20%.

NOTE 16: Restricted Units

Valero GP, LLC (formerly Shamrock Logistics GP, LLC), the general partner of Riverwalk Logistics, L.P., adopted a long-term incentive plan under which restricted units and distribution equivalent rights (DERs) may be awarded to certain key employees and non-employees. In July 2001, Valero GP, LLC granted 205 restricted units and DERs to each of its two outside directors. The restricted units were to vest at the end of a three-year period and be paid in cash. The DERs were to accumulate equivalent distributions that other unitholders receive over the vesting period. For the year

ended December 31, 2001, we recognized $2,000 of compensation expense associated with the restricted units and DERs that were granted.

NOTE 17: Net Income per Unit

The following table provides details of the basic and diluted net income per unit computations:

	Period from April 16, 2001 to December 31, 2001		
	Net Income (Numerator)	Units (Denominator)	Per Unit Amount
	(in thousands)		
Limited partners' interest in net income applicable to the period after April 15, 2001	$ 35,032		
Basic net income per common and subordinated unit	$ 35,032	19,199	$ 1.82

Dilutive net income per common and subordinated unit	$ 35,032	19,199	$ 1.82

We generated sufficient net income such that the amount of net income allocated to common units was equal to the amount allocated to the subordinated units, after consideration of the general partner interest.

NOTE 18: Allocations of Net Income and Cash Distributions

Valero L.P.'s partnership agreement, as amended, sets forth the calculation to be used to determine the amount and priority of cash distributions that the common unitholders, subordinated unitholders and general partner will receive. The partnership agreement also contains provisions for the allocation of net income and loss to the unitholders and the general partner. For purposes of maintaining partner capital accounts, the partnership agreement specifies that items of income and loss shall be allocated among the partners in accordance with their respective percentage interests. Normal allocations according to percentage interests are done after giving effect, if any, to priority income allocations in an amount equal to incentive cash distributions allocated 100% to the general partner.

The outstanding subordinated units are held by UDS Logistics, LLC an affiliate of our general partner, and there is no established public market for their trading. During the subordination period, the holders of our common units are entitled to receive each quarter a minimum quarterly distribution of $0.60 per unit ($2.40 annualized) prior to any distribution of available cash to holders of our subordinated units. The subordination period is defined generally as the period that will end on the first day of any quarter beginning after December 31, 2005 if (1) we have distributed at least the minimum quarterly distribution on all outstanding units with respect to each of the immediately preceding three consecutive, non-overlapping four-quarter periods and (2) our adjusted operating surplus, as defined in our partnership agreement, during such periods equals or exceeds the amount that would have been sufficient to enable us to distribute the minimum quarterly distribution on all outstanding units on a fully diluted basis and the related distribution on the 2% general partner interest during those periods.

In addition, all of the subordinated units may convert to common units on a one-for-one basis on the first day following the record date for distributions for the quarter ending December 31, 2005, if we meet the tests set forth in the partnership agreement. If the subordination period ends, the rights of

the holders of subordinated units will no longer be subordinated to the rights of the holders of common units and the subordinated units may be converted into common units.

During the subordination period, our cash is distributed first 98% to the holders of common units and 2% to our general partner until there has been distributed to the holders of common units an amount equal to the minimum quarterly distribution and arrearages in the payment of the minimum quarterly distribution on the common units for any prior quarter. Any additional cash is distributed 98% to the holders of subordinated units and 2% to our general partner until there has been distributed to the holders of subordinated units an amount equal to the minimum quarterly distribution.

Our general partner is entitled to incentive distributions if the amount we distribute with respect to any quarter exceeds specified target levels shown below:

	Percentage of Distribution	
Quarterly Distribution Amount per Unit	**Unitholders**	**General Partner**
Up to $0.60	98%	2%
Above $0.60 up to $0.66	90%	10%
Above $0.66 up to $0.90	75%	25%
Above $0.90	50%	50%

The quarterly cash distributions applicable to 2001 were as follows:

Year 2001	Record Date	Payment Date	Amount Per Unit
4th Quarter	February 1, 2002	February 14, 2002	$ 0.60
3rd Quarter	November 1, 2001	November 14, 2001	0.60
2nd Quarter	August 1, 2001	August 14, 2001	0.50

NOTE 19: Quarterly Financial Data (Unaudited)

	Successor				
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Total**
	(in thousands, except per unit data)				
2001:					
Revenues	$ 23,422	$ 23,637	$ 26,857	$ 24,911	$ 98,827
Operating income	10,361	10,319	13,430	12,395	46,505
Net income	8,786	10,356	13,771	12,960	45,873
Net income per unit(1)	—	0.46	0.70	0.66	1.82
Pro forma net income per unit(4)	0.45	0.53	0.70	0.66	2.34
Cash distributions per unit(2)	—	0.50	0.60	0.60	1.70

	Predecessor		Successor		
	First	**Second**	**Third**	**Fourth**	**Total**

	Quarter	Quarter	Quarter	Quarter	
	(in thousands, except per unit data)				
2000:					
Revenues	$ 21,406	$ 23,097	$ 24,903	$ 22,647	$ 92,053
Operating income	8,604	9,061	12,298	11,186	41,149
Net income(3)	5,695	44,275	11,041	9,646	70,657
Pro forma net income per unit(4)	0.29	2.26	0.56	0.49	3.60

(1) The net income per unit is based on 19,198,644 units, which was the number of common and subordinated units issued and outstanding from April 16, 2001 (the date of our initial public offering) to December 31, 2001. Net income in the net income per unit computation excludes net income applicable to the 2% general partner interest.

(2) Represents cash distributions per unit that were declared for each applicable quarter since we became a publicly held entity.

(3) Due to a change in tax status, effective July 1, 2000, the deferred income tax liability of $38,217,000 as of June 30, 2000 was written off in the statement of income. Net income in the second quarter of 2000 includes this $38,217,000 write-off of the deferred income tax liability less the provision for income taxes of $3,843,000 for the second quarter of 2000. Net income in the first quarter of 2000 includes a provision for income taxes of $3,562,000. Net income before income taxes was $9,257,000 and $9,901,000 for the first and second quarters of 2000, respectively.

(4) Pro forma net income per unit is determined by dividing net income that would have been allocated to the common and subordinated unitholders, which is 98% of net income, by the weighted average number of common and subordinated units outstanding for the period from April 16 to December 31, 2001. Pro forma net income per unit adjusted to eliminate the impact of income taxes for the first and second quarters of 2000 would have been $0.47 and $0.51, respectively.

NOTE 20: Subsequent Events

As a part of Valero L.P.'s initial public offering, unitholders approved the issuance of 250,000 common units under a long-term incentive plan. On January 21, 2002, Valero GP, LLC granted 55,250 restricted units and DERs to key employees and three outside directors. At the end of each year of the three-year vesting period, the grantees are entitled to receive for one third of the restricted units issued, a common unit of Valero L.P. or its fair market value in cash. The grantees of these restricted units will also receive distributions over the vesting period.

On February 1, 2002, we acquired the Wichita Falls crude oil pipeline and storage facility from Valero Energy for $64,000,000. The acquisition was funded with $64,000,000 of borrowings under the revolving credit facility. The pipeline, which runs from Wichita Falls, Texas to Valero Energy's McKee refinery, has a capacity of 110,000 barrels per day. For the year ended December 31, 2001, the throughput in the Wichita Falls crude oil pipeline averaged 69,267 barrels per day, which generated operating income of $11,321,000.

PART II—OTHER INFORMATION

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

On March 22, 2002, upon the recommendation of the audit committee, the board of directors appointed Ernst & Young LLP (Ernst & Young) to serve as Valero L.P.'s new independent public accountants to audit the consolidated financial statements of Valero L.P. for the year ending December 31, 2002. Prior to the selection of Ernst & Young, Arthur Andersen LLP (Arthur Andersen) served as Valero L.P's independent public accountants. This change will become effective upon the completion by Arthur Andersen of its audits of the financial statements of the Wichita Falls crude oil pipeline and storage facility operation, which audits are expected to be completed by April 16, 2002.

Arthur Andersen's reports on Valero L.P.'s (formerly Shamrock Logistics, L.P.) consolidated and combined financial statements for each of the years ended December 31, 2001 and 2000 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. During the years ended December 31, 2001 and 2000 and through the filing date of this Annual Report on Form 10-K, there were no disagreements with Arthur Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Arthur Andersen's satisfaction, would have caused them to make reference to the subject matter in connection with their report on Valero L.P.'s consolidated and combined financial statements for such years; and there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

Valero L.P. provided Arthur Andersen with a copy of the foregoing disclosures. Included as Exhibit 16.1 is a copy of Arthur Andersen's letter, dated March 25, 2002, stating its agreement with such statements.

During the years ended December 31, 2001 and 2000 and through the filing date of this Annual Report on Form 10-K, Valero L.P. did not consult Ernst & Young with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on Valero L.P.'s consolidated and combined financial statements, or any other matters or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K.

PART III

Item 10. Directors and Executive Officers of the Registrant

Directors and Executive Officers of Valero GP, LLC

Valero L.P. does not have directors or officers. The directors and officers of Valero GP, LLC, the general partner of our general partner, Riverwalk Logistics, L.P., perform all management functions for Valero L.P. and Valero Logistics Operations. Directors of Valero GP, LLC are selected by Diamond Shamrock Refining and Marketing Company, a subsidiary of Valero Energy, and the sole member of Valero GP, LLC. Officers of Valero GP, LLC are appointed by its directors.

Valero GP, LLC's First Amended and Restated Limited Liability Company Agreement provides for an audit committee of the board of directors, and permits Diamond Shamrock Refining and Marketing Company, acting as sole member of Valero GP, LLC, to appoint additional committees by resolution. Diamond Shamrock Refining and Marketing Company has created a compensation committee. Our partnership agreement provides for a conflicts committee composed of Valero GP, LLC independent directors.

The audit committee makes recommendations to the board regarding the selection of our independent auditor and reviews the professional services they provide. It reviews the scope of the audit performed by the independent auditor, the audit report issued by the independent auditor, our annual and quarterly financial statements, any material comments contained in the auditor's letters to

management, our internal accounting controls and such other matters relating to accounting, auditing and financial reporting as it deems appropriate. In addition, the audit committee reviews the type and extent of non-audit work being performed by the independent auditor and its compatibility with their continued objectivity and independence.

The compensation committee administers our long-term, intermediate-term and annual incentive plans, and makes awards under them, in consultation with management, that create appropriate incentives for employees of our affiliates that provide services to us. In so far as we have no employees, the compensation committee currently has no other functions.

The conflicts committee consists of three members of the board of directors of Valero GP, LLC who are not employed by us or our affiliates. When called upon to do so, the conflicts committee reviews and makes recommendations relating to potential conflicts of interest between us, on the one hand, and our general partner and its other affiliates, on the other hand.

Set forth below is certain information concerning the directors and executive officers of Valero GP, LLC.

Name	Age	Position Held with Valero GP, LLC
William E. Greehey	65	Chairman of the Board
Curtis V. Anastasio	45	President, Chief Executive Officer and Director
William R. Klesse	55	Executive Vice President and Director
Gregory C. King	41	Director
H. Frederick Christie	68	Director
Rodman D. Patton	58	Director
Robert A. Profusek	52	Director
Steven A. Blank	47	Senior Vice President and Chief Financial Officer
John H. Krueger, Jr.	55	Senior Vice President and Controller
Rodney L. Reese	51	Vice President-Operations

Mr. Greehey has served as Chairman of the Board and Chief Executive Officer of Valero Energy, our ultimate parent, since 1997, and as its President since 1998. He became Chairman of the Board of Valero GP, LLC on January 1, 2002, effective with the acquisition of UDS by Valero Energy.

Mr. Anastasio became the President and a director of Valero GP, LLC in December, 1999, and became its President and Chief Executive Officer in June, 2000 coincident with Valero Logistics Operations, L.P.'s commencement of operations. He served as Vice President, General Counsel, and Secretary of UDS from 1997 until that time.

Mr. Klesse has been a director of Valero GP, LLC since December, 1999, and served as the Chairman of its Board until January 1, 2002. He became Executive Vice President of Valero GP, LLC effective January 1, 2002. From December, 1996 through 1998 he was UDS' Executive Vice President, Refining, Product Supply and Logistics and in January 1999 he was named UDS' Executive Vice President, Operations. He served in that position until January 1, 2002, when he became Valero Energy's Executive Vice President, Refining and Commercial Operations.

Mr. King became a director of Valero GP, LLC effective January 1, 2002. He is Executive Vice President and General Counsel of Valero Energy. He became Vice President and General Counsel of Valero Energy in 1997, and served in that capacity until 1999. In 1999 he became Senior Vice President and Chief Operating Officer of Valero Energy, and in 2001 was promoted to Executive Vice President and Chief Operating Officer. He re-assumed his position as General Counsel effective January 1, 2002.

Mr. Christie became a director of Valero GP, LLC effective January 1, 2002. He is a consultant specializing in strategic and financial planning. In 1991 he retired as Chief Executive Officer from the Mission Group, the non-utility subsidiary of SCE Corp. He had previously served as President of

Southern California Edison Company. Mr. Christie is a director or trustee of 19 mutual funds under the Capital Research and Management Company. He is a director of AECOM Technology Corporation, International House of Pancakes, Inc., Ducommon, Incorporated, and Southwest Water Company.

Mr. Patton became a director of Valero GP, LLC in June, 2001. He retired as a Managing Director of Merrill Lynch Energy Corp. in 1999. Prior to that he served in oil and gas oriented investment banking and corporate finance positions with First Boston, Eastman Dillon and Union Securities. He is a director of Apache Corporation.

Mr. Profusek became a director of Valero GP, LLC in June, 2001. He has served as Executive Vice President, responsible for growth and investment activities, of Omnicom Group Inc. since May, 2000. Prior to that he was head of the transactional practice group of Jones, Day, Reavis and Pogue, one of the largest law firms in the United States. He also is a director of CTS Corporation and of law.com.

Mr. Blank became Chief Accounting and Financial Officer and a director of Valero GP, LLC in December, 1999. He resigned his position as director and became Senior Vice President and Chief Financial Officer of Valero GP, LLC effective January 1, 2002. He served as UDS' Vice President and Treasurer from December, 1996 until January 1, 2002, when he became Vice President-Finance of Valero Energy.

Mr. Krueger became Senior Vice President and Controller of Valero GP, LLC effective January 1, 2002. He has served as Senior Vice President and Controller of Valero Energy since October, 1992. Prior to that, he served as Valero Energy's Vice President, Corporate Taxes.

Mr. Reese has served as Vice President-Operations of Valero GP, LLC since December, 1999. He has been employed for 20 years in various pipeline engineering and operations positions by Valero Energy and its predecessor UDS. He served as Director, Pipelines and Terminals for UDS from October, 1999 to December, 2001. Prior to that he was Director, Product Pipeline Operations for UDS from October, 1997 to October, 1999, and prior to that served in various managerial capacities with UDS' pipeline group.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires directors, executive officers and persons who beneficially own more than 10% of Valero L.P.'s units to file certain reports with the Securities and Exchange Commission and New York Stock Exchange concerning their beneficial ownership of our equity securities. The Securities and Exchange Commission regulations also require that a copy of all such Section 16(a) reports filed must by furnished to Valero L.P. by the persons and entities filing them. Based solely upon our review of copies of such reports, Valero L.P. believes that its officers, directors and 10% unitholders are in compliance with applicable requirements of Section 16(a).

Item 11. Executive Compensation

Summary Compensation Table

The following presents the compensation for the year ended December 31, 2001 of the Valero GP, LLC's Chief Executive Officer and the executive officer in office on December 31, 2001 whose annual salary and bonus paid during the year ended December 31, 2001 exceeded $100,000.

		Annual Compensation			Long-Term Compensation Awards			
Name and Principal Position(1)	Year	Salary(2)	Bonus(2)	Other Annual Compensa- -tion(3)	Restricted Stock Awards	Number of Securities Underlying Options Granted	LTIP Payouts	All Other Compensa- -tion(4)
Curtis V. Anastasio, President and Chief Executive Officer	2001	$ 263,062	$ 184,100	—	—	—	—	$ 284,727
Rodney L. Reese, Vice President-Operations	2001	$ 147,944	$ 81,400	—	—	—	—	$ 106,706

(1) The named executive officers hold the indicated offices in Valero GP, LLC, the general partner of Riverwalk Logistics, L.P., Valero L.P.'s general partner. Valero L.P. does not have any officers or directors.

(2) Neither Valero L.P. nor Valero Logistics Operations had any employees in 2001. Each received services under a Services Agreement that was put in place at the time Valero Logistics Operations began operations in July, 2000. Under that Services Agreement, Valero Energy's predecessor in interest UDS and its affiliates were paid $5,200,000 for general and administrative services that indirectly benefited Valero L.P. or Valero Logistics Operations, and the cost of employees performing services directly for Valero L.P. or Valero Logistics Operations were reimbursed by Valero L.P. or Valero Logistics Operations as they were incurred.

(3) Perquisites and other personal benefits received by the executive officers are not included because the aggregate amount of such compensation, if any, does not exceed the lesser of $50,000 or 10% of the total amount of annual salary and bonus for either of the named individuals.

(4) UDS made cash payments under its intermediate-term incentive plan, and performance restricted stock issued under its long-term incentive plans vested, at the time of the acquisition of UDS by Valero Energy on December 31, 2001. All such costs were reimbursed by Valero Logistics Operations under the Services Agreement described in Item 13. Certain Relationships and Related Transactions. The portion of Mr. Anastasio's cash payment under UDS' intermediate term incentive plan reimbursed under the Services Agreement was $103,961, and the portion of the cost of Mr. Anastasio's vesting of UDS' performance restricted stock reimbursed under the Services Agreement was $118,752. The portion of Mr. Reese's cash payment under UDS' intermediate term incentive plan reimbursed under the Services Agreement was $36,092, and the portion of the cost of Mr. Reese's vesting of UDS' performance restricted stock reimbursed under the Services Agreement was $39,584. Portions of expenses incurred by UDS relating to 401k matching payments, pension and retirement plans and life and disability insurance for Mr. Anastasio and Mr. Reese passed through to Valero Logistics Operations under the Servicess Agreement, were $62,014 related to Mr. Anastasio and $31,030 related to Mr. Reese.

Compensation of Directors

Valero GP, LLC directors who are not employees of it or its affiliates receive a $20,000 annual retainer, a $1,000 fee for each committee meeting they attend, and an annual grant under the Valero GP, LLC 2000 Long-Term Incentive Plan of Valero L.P. restricted units with a value of $30,000 at the time of grant. Such restricted units vest in equal annual increments over the three years following the grant date. Because of Valero Energy's acquisition of UDS, Messrs. Patton and Profusek each received a payment of $8,456 related to restricted cash-only units granted in 2001.

Long-Term, Intermediate-Term and Short-Term Incentive Plans

Valero GP, LLC has established long-term, intermediate-term and short-term incentive plans. All three plans are administered by the compensation committee of the board of directors of Valero GP, LLC. Grants, consisting of either Valero L.P. restricted units or options to purchase common units, may be made under Valero GP, LLC's long-term incentive plan to directors and to employees of affiliates of Valero GP, LLC who perform services for it and its affiliates. Grants, consisting of performance units extending over three-year performance cycles, may be made under Valero GP, LLC's intermediate-term incentive plan to Valero GP, LLC officers and designated employees of its affiliates who perform services for it. Cash awards may be made under Valero GP, LLC's short-term incentive plan to Valero GP, LLC officers and designated employees of its affiliates to encourage immediate objectives, such as environmental and safety goals. No awards were made in 2001 under any of the plans to Valero GP, LLC officers or employees of its affiliates. Two awards, consisting of 205 restricted cash-only units each, were made to Mr. Profusek and Mr. Patton in 2001.

On March 22, 2002, the Valero GP, LLC board of directors adopted a broad-based common unit option plan under which it is authorized to award options to purchase up to a maximum of 200,000 Valero L.P. common units to its employees and to employees of affiliates who perform services for Valero L.P. and Valero Logistics Operations.

Compensation Committee Interlocks and Insider Participation

Mr. Profusek (Chairman) and Mr. Patton served on the compensation committee in 2001. Neither of them has ever been an officer or employee of Valero GP, LLC or any of its affiliates. No executive officer of Valero GP, LLC has served as a member of the board of directors or on the compensation committee of any company whose executive officers include a member of Valero GP, LLC's compensation committee.

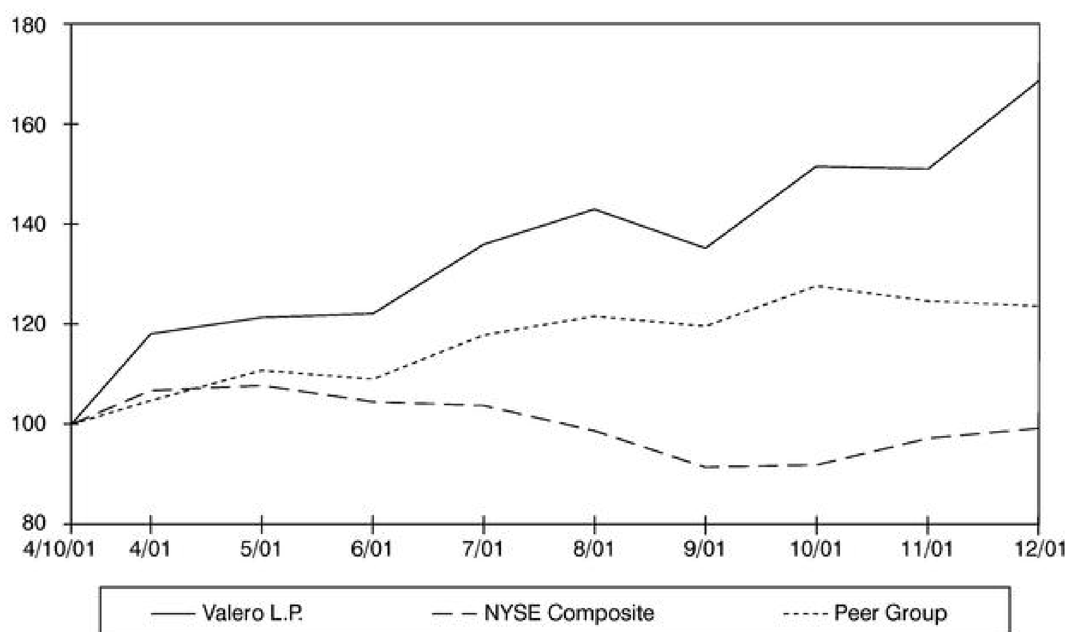
Compensation Committee Report

Neither Valero L.P. nor Valero Logistics Operations currently have employees. It receives the services of employees of Valero Energy and its affiliates under the Services Agreement. Under that agreement, Valero L.P. and Valero Logistics Operations reimburse Valero Energy for direct and indirect payroll costs relating to employees who perform work that is unique to Valero L.P. and Valero Logistics Operations. Valero L.P. also pays $5,200,000 each year for various general and administrative services provided by Valero Energy, such as legal, accounting and internal auditing. The compensation committee of Valero GP, LLC does not make decisions relating to compensation of employees of Valero Energy and its affiliates, including the executive officers of Valero GP, LLC, even though portions of that compensation may be reimbursed directly or indirectly under the Services Agreement. The functions of the compensation committee of Valero GP, LLC are therefore currently limited to administration of its long-term, intermediate-term and short-term incentive plans to executive officers of Valero GP, LLC, including its chief executive officer, in 2001.

Compensation Committee of Valero GP, LLC
Mr. Robert A. Profusek, Chairman
Mr. Rodman D. Patton

Unit Performance Graph

Our objective in selecting our peer group, for purposes of the graph below, was to select a group of partnerships with comparable business risks and markets served as ours. To do that we selected a group that is engaged in either the business of transporting crude oil and refined products or transporting refined products exclusively. The peer group we selected consists of Teppco Partners, L.P., Buckeye Partners, L.P., Kaneb Pipe Line Partners, L.P., and Williams Energy Partners L.P. The following graph compares the cumulative total return on our units since we became a public entity with that of the New York Stock Exchange Composite Index and the peer group, assuming an initial investment of $100 on April 16, 2001, our first day of trading on the New York Stock Exchange. The returns for each partnership have been weighted according to the partnership's market capitalization.



Item 12. Security Ownership of Certain Beneficial Owners and Management

Directors and Executive Officers

The table below sets forth ownership of Valero L.P. units and Valero Energy common stock by directors and executive officers of Valero GP, LLC as of March 1, 2002. Unless otherwise indicated in the notes to such table, each of the named persons and members of the group has sole voting and investment power with respect to the units and common stock shown:

Name	Units Owned (1)	Total Units Beneficially Owned (2)	Percentage of Outstanding Units	Shares of Valero Energy Stock Owned(5)	Total Shares of Valero Energy Stock Beneficially Owned(6)	Percentage of Outstanding Shares
Curtis V. Anastasio	9,100	9,100	(4)	18,242	42,692	(7)
H. Frederick Christie	2,250	2,250	(4)	7,039	16,718(8)	(7)
William E. Greehey	49,000	49,000	(4)	1,224,763	3,793,196	3.6%
Gregory C. King	4,500	4,500	(4)	48,139	138,179	(7)
William R. Klesse	17,500	17,500	(4)	64,934	420,118	(7)
Rodman D. Patton	3,750	3,750	(4)	—	—	(7)
Robert A. Profusek(3)	1,750	1,750	(4)	—	—	(7)
Rodney L. Reese	4,000	4,000	(4)	7,335	14,221	(7)
All directors and executive officers as a group (10 persons)	98,850	98,850	1%	1,370,452	4,506,597	4.3%

(1) Includes restricted common units issued under our long-term incentive plans, the vesting of which is contingent on the passage of time or continued service, as follows: Curtis V. Anastasio, 5,000 units; H. Frederick Christie, 750 units; William E. Greehey, 25,000 units; Gregory C. King, 4,000 units; William R. Klesse, 5,000 units; Rodman D. Patton, 750 units; Robert A. Profusek, 750 units; and all directors and executive officers as a group (10 persons) 44,250 units.

(2) Consisting of the total common units owned outright or indirectly and common units which may be acquired within 60 days through the exercise of options.

(3) Includes 1,000 common units registered in the name of Kathryn A. Profusek as to which Mr. Profusek shares voting and investment power.

(4) The percentage of units beneficially owned by such individual did not exceed one percent of outstanding common units as of March 1, 2002.

(5) Includes restricted common stock issued under long-term incentive plans, the vesting of which is contingent upon the passage of time or continued service, as follows: Curtis V. Anastasio, 5,500 shares; Gregory C. King, 1,666 shares; William R. Klesse, 20,000 shares; and all directors and officers as a group (10 persons) 30,166 shares.

(6) Consisting of total common stock owned outright or indirectly and common stock that may be acquired within 60 days through the exercise of options.

(7) The percentage of common stock beneficially owned by such individual did not exceed one percent of Valero Energy common stock outstanding as of March 1, 2002.

(8) Includes 4,960 shares of Valero Energy common stock registered in the name of the Christie Family Trust as to which Mr. Christie shares voting and investment power.

Certain Beneficial Owners

The following table contains certain information regarding persons or entities whom we have been advised are beneficial owners of 5% or more of Valero L.P.'s outstanding units as of the dates indicated in the notes to the table.

Name and Address of Beneficial Owner	Common Units	Percentage of Common Units	Sub-ordinated Units	Percentage of Subordinated Units
Valero Energy Corporation(1) One Valero Place San Antonio, Texas 78212	4,424,322	46.1%	9,599,322	100%
Goldman, Sachs & Co.(2) The Goldman Sachs Group, Inc. 85 Broad Street New York, NY 10004	1,651,696	17.2%	—	—

(1) Valero Energy owns the common and subordinated units through its subsidiary, UDS Logistics, LLC. Valero Energy is the direct owner of 100% of each of Diamond Shamrock Refining and Marketing Company and TPI Petroleum Inc. Diamond Shamrock Refining and Marketing Company holds a 45.023544% member interest in UDS Logistics, LLC. Diamond Shamrock Refining and Marketing Company also is the owner of 100% of each of Diamond Shamrock Refining Company, L.P. (through Diamond Shamrock Refining and Marketing Company's subsidiaries Sigmor Corporation and D-S Venture Company, LLC), Sigmor Corporation and The Shamrock Pipe Line Corporation, each of which holds a 5.414771%, 29.498522% and 13.544178% member interest in UDS Logistics, LLC, respectively. The remaining 6.518985% member interest in UDS Logistics, LLC is held by TPI Pipeline Corporation, a direct wholly owned subsidiary of TPI Petroleum Inc. UDS Logistics, LLC shares dispositive power with Valero Energy, Diamond Shamrock Refining and Marketing Company, TPI Petroleum, Inc., Diamond Shamrock Refining Company, L.P., Sigmor Corporation, D-S Venture Company, LLC, The Shamrock Pipeline Corporation and TPI Pipeline Corporation.

(2) According to a Schedule 13G filed with the Securities and Exchange Commission on February 14, 2002, Goldman Sachs & Co. and The Goldman Sachs Group, Inc. share voting and dispositive power with respect to these units.

(3) Assumes 9,599,322 common units outstanding.

Item 13. Certain Relationships and Related Transactions

Rights of our General Partner

UDS Logistics, LLC, the limited partner of our general partner, also owns 4,424,322 common units and 9,599,322 subordinated units representing an aggregate 71.6% limited partner interest in us. Our general partner, Riverwalk Logistics, L.P., owns a 2% interest in us and also owns the incentive distribution rights giving it higher percentages of our cash distributions as various target distribution levels are met.

The subordinated units may convert to common units on a one-for-one basis on the first day following the record date for distributions for the quarter ending December 31, 2005, if we meet the tests set forth in our partnership agreement. If the subordination period ends, the rights of the holders of subordinated units will no longer be subordinated to the rights of the holders of common units and the subordinated units may be converted into common units.

Our general partner is responsible for the management of Valero L.P. and Valero Logistics Operations.

Relationship with Valero Energy

Our operations support Valero Energy's McKee, Three Rivers and Ardmore refineries and its marketing operations located in Texas, Oklahoma, Colorado, New Mexico and Arizona. Valero Energy and its affiliates account for 99% of our revenues. Although we intend to pursue strategic acquisitions of assets as opportunities may arise, we expect to continue to derive substantially all of our revenues from Valero Energy and its affiliates for the foreseeable future.

Valero Energy owns and controls our general partner, Riverwalk Partners, L.P. We have entered into the following agreements with Valero Energy and its affiliates:

Omnibus Agreement

On April 16, 2001, we entered into an agreement with UDS and the general partner, which will govern potential competition among us and the other parties to the agreement. Concurrent with the acquisition of UDS by Valero Energy, Valero Energy became the obligor under the Omnibus Agreement. Valero Energy has agreed and will cause its controlled affiliates to agree, for so long as Valero Energy and its affiliates control the general partner, not to engage in, whether by acquisition or otherwise, the business of transporting crude oil or refined products including petrochemicals or operating crude oil storage or refined products terminalling assets in the United States. This restriction will not apply to:

- any business retained by Valero Energy at the closing of the initial public offering;
- any further development of the Diamond-Koch Joint Venture petrochemicals business;
- any business with a fair market value of less than $10 million;
- any business acquired by Valero Energy that constitutes less than 50% of the fair market value of a larger acquisition, provided we have been offered and declined the opportunity to purchase this business; and
- any newly constructed logistics assets that we have not offered to purchase within one year of construction at fair market value.

The Omnibus Agreement also provided for a ten-year environmental indemnity. In connection with the initial public offering of Valero L.P., UDS agreed to indemnify us for environmental liabilities that arose prior to April 16, 2001 and are discovered within 10 years after April 16, 2001. Excluded from this indemnification are liabilities that result from a change in environmental law after April 16, 2001. Effective with the acquisition of UDS by Valero Energy, Valero Energy has assumed this environmental indemnification. In addition, as an operator or owner of the assets, we could be held liable for pre-April 16, 2001 environmental damage should Valero Energy be unable to fulfill its obligation. However, we believe that such a situation is remote given Valero Energy's financial condition.

Services Agreement

Effective July 1, 2000, UDS entered into a Services Agreement with us, whereby UDS agreed to provide the corporate functions of legal, accounting, treasury, information technology and other services for an annual fee of $5,200,000 for a period of eight years. The $5,200,000 is adjustable annually based on the Consumer Price Index published by the U.S. Department of Labor and may be adjusted to take into account additional service levels necessitated by the acquisition or construction of additional assets. Management believes that the $5,200,000 is a reasonable approximation of the general and administrative costs related to the pipeline, terminalling and storage operations. This annual fee is in

addition to the incremental general and administrative costs to be incurred from third parties as a result of our being a publicly held entity.

The Services Agreement also requires that we reimburse UDS for various recurring costs of employees who work exclusively within the pipeline, terminalling and storage operations and for certain other costs incurred by UDS relating solely to us. These employee costs include salary, wages and benefit costs. Concurrent with the acquisition of UDS by Valero Energy, Valero Energy became the obligor under the Services Agreement.

Prior to July 1, 2000, UDS allocated approximately 5% of its general and administrative expenses incurred in the United States to its pipeline, terminalling and storage operations to cover costs of centralized corporate functions and other corporate services. A portion of the allocated general and administrative costs is passed on to partners, which jointly own certain pipelines and terminals with us.

Pipelines and Terminals Usage Agreement

On April 16, 2001, UDS entered into the Pipelines and Terminals Usage Agreement with us, whereby UDS agreed to use our pipelines to transport at least 75% of the crude oil shipped to and at least 75% of the refined products shipped from the McKee, Three Rivers and Ardmore refineries and to use our refined product terminals for terminalling services for at least 50% of all refined products shipped from these refineries until at least April, 2008. For the year ended December 31, 2001, UDS used our pipelines to transport 78% of its crude oil shipped to and 80% of the refined products shipped from the McKee, Three Rivers and Ardmore refineries and UDS used our terminalling services for 60% of all refined products shipped from these refineries. Valero Energy also assumed the obligation under the Pipelines and Terminals Usage Agreement in conjunction with the acquisition of UDS by Valero Energy.

If market conditions change, with respect to the transportation of crude oil or refined products or to the end markets in which Valero Energy sells refined products, in a material manner such that Valero Energy would suffer a material adverse effect if it were to continue to use our pipelines and terminals at the required levels, Valero Energy's obligation to us will be suspended during the period of the change in market conditions to the extent required to avoid the material adverse effect.

Summary of Transactions with Valero Energy

We have related party transactions with Valero Energy (formerly UDS) for pipeline tariff and terminalling fee revenues, certain employee costs, insurance costs, administrative costs and interest expense on the debt due to parent (for the period July 1, 2000 to April 15, 2001). The receivable from parent, reflected in the consolidated

and combined financial statements as of December 31, 2001 and 2000, represents the net amount due from Valero Energy for these related party transactions and the net cash collected under Valero Energy's centralized cash management program on our behalf.

The following table summarizes transactions with Valero Energy:

	Successor		Predecessor	
	Year Ended December 31, 2001	Six Months Ended December 30, 2000	Six Months Ended June 30, 2000	Year Ended December 31, 1999
	(in thousands)			
Revenues	$ 98,166	$ 47,210	$ 44,187	$ 108,467
Operating expenses	11,452	5,718	5,393	9,614
General and administrative expenses	5,200	2,600	2,839	5,201
Interest expense on debt due to parent	2,513	4,307	—	—

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(A) (1) and (2)—List of financial statements and financial statement schedules

The following consolidated and combined financial statements of Valero L.P. and Valero Logistics Operations, L.P. (successor to the Ultramar Diamond Shamrock Logistics Business) are included under Part II, Item 8 of this Form 10-K:

Report of Independent Public Accountants
Consolidated and Combined Balance Sheets—December 31, 2001 and 2000
Consolidated and Combined Statements of Income—Year Ended December 31, 2001, the Six Months Ended December 31, 2000 and June 30, 2000 and the Year Ended December 31, 1999
Consolidated and Combined Statements of Cash Flows—Year Ended December 31, 2001, the Six Months Ended December 31, 2000 and June 30, 2000 and the Year Ended December 31, 1999
Combined Statements of Partners' Equity/Net Parent Investment—Six Months Ended December 31, 2000 and June 30, 2000 and the Year Ended December 31, 1999
Consolidated and Combined Statement of Partners' Equity—Year Ended December 31, 2001
Notes to Consolidated and Combined Financial Statements—Year Ended December 31, 2001, the Six Months Ended December 31, 2000 and June 30, 2000 and the Year Ended December 31, 1999

(B) Reports on Form 8-K

A Current Report on Form 8-K was filed February 15, 2002 relating to the acquisition of the Wichita Falls crude oil pipeline and storage facility from Valero Energy on February 1, 2002. The registrant will file with the Commission the required financial statements on or prior to April 16, 2002.

(C) Exhibits

Filed as part of this Form 10-K are the following:

Exhibit Number		Description	Incorporated by Reference to the Following Document
3.1	—	Certificate of Limited Partnership of Valero L.P.	Registration Statement on Form S-1 (File No. 333-43668), Exhibit 3.1
3.2	—	Certificate of Amendment to Certificate of Limited Partnership of Valero L.P.	Registration Statement on Form S-1 (File No. 333-43668), Exhibit 3.2
3.3	—	Amended and Restated Certificate of Limited Partnership of Valero L.P.	*
3.4	—	Second Amended and Restated Agreement of Limited Partnership of Valero L.P.	*
3.5	—	First Amendment to Second Amended and Restated Agreement of Limited Partnership of Valero L.P.	*
3.6	—	Certificate of Limited Partnership of Valero Logistics Operations, L.P.	Registration Statement on Form S-1 (File No. 333-43668), Exhibit 3.4

Exhibit Number		Description	Incorporated by Reference to the Following Document
3.7	—	Certificate of Amendment to Certificate of Limited Partnership of Valero Logistics Operations, L.P.	Registration Statement on Form S-1 (File No. 333-43668), Exhibit 3.5
3.8	—	Amended and Restated Certificate of Limited Partnership of Valero Logistics Operations, L.P.	*
3.9	—	Second Amended and Restated Agreement of Limited Partnership of Valero Logistics Operations, L.P.	*
3.10	—	Second Amendment to Second Amended and Restated Agreement of Limited Partnership of Valero Logistics Operations, L.P	*
3.11	—	Certificate of Limited Partnership of Riverwalk Logistics, L.P.	Registration Statement on Form S-1 (File No. 333-43668), Exhibit 3.7
3.12	—	Agreement of Limited Partnership of Riverwalk Logistics, L.P.	Registration Statement on Form S-1 (File No. 333-43668), Exhibit 3.8
3.13	—	Certificate of Formation of Valero GP, LLC	Registration Statement on Form S-1 (File No. 333-43668),

			Exhibit 3.9
3.14	—	Certificate of Amendment to Certificate of Formation of Valero GP, LLC	*
3.15	—	First Amendment to First Amended and Restated Limited Liability Company Agreement of Valero GP, LLC	*
3.16	—	First Amended and Restated Limited Partnership Agreement of Riverwalk Logistics, L.P.	*
10.1	—	Credit Agreement dated as of December 15, 2000 among Valero Logistics Operations, L.P., the Lenders party thereto, and The Chase Manhattan Bank, as Administrative Agent, Royal Bank of Canada, as Syndication Agent, Suntrust Bank, as Documentation Agent, Chase Securities Inc., as Arranger	Registration Statement on Form S-1 (File No. 333-43668), Exhibit 10.1
10.2	—	Valero GP, LLC 2002 Unit Option Plan	*
10.3	—	Valero GP, LLC 2000 Long-Term Incentive Plan	Registration Statement on Form S-1 (File No. 333-43668), Exhibit 10.3
10.4	—	Valero GP, LLC Short-Term Incentive Plan	Registration Statement on Form S-1 (File No. 333-43668), Exhibit 10.4
10.6	—	Pipelines and Terminals Usage Agreement	*
10.7	—	Omnibus Agreement	*
10.8	—	Services Agreement	*

10.9	—	Form of Valero GP, LLC Intermediate-Term Incentive Plan	Registration Statement on Form S-1 (File No. 333-43668), Exhibit 10.9
10.10	—	First Amendment to Credit Agreement dated as of February 23, 2001	Registration Statement on Form S-1 (File No. 333-43668), Exhibit 10.10
10.11	—	First Amendment to Omnibus Agreement	*
10.12	—	Restricted Unit Agreement	*
10.13	—	Operating Agreement	*
16.1	—	Letter re Change of Certifying Accountant	*
21.1	—	List of subsidiaries of Valero L.P.	*
23.1	—	Consent of Arthur Andersen LLP	*
24.1	—	Powers of Attorney (included in signature page)	*
99.1	—	Revised Audit Committee of the Board of Directors Charter	*
99.2	—	Required Letter to Securities and Exchange Commission under Temporary Note 3T	*

* Filed herewith

SIGNATURES

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

VALERO L.P.
By: Riverwalk Logistics, L.P., its general partner

By: Valero GP, LLC, its general partner

By: /s/ CURTIS V. ANASTASIO

(Curtis V. Anastasio)
Chief Executive Officer
March 22, 2002

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Curtis V. Anastasio, Steven A. Blank, John Krueger, Jr. and Todd Walker, or any of them, each with power to act without the other, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all subsequent amendments and supplements to this Annual Report on Form 10-K, and to file the same, or cause to be filed the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby qualifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date

Signature	Title	Date
/s/ WILLIAM E. GREEHEY William E. Greehey	Chairman of the Board and Director	March 22, 2002
/s/ CURTIS V. ANASTASIO (Curtis V. Anastasio)	President, Chief Executive Officer and Director (Principal Executive Officer)	March 22, 2002
/s/ STEVEN A. BLANK (Steven A. Blank)	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 22, 2002
/s/ JOHN H. KRUEGER, JR. (John H. Krueger, Jr.)	Senior Vice President and Controller (Principal Accounting Officer)	March 22, 2002
/s/ WILLIAM R. KLESSE (William R. Klesse)	Executive Vice President and Director	March 22, 2002
/s/ GREGORY C. KING (Gregory C. King)	Director	March 22, 2002
/s/ H. FREDERICK CHRISTIE (H. Frederick Christie)	Director	March 22, 2002
/s/ RODMAN D. PATTON (Rodman D. Patton)	Director	March 22, 2002
/s/ ROBERT A. PROFUSEK (Robert A. Profusek)	Director	March 22, 2002

AMENDED AND RESTATED CERTIFICATE OF LIMITED PARTNERSHIP OF SHAMROCK LOGISTICS, L.P.

Shamrock Logistics, L.P., a limited partnership organized under the Revised Uniform Limited Partnership Act of the State of Delaware (the "Act"), for the purpose of amending and restating its Certificate of Limited Partnership filed with the Office of the Secretary of State of the State of Delaware on December 7, 1999, as amended on August 10, 2000, hereby certifies that its Certificate of Limited Partnership is amended and restated to read in its entirety as follows, and that such amendment and restatement shall be effective as of 12:01 A.M. Eastern Standard Time on January 1, 2002:

1. The name of the limited partnership is Valero L.P. (the "Partnership").

2. The address of the registered office of the Partnership in the State of Delaware and the name and address of the registered agent of the Partnership required to be maintained by Section 17-104 of the Act at such address are as follows:

Name and Address of Registered Agent	Address of Registered Office
Corporation Trust Company 1209 Orange Street Wilmington, Delaware 19801	1209 Orange Street Wilmington, DE 19801

3. The name and business address of the General Partner are as follows:

General Partner	Address
Riverwalk Logistics, L.P.	6000 North Loop 1604 West San Antonio, Texas 78249

IN WITNESS WHEREOF, this Amended and Restated Certificate of Limited Partnership has been duly executed as of the 31st day of December, 2001 and is being filed in accordance with Section 17-210 of the Act by the undersigned General Partner.

GENERAL PARTNER

RIVERWALK LOGISTICS, L.P.

By: Valero GP, LLC,
its General Partner

By: /s/ Todd Walker
Name: Todd Walker
Title: Corporate Secretary

SECOND AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

SHAMROCK LOGISTICS, L.P.

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SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF SHAMROCK LOGISTICS, L.P.

THIS SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF SHAMROCK LOGISTICS, L.P. dated as of April 16, 2001, is entered into by and among Riverwalk Logistics, L.P., a Delaware limited partnership, as the General Partner, and Todd Walker, as the Organizational Limited Partner, together with any other Persons who become Partners in the Partnership or parties hereto as provided herein. In consideration of the covenants, conditions and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.1 DEFINITIONS.

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"ACQUISITION" means any transaction in which any Group Member acquires (through an asset acquisition, merger, stock acquisition or other form of investment) control over all or a portion of the assets, properties or business of another Person for the purpose of increasing the operating capacity or revenues of the Partnership Group from the operating capacity or revenues of the Partnership Group existing immediately prior to such transaction.

"ADDITIONAL BOOK BASIS" means the portion of any remaining Carrying Value of an Adjusted Property that is attributable to positive adjustments made to such Carrying Value as a result of Book-Up Events. For purposes of determining the extent that Carrying Value constitutes Additional Book Basis:

(i) Any negative adjustment made to the Carrying Value of an Adjusted Property as a result of either a Book-Down Event or a Book-Up Event shall first be deemed to offset or decrease that portion of the Carrying Value of such Adjusted Property that is attributable to any prior positive adjustments made thereto pursuant to a Book-Up Event or Book-Down Event.

(ii) If Carrying Value that constitutes Additional Book Basis is reduced as a result of a Book-Down Event and the Carrying Value of other property is increased as a result of such Book-Down Event, an allocable portion of any such increase in Carrying Value shall be treated as Additional Book Basis; provided that the amount treated as Additional Book Basis pursuant hereto as a result of such Book-Down Event

shall not exceed the amount by which the Aggregate Remaining Net Positive Adjustments after such Book-Down Event exceeds the remaining Additional Book Basis attributable to all of the Partnership's Adjusted Property after such Book-Down Event (determined without regard to the application of this clause (ii) to such Book-Down Event).

"ADDITIONAL BOOK BASIS DERIVATIVE ITEMS" means any Book Basis Derivative Items that are computed with reference to Additional Book Basis. To the extent that the Additional Book Basis attributable to all of the Partnership's Adjusted Property as of the beginning of any taxable period exceeds the Aggregate Remaining Net Positive Adjustments as of the beginning of such period (the "EXCESS ADDITIONAL BOOK BASIS"), the Additional Book Basis Derivative Items for such period shall be reduced by the amount that bears the same ratio to the amount of Additional Book Basis Derivative Items determined without regard to this sentence as the Excess Additional Book Basis bears to the Additional Book Basis as of the beginning of such period.

"ADDITIONAL LIMITED PARTNER" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 10.4 and who is shown as such on the books and records of the Partnership.

"ADJUSTED CAPITAL ACCOUNT" means the Capital Account maintained for each Partner as of the end of each fiscal year of the Partnership, (a) increased by any amounts that such Partner is obligated to restore under the standards set by Treasury Regulation Section 1.704-1(b)(2)(ii)(c) (or is deemed obligated to restore under Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5)) and (b) decreased by (i) the amount of all losses and deductions that, as of the end of such fiscal year, are reasonably expected to be allocated to such Partner in subsequent years under Sections 704(e)(2) and 706(d) of the Code and Treasury Regulation Section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that, as of the end of such fiscal year, are reasonably expected to be made to such Partner in subsequent years in accordance with the terms of this Agreement or otherwise to the extent they exceed offsetting increases to such Partner's Capital Account that are reasonably expected to occur during (or prior to) the year in which such distributions are reasonably expected to be made (other than increases as a result of a minimum gain chargeback pursuant to Section 6.1(d)(i) or 6.1(d)(ii)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith. The "ADJUSTED CAPITAL ACCOUNT" of a Partner in respect of a General Partner Interest, a Common Unit, a Subordinated Unit or an Incentive Distribution Right or any other specified interest in the Partnership shall be the amount which such Adjusted Capital Account would be if such General Partner Interest, Common Unit, Subordinated Unit, Incentive Distribution Right or other interest in the Partnership were the only interest in the Partnership held by a Partner from and after

date on which such General Partner Interest, Common Unit, Subordinated Unit, Incentive Distribution Right or other interest was first issued.

"ADJUSTED OPERATING SURPLUS" means, with respect to any period, Operating Surplus generated during such period (a) less (i) any net increase in Working Capital Borrowings with respect to such period and (ii) any net reduction in cash reserves for Operating Expenditures with respect to such period not relating to an Operating Expenditure made with respect to such period, and (b) plus (i) any net decrease in Working Capital Borrowings with respect to such

period and (ii) any net increase in cash reserves for Operating Expenditures with respect to such period required by any debt instrument for the repayment of principal, interest or premium. Adjusted Operating Surplus does not include that portion of Operating Surplus included in clause (a)(i) of the definition of Operating Surplus.

"ADJUSTED PROPERTY" means any property the Carrying Value of which has been adjusted pursuant to Section 5.5(d)(i) or 5.5(d)(ii).

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

"AGGREGATE REMAINING NET POSITIVE ADJUSTMENTS" means, as of the end of any taxable period, the sum of the Remaining Net Positive Adjustments of all the Partners.

"AGREED ALLOCATION" means any allocation, other than a Required Allocation, of an item of income, gain, loss or deduction pursuant to the provisions of Section 6.1, including, without limitation, a Curative Allocation (if appropriate to the context in which the term "AGREED ALLOCATION" is used).

"AGREED VALUE" of any Contributed Property means the fair market value of such property or other consideration at the time of contribution as determined by the General Partner using such reasonable method of valuation as it may adopt. The General Partner shall, in its discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Agreed Value of Contributed Properties contributed to the Partnership in a single or integrated transaction among each separate property on a basis proportional to the fair market value of each Contributed Property.

"AGREEMENT" means this Second Amended and Restated Agreement of Limited Partnership of Shamrock Logistics, L.P., as it may be amended, supplemented or restated from time to time.

"ASSIGNEE" means a Non-citizen Assignee or a Person to whom one or more Limited Partner Interests have been transferred in a manner permitted under this Agreement and who has executed and delivered a Transfer Application as required by this Agreement, but who has not been admitted as a Substituted Limited Partner.

"ASSOCIATE" means, when used to indicate a relationship with any Person, (a) any corporation or organization of which such Person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock or other voting interest; (b) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same principal residence as such Person.

"AVAILABLE CASH" means, with respect to any Quarter ending prior to the Liquidation Date, and without duplication:

(a) the sum of (i) all cash and cash equivalents of the Partnership Group on hand at the end of such Quarter, and (ii) all additional cash and cash equivalents of the Partnership Group on hand on the date of determination of Available Cash with respect to such Quarter resulting from Working Capital Borrowings made subsequent to the end of such Quarter, less

(b) the amount of any cash reserves that are necessary or appropriate in the reasonable discretion of the General Partner to (i) provide for the proper conduct of the business of the Partnership Group (including reserves for future capital expenditures and for anticipated future credit needs of the Partnership Group) subsequent to such Quarter, (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which any Group Member is a party or by which it is bound or its assets are subject or (iii) provide funds for distributions under Section 6.4 or 6.5 in respect of any one or more of the next four Quarters; provided, however, that the General Partner may not establish cash reserves pursuant to (iii) above if the effect of such reserves would be that the Partnership is unable to distribute the Minimum Quarterly Distribution on all Common Units, plus any Cumulative Common Unit Arrearage on all Common Units, with respect to such Quarter; and, provided further, that disbursements made by a Group Member or cash reserves established, increased or reduced after the end of such Quarter but on or before the date of determination of Available Cash with respect to such Quarter shall be deemed to have been made, established, increased or reduced, for purposes of determining Available Cash, within such Quarter if the General Partner so determines.

Notwithstanding the foregoing, "AVAILABLE CASH" with respect to the Quarter in which the Liquidation Date occurs and any subsequent Quarter shall equal zero.

"BOOK BASIS DERIVATIVE ITEMS" means any item of income, deduction, gain or loss included in the determination of Net Income or Net Loss that is computed with reference to the Carrying Value of an Adjusted Property (e.g., depreciation, depletion, or gain or loss with respect to an Adjusted Property).

"BOOK-DOWN EVENT" means an event which triggers a negative adjustment to the Capital Accounts of the Partners pursuant to Section 5.5(d).

"BOOK-TAX DISPARITY" means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Section 5.5 and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles.

"BOOK-UP EVENT" means an event which triggers a positive adjustment to the Capital Accounts of the Partners pursuant to Section 5.5(d).

"BUSINESS DAY" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the states of New York or Texas shall not be regarded as a Business Day.

"CAPITAL ACCOUNT" means the capital account maintained for a Partner pursuant to Section 5.5. The "CAPITAL ACCOUNT" of a Partner in respect of a General Partner Interest, a Common Unit, a Subordinated Unit, an Incentive Distribution Right or any other Partnership Interest shall be the amount which such Capital Account would be if such General Partner Interest, Common Unit, Subordinated Unit, Incentive Distribution Right or other Partnership Interest were the only interest in the Partnership held by a Partner from and after the date on which such General Partner Interest, Common Unit, Subordinated Unit, Incentive Distribution Right or other Partnership Interest was first issued.

"CAPITAL CONTRIBUTION" means any cash, cash equivalents or the Net Agreed Value of Contributed Property that a Partner contributes to the Partnership pursuant to this Agreement or the Contribution and Conveyance Agreement.

"CAPITAL IMPROVEMENT" means any (a) addition or improvement to the capital assets owned by any Group Member or (b) acquisition of existing, or the construction of new, capital assets (including, without limitation, pipeline systems, terminalling and storage facilities and related assets), in each case made to increase the operating capacity or revenues of the Partnership Group from the operating capacity or revenues of the

Partnership Group existing immediately prior to such addition, improvement, acquisition or construction.

"CAPITAL SURPLUS" has the meaning assigned to such term in Section 6.3(a).

"CARRYING VALUE" means (a) with respect to a Contributed Property, the Agreed Value of such property reduced (but not below zero) by all depreciation, amortization and cost recovery deductions charged to the Partners' and Assignees' Capital Accounts in respect of such Contributed Property, and (b) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Sections 5.5(d)(i) and 5.5(d)(ii) and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the General Partner.

"CAUSE" means a court of competent jurisdiction has entered a final, non-appealable judgment finding the General Partner liable for actual fraud, gross negligence or willful or wanton misconduct in its capacity as general partner of the Partnership.

"CERTIFICATE" means a certificate (i) substantially in the form of Exhibit A to this Agreement, (ii) issued in global form in accordance with the rules and regulations of the Depositary or (iii) in such other form as may be adopted by the General Partner in its discretion, issued by the Partnership evidencing ownership of one or more Common Units or a certificate, in such form as may be adopted by the General Partner in its discretion, issued by the Partnership

evidencing ownership of one or more other Partnership Securities.

"CERTIFICATE OF LIMITED PARTNERSHIP" means the Certificate of Limited Partnership of the Partnership filed with the Secretary of State of the State of Delaware as referenced in Section 2.1, as such Certificate of Limited Partnership may be amended, supplemented or restated from time to time.

"CITIZENSHIP CERTIFICATION" means a properly completed certificate in such form as may be specified by the General Partner by which an Assignee or a Limited Partner certifies that he (and if he is a nominee holding for the account of another Person, that to the best of his knowledge such other Person) is an Eligible Citizen.

"CLAIM" has the meaning assigned to such term in Section 7.12(c).

"CLOSING DATE" means the first date on which Common Units are sold by the Partnership to the Underwriters pursuant to the provisions of the Underwriting Agreement.

"CLOSING PRICE" has the meaning assigned to such term in Section 15.1(a).

"CODE" means the Internal Revenue Code of 1986, as amended and in effect from time to time. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of successor law.

"COMBINED INTEREST" has the meaning assigned to such term in Section 11.3(a).

"COMMISSION" means the United States Securities and Exchange Commission.

"COMMON UNIT" means a Partnership Security representing a fractional part of the Partnership Interests of all Limited Partners and Assignees and of the General Partner and having the rights and obligations specified with respect to Common Units in this Agreement. The term "COMMON UNIT" does not refer to a Subordinated Unit prior to its conversion into a Common Unit pursuant to the terms hereof.

"COMMON UNIT ARREARAGE" means, with respect to any Common Unit, whenever issued, as to any Quarter within the Subordination Period, the excess, if any, of (a) the Minimum Quarterly Distribution with respect to a Common Unit in respect of such Quarter over (b) the sum of all Available Cash distributed with respect to a Common Unit in respect of such Quarter pursuant to Section 6.4(a).

"CONFLICTS COMMITTEE" means a committee of the Board of Directors of Shamrock GP composed entirely of three or more directors who are not (i) security holders, officers or employees of the General Partner, (ii) officers, directors or employees of any Affiliate of the General Partner or (iii) holders of any ownership interest in the Partnership or any of its Affiliates other than Common Units who also meet the independence standards required to serve on an audit committee of a board of directors by the National Securities Exchange on which the Common Units are listed for trading.

"CONTRIBUTED PROPERTY" means each property or other asset, in such form as may be permitted by the Delaware Act, but excluding cash, contributed to the Partnership. Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 5.5(d), such property shall no longer constitute a Contributed Property, but shall be deemed an Adjusted Property.

"CONTRIBUTION AGREEMENT" means that certain Contribution Agreement, dated as of the Closing Date, among the General Partner, the Partnership, the Operating Partnership and certain other parties, together with the additional conveyance documents and instruments contemplated or referenced thereunder.

"CUMULATIVE COMMON UNIT ARREARAGE" means, with respect to any Common Unit, whenever issued, and as of the end of any Quarter, the excess, if any, of (a) the sum resulting from adding together the Common Unit Arrearage as to an Initial Common Unit for each of the Quarters within the Subordination Period ending on or before the last day of such Quarter over (b) the sum of any distributions theretofore made pursuant to Section 6.4(a)(ii) and the second sentence of Section 6.5 with respect to an Initial Common Unit (including any distributions to be made in respect of the last of such Quarters).

"CURATIVE ALLOCATION" means any allocation of an item of income, gain, deduction, loss or credit pursuant to the provisions of Section 6.1(d)(xi).

"CURRENT MARKET PRICE" has the meaning assigned to such term in Section 15.1(a).

"DELAWARE ACT" means the Delaware Revised Uniform Limited Partnership Act,

6 Del C.ss.17-101, et seq., as amended, supplemented or restated from time to time, and any successor to such statute.

"DEPARTING PARTNER" means a former General Partner from and after the effective date of any withdrawal or removal of such former General Partner pursuant to Section 11.1 or 11.2.

"DEPOSITARY" means, with respect to any Units issued in global form, The Depository Trust Company and its successors and permitted assigns.

"ECONOMIC RISK OF LOSS" has the meaning set forth in Treasury Regulation Section 1.752-2(a).

"ELIGIBLE CITIZEN" means a Person qualified to own interests in real property in jurisdictions in which any Group Member does business or proposes to do business from time to time, and whose status as a Limited Partner or Assignee does not or would not subject such Group Member to a significant risk of cancellation or forfeiture of any of its properties or any interest therein.

"EVENT OF WITHDRAWAL" has the meaning assigned to such term in Section 11.1(a).

"FINAL SUBORDINATED UNITS" has the meaning assigned to such term in Section 6.1(d)(x).

"FIRST LIQUIDATION TARGET AMOUNT" has the meaning assigned to such term in Section 6.1(c)(i)(D).

"FIRST TARGET DISTRIBUTION" means $0.66 per Unit per Quarter (or, with respect to the period commencing on the Closing Date and ending on June 30, 2001, it means the product of $0.66 multiplied by a fraction of which the numerator is the number of days in such period, and of which the denominator is 91), subject to adjustment in accordance with Sections 6.6 and 6.9.

"GENERAL PARTNER" means Riverwalk Logistics, L.P. and its successors and permitted assigns as general partner of the Partnership.

"GENERAL PARTNER INTEREST" means the ownership interest of the General Partner in the Partnership (in its capacity as a general partner without reference to any Limited Partner Interest held by it) which may be evidenced by Partnership Securities or a combination thereof or interest therein, and includes any and all benefits to which the General Partner is entitled as provided in this Agreement, together with all obligations of the General Partner to comply with the terms and provisions of this Agreement.

"GROUP" means a Person that with or through any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent given to such Person in response to a proxy or consent solicitation made to 10 or more Persons) or disposing of any Partnership Securities with any other Person that beneficially owns, or whose Affiliates or Associates beneficially own, directly or indirectly, Partnership Securities.

"GROUP MEMBER" means a member of the Partnership Group.

"HOLDER" as used in Section 7.12, has the meaning assigned to such term in Section 7.12(a).

"INCENTIVE DISTRIBUTION RIGHT" means a non-voting Limited Partner Interest issued to the General Partner in connection with the transfer of substantially all of its general partner interest in the Operating Partnership to the Partnership pursuant to Section 5.2, which Partnership Interest will confer upon the holder thereof only the rights and obligations specifically provided in this Agreement with respect to Incentive Distribution Rights (and no other rights otherwise available to or other obligations of a holder of a Partnership Interest). Notwithstanding anything in this Agreement to the contrary, the holder of an Incentive Distribution Right shall not be entitled to vote such Incentive Distribution Right on any Partnership matter except as may otherwise be required by law.

"INCENTIVE DISTRIBUTIONS" means any amount of cash distributed to the holders of the Incentive Distribution Rights pursuant to Sections 6.4(a)(iv), (v) and (vi) and 6.4(b)(ii), (iii) and (iv).

"INDEMNIFIED PERSONS" has the meaning assigned to such term in Section 7.12(c).

"INDEMNITEE" means (a) the General Partner, (b) any Departing Partner, (c) any Person who is or was an Affiliate of the General Partner or any Departing Partner, (d) any Person who is or was a member, partner, officer, director,

employee, agent or trustee of any Group Member, the General Partner or any Departing Partner or any Affiliate of any Group Member, the General Partner or any Departing Partner, and (e) any Person who is or was serving at the request of the General Partner or any Departing Partner or any Affiliate of the General Partner or any Departing Partner as an officer, director, employee, member, partner, agent, fiduciary or trustee of another Person; provided, that a Person shall not be an Indemnitee by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services.

"INITIAL COMMON UNITS" means the Common Units sold in the Initial Offering.

"INITIAL LIMITED PARTNERS" means the General Partner and UDS Logistics, LLC (with respect to the Common Units, Subordinated Units and the Incentive Distribution Rights received by them pursuant to Section 5.2) and the Underwriters, in each case upon being admitted to the Partnership in accordance with Section 10.1.

"INITIAL OFFERING" means the initial offering and sale of Common Units to the public, as described in the Registration Statement.

"INITIAL UNIT PRICE" means (a) with respect to the Common Units and the Subordinated Units, the initial public offering price per Common Unit at which the Underwriters offered the Common Units to the public for sale as set forth on the cover page of the prospectus included as part of the Registration Statement and first issued at or after the time the Registration Statement first became effective or (b) with respect to any other class or series of Units, the price per Unit at which such class or series of Units is initially sold by the Partnership, as determined by the General Partner, in each case adjusted as the General Partner determines to be appropriate to give effect to any distribution, subdivision or combination of Units.

"INTERIM CAPITAL TRANSACTIONS" means the following transactions if they occur prior to the Liquidation Date: (a) borrowings, refinancings or refundings of indebtedness and sales of debt securities (other than Working Capital Borrowings and other than for items purchased on open account in the ordinary course of business) by any Group Member; (b) sales of equity interests by any Group Member (including the Common Units sold to the Underwriters pursuant to the exercise of their over-allotment option); and (c) sales or other voluntary or involuntary dispositions of any assets of any Group Member other than (i) sales or other dispositions of inventory, accounts receivable and other assets in the ordinary course of business, and (ii) sales or other dispositions of assets as part of normal retirements or replacements.

"ISSUE PRICE" means the price at which a Unit is purchased from the Partnership, after taking into account any sales commission or underwriting discount charged to the Partnership.

"LIMITED PARTNER" means, unless the context otherwise requires, (a) the Organizational Limited Partner prior to its withdrawal from the Partnership, each Initial Limited Partner, each Substituted Limited Partner, each Additional Limited Partner and any Partner upon the change of its status from General Partner to Limited Partner pursuant to Section 11.3 or (b) solely for purposes of Articles V, VI, VII and IX and Sections 12.3 and 12.4, each Assignee; provided, however, that when the term "LIMITED PARTNER" is used herein in the context of any vote or other approval, including without limitation Articles XIII and XIV, such term shall not, solely for such purpose, include any holder of an Incentive Distribution Right except as may otherwise be required by law.

"LIMITED PARTNER INTEREST" means the ownership interest of a Limited Partner or Assignee in the Partnership, which may be evidenced by Common Units, Subordinated Units, Incentive Distribution Rights or other Partnership Securities or a combination thereof or interest therein, and includes any and all benefits to which such Limited Partner or Assignee is entitled as provided in this Agreement, together with all obligations of such Limited Partner or Assignee to comply with the terms and provisions of this Agreement; provided, however, that when the term "LIMITED PARTNER INTEREST" is used herein in the context of any vote or other approval, including without limitation Articles XIII and XIV, such term shall not, solely for such purpose, include any holder of an Incentive Distribution Right except as may otherwise be required by law.

"LIQUIDATION DATE" means (a) in the case of an event giving rise to the dissolution of the Partnership of the type described in clauses (a) and (b) of the first sentence of Section 12.2, the date on which the applicable time period during which the holders of Outstanding Units have the right to elect to reconstitute the Partnership and continue its business has expired without such an election being made, and (b) in the case of any other event giving rise to the dissolution of the Partnership, the date on which such event occurs.

"LIQUIDATOR" means one or more Persons selected by the General Partner to perform the functions described in Section 12.3 as liquidating trustee of the Partnership within the meaning of the Delaware Act.

"MERGER AGREEMENT" has the meaning assigned to such term in Section 14.1.

"MINIMUM QUARTERLY DISTRIBUTION" means $0.60 per Unit per Quarter (or with respect to the period commencing on the Closing Date and ending on June 30, 2001, it means the product of $0.60 multiplied by a fraction of which the numerator is the number of days in

such period and of which the denominator is 91), subject to adjustment in accordance with Sections 6.6 and 6.9.

"NATIONAL SECURITIES EXCHANGE" means an exchange registered with the Commission under Section 6(a) of the Securities Exchange Act of 1934, as amended, supplemented or restated from time to time, and any successor to such statute, or the Nasdaq Stock Market or any successor thereto.

"NET AGREED VALUE" means, (a) in the case of any Contributed Property, the Agreed Value of such property reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed, and (b) in the case of any property distributed to a Partner or Assignee by the Partnership, the Partnership's Carrying Value of such property (as adjusted pursuant to Section 5.5(d)(ii)) at the time such property is distributed, reduced by any indebtedness either assumed by such Partner or Assignee upon such distribution or to which such property is subject at the time of distribution, in either case, as determined under Section 752 of the Code.

"NET INCOME" means, for any taxable year, the excess, if any, of the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included in the calculation of Net Income shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(d); provided that the determination of the items that have been specially allocated under Section 6.1(d) shall be made as if Section 6.1(d)(xii) were not in this Agreement.

"NET LOSS" means, for any taxable year, the excess, if any, of the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included in the calculation of Net Loss shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(d); provided that the determination of the items that have been specially allocated under Section 6.1(d) shall be made as if Section 6.1(d)(xii) were not in this Agreement.

"NET POSITIVE ADJUSTMENTS" means, with respect to any Partner, the excess, if any, of the total positive adjustments over the total negative adjustments made to the Capital Account of such Partner pursuant to Book-Up Events and Book-Down Events.

"NET TERMINATION GAIN" means, for any taxable year, the sum, if positive, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Gain shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"NET TERMINATION LOSS" means, for any taxable year, the sum, if negative, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Loss shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"NON-CITIZEN ASSIGNEE" means a Person whom the General Partner has determined in its discretion does not constitute an Eligible Citizen and as to whose Partnership Interest the General Partner has become the Substituted Limited Partner, pursuant to Section 4.9.

"NONRECOURSE BUILT-IN GAIN" means with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to Sections 6.2(b)(i)(A), 6.2(b)(ii)(A) and 6.2(b)(iii) if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

"NONRECOURSE DEDUCTIONS" means any and all items of loss, deduction or expenditures (including, without limitation, any expenditures described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of

Treasury Regulation Section 1.704-2(b), are attributable to a Nonrecourse Liability.

"NONRECOURSE LIABILITY" has the meaning set forth in Treasury Regulation Section 1.752-1(a)(2).

"NOTICE OF ELECTION TO PURCHASE" has the meaning assigned to such term in Section 15.1(b).

"OMNIBUS AGREEMENT" means that Omnibus Agreement, dated as of the Closing Date, among Ultramar Diamond Shamrock Corporation, the General Partner, Shamrock GP, the Partnership and the Operating Partnership.

"OPERATING EXPENDITURES" means all Partnership Group expenditures, including, but not limited to, taxes, reimbursements of the General Partner, repayment of Working Capital Borrowings, debt service payments, and capital expenditures, subject to the following:

(a) Payments (including prepayments) of principal and premium on indebtedness other than Working Capital Borrowings shall not constitute Operating Expenditures; and

(b) Operating Expenditures shall not include (i) capital expenditures made for Acquisitions or Capital Improvements, (ii) payment of transaction expenses relating to Interim Capital Transactions and (iii) distributions to Partners. Where capital expenditures are made in part for Acquisitions or for Capital Improvements and in part for other purposes, the General Partner's good faith allocation between the amounts paid for each shall be conclusive.

"OPERATING PARTNERSHIP" means Shamrock Logistics Operations, L.P., a Delaware limited partnership and any successors thereto.

"OPERATING PARTNERSHIP AGREEMENT" means the Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, as it may be amended, supplemented or restated from time to time.

"OPERATING SURPLUS" means, with respect to any period ending prior to the Liquidation Date, on a cumulative basis and without duplication,

(a) the sum of (i) $10 million plus all cash and cash equivalents of the Partnership Group on hand as of the close of business on the Closing Date, (ii) all cash receipts of the Partnership Group for the period beginning on the Closing Date and ending with the last day of such period, other than cash receipts from Interim Capital Transactions (except to the extent specified in Section 6.5) and (iii) all cash receipts of the Partnership Group after the end of such period but on or before the date of determination of Operating Surplus with respect to such period resulting from Working Capital Borrowings, less

(b) the sum of (i) Operating Expenditures for the period beginning on the Closing Date and ending with the last day of such period and (ii) the amount of cash reserves that is necessary or advisable in the reasonable discretion of the General Partner to provide funds for future Operating Expenditures; provided, however, that disbursements made (including contributions to a Group Member or disbursements on behalf of a Group Member) or cash reserves established, increased or reduced after the end of such period but on or before the date of determination of Available Cash with respect to such period shall be deemed to have been made, established, increased or reduced, for purposes of determining Operating Surplus, within such period if the General Partner so determines.

Notwithstanding the foregoing, "OPERATING SURPLUS" with respect to the Quarter in which the Liquidation Date occurs and any subsequent Quarter shall equal zero.

"OPINION OF COUNSEL" means a written opinion of counsel (who may be regular counsel to the Partnership or the General Partner or any of its Affiliates) acceptable to the General Partner in its reasonable discretion.

"ORGANIZATIONAL LIMITED PARTNER" means Todd Walker in his capacity as the organizational limited partner of the Partnership pursuant to this Agreement.

"OUTSTANDING" means, with respect to Partnership Securities, all Partnership Securities that are issued by the Partnership and reflected as outstanding on the Partnership's books and records as of the date of determination; provided, however, that if at any time any Person or Group (other than the General Partner or its Affiliates) beneficially owns 20% or more of any Outstanding Partnership Securities of any class then Outstanding, all Partnership Securities owned by such Person or Group shall not be voted on any matter and shall not be considered to be Outstanding when sending notices of a meeting of Limited Partners to vote on any matter (unless otherwise required by law), calculating required votes, determining the presence of a quorum or for

other similar purposes under this Agreement, except that Common Units so owned shall be considered to be Outstanding for purposes of Section 11.1(b)(iv) (such Common Units shall not, however, be treated as a separate class of Partnership Securities for purposes of this Agreement); provided, further, that the foregoing limitation shall not apply (i) to any Person or Group who acquired 20% or more of any Outstanding Partnership Securities of any class then Outstanding directly from the General Partner or its Affiliates or (ii) to any Person or Group who acquired 20% or more of any Outstanding Partnership Securities of any class then Outstanding directly or indirectly from a Person or Group described in clause (i) provided that the General Partner shall have notified such Person or Group in writing that such limitation shall not apply.

"OVER-ALLOTMENT OPTION" means the over-allotment option granted to the Underwriters by the Partnership pursuant to the Underwriting Agreement.

"PARITY UNITS" means Common Units and all other Units of any other class or series that have the right to (i) receive distributions of Available Cash from Operating Surplus pro rata with distributions of the Minimum Quarterly Distribution and Cumulative Common Unit Arrearages on the Common Units and (ii) receive allocations of Net Termination Gain pro rata with allocations of Net Termination Gain to the Common Units pursuant to Section 6.1(c)(i)(B), in each case regardless of whether the amounts or value so distributed or allocated on each Parity Unit equals the amount or value so distributed or allocated on each Common Unit. Units whose participation in such (i) distributions of Available Cash from Operating Surplus and (ii) allocations of Net Termination Gain are subordinate in order of priority to such distributions and allocations on Common Units shall not constitute Parity Units even if such Units are convertible under certain circumstances into Common Units or Parity Units.

"PARTNER NONRECOURSE DEBT" has the meaning set forth in Treasury Regulation Section 1.704-2(b)(4).

"PARTNER NONRECOURSE DEBT MINIMUM GAIN" has the meaning set forth in Treasury Regulation Section 1.704-2(i)(2).

"PARTNER NONRECOURSE DEDUCTIONS" means any and all items of loss, deduction or expenditure (including, without limitation, any expenditure described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(i), are attributable to a Partner Nonrecourse Debt.

"PARTNERS" means the General Partner and the Limited Partners.

"PARTNERSHIP" means Shamrock Logistics, L.P., a Delaware limited partnership, and any successors thereto.

"PARTNERSHIP GROUP" means the Partnership, the Operating Partnership and any Subsidiary of any such entity, treated as a single consolidated entity.

"PARTNERSHIP INTEREST" means an interest in the Partnership, which shall include the General Partner Interest and Limited Partner Interests.

"PARTNERSHIP MINIMUM GAIN" means that amount determined in accordance with the principles of Treasury Regulation Section 1.704-2(d).

"PARTNERSHIP SECURITY" means any class or series of equity interest in the Partnership (but excluding any options, rights, warrants and appreciation rights relating to an equity interest in the Partnership), including without limitation, Common Units, Subordinated Units and Incentive Distribution Rights.

"PERCENTAGE INTEREST" means as of any date of determination (a) as to the General Partner (with respect to its General Partner Interest), an aggregate 1.0%, (b) as to any Unitholder or Assignee holding Units, the product obtained by multiplying (i) 99% less the percentage applicable to paragraph (c) by (ii) the quotient obtained by dividing (A) the number of Units held by such Unitholder or Assignee by (B) the total number of all Outstanding Units, and (c) as to the holders of additional Partnership Securities issued by the Partnership in accordance with Section 5.6, the percentage established as a part of such issuance. The Percentage Interest with respect to an Incentive Distribution Right shall at all times be zero.

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

"PER UNIT CAPITAL AMOUNT" means, as of any date of determination, the Capital Account, stated on a per Unit basis, underlying any Unit held by a Person other than the General Partner or any Affiliate of the General Partner who holds Units.

"PRO RATA" means (a) when modifying Units or any class thereof, apportioned equally among all designated Units in accordance with their relative Percentage Interests, (b) when modifying Partners and Assignees, apportioned among all Partners and Assignees in accordance with their relative Percentage Interests and (c) when modifying holders of Incentive Distribution Rights, apportioned equally among all holders of Incentive Distribution Rights in accordance with the relative number of Incentive Distribution Rights held by each such holder.

"PURCHASE DATE" means the date determined by the General Partner as the date for purchase of all Outstanding Units of a certain class (other than Units owned by the General Partner and its Affiliates) pursuant to Article XV.

"QUARTER" means, unless the context requires otherwise, a fiscal quarter of the Partnership.

"RECAPTURE INCOME" means any gain recognized by the Partnership (computed without regard to any adjustment required by Section 734 or Section 743 of the Code) upon the disposition of any property or asset of the Partnership, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or asset.

"RECORD DATE" means the date established by the General Partner for determining (a) the identity of the Record Holders entitled to notice of, or to vote at, any meeting of Limited Partners or entitled to vote by ballot or give approval of Partnership action in writing without a meeting or entitled to exercise rights in respect of any lawful action of Limited Partners or (b) the identity of Record Holders entitled to receive any report or distribution or to participate in any offer.

"RECORD HOLDER" means the Person in whose name a Common Unit is registered on the books of the Transfer Agent as of the opening of business on a particular Business Day, or with respect to other Partnership Securities, the Person in whose name any such other Partnership Security is registered on the books which the General Partner has caused to be kept as of the opening of business on such Business Day.

"REDEEMABLE INTERESTS" means any Partnership Interests for which a redemption notice has been given, and has not been withdrawn, pursuant to Section 4.10.

"REGISTRATION STATEMENT" means the Registration Statement on Form S-1 (Registration No. 333-43668) as it has been or as it may be amended or supplemented from time to time, filed by the Partnership with the Commission under the Securities Act to register the offering and sale of the Common Units in the Initial Offering.

"REMAINING NET POSITIVE ADJUSTMENTS" means as of the end of any taxable period, (i) with respect to the Unitholders holding Common Units or Subordinated Units, the excess of (a) the Net Positive Adjustments of the Unitholders holding Common Units or Subordinated Units as of the end of such period over (b) the sum of those Partners' Share of Additional Book Basis Derivative Items for each prior taxable period, (ii) with respect to the General Partner (as holder of the General Partner Interest), the excess of (a) the Net Positive Adjustments of the General Partner as of the end of such period over (b) the sum of the General Partner's Share of Additional Book Basis Derivative Items with respect to the General Partner Interest for each prior taxable period, and (iii) with respect to the holders of Incentive Distribution Rights, the excess of (a) the Net Positive Adjustments of the holders of Incentive Distribution Rights as of the end of such period over (b) the sum of the Share of Additional Book Basis Derivative Items of the holders of the Incentive Distribution Rights for each prior taxable period.

"REQUIRED ALLOCATIONS" means (a) any limitation imposed on any allocation of Net Losses or Net Termination Losses under Section 6.1(b) or 6.1(c)(ii) and (b) any allocation of an item of income, gain, loss or deduction pursuant to Section 6.1(d)(i), 6.1(d)(ii), 6.1(d)(iv), 6.1(d)(vii) or 6.1(d)(ix).

"RESIDUAL GAIN" or "RESIDUAL LOSS" means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 6.2(b)(i)(A) or 6.2(b)(ii)(A), respectively, to eliminate Book-Tax Disparities.

"RESTRICTED BUSINESS" has the meaning assigned to such term in the Omnibus Agreement.

"SECOND LIQUIDATION TARGET AMOUNT" has the meaning assigned to such term in Section 6.1(c)(i)(E).

"SECOND TARGET DISTRIBUTION" means $0.90 per Unit per Quarter (or, with respect to the period commencing on the Closing Date and ending on June 30, 2001, it means the product

of $0.90 multiplied by a fraction of which the numerator is equal to the number of days in such period and of which the denominator is 91), subject to adjustment in accordance with Sections 6.6 and 6.9.

"SECURITIES ACT" means the Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute.

"SERVICES AGREEMENT" means that Services Agreement, effective as of July1, 2000 by and between Diamond Shamrock Refining and Marketing Company and certain of its affiliates, the Partnership, the Operating Partnership, the General Partner and Shamrock GP.

"SHAMROCK GP" means Shamrock Logistics GP, LLC, a Delaware limited liability company and the general partner of the General Partner.

"SHARE OF ADDITIONAL BOOK BASIS DERIVATIVE ITEMS" means in connection with any allocation of Additional Book Basis Derivative Items for any taxable period, (i) with respect to the Unitholders holding Common Units or Subordinated Units, the amount that bears the same ratio to such Additional Book Basis Derivative Items as the Unitholders' Remaining Net Positive Adjustments as of the end of such period bears to the Aggregate Remaining Net Positive Adjustments as of that time, (ii) with respect to the General Partner (as holder of the General Partner Interest), the amount that bears the same ratio to such additional Book Basis Derivative Items as the General Partner's Remaining Net Positive Adjustments as of the end of such period bears to the Aggregate Remaining Net Positive Adjustment as of that time, and (iii) with respect to the Partners holding Incentive Distribution Rights, the amount that bears the same ratio to such Additional Book Basis Derivative Items as the Remaining Net Positive Adjustments of the Partners holding the Incentive Distribution Rights as of the end of such period bears to the Aggregate Remaining Net Positive Adjustments as of that time.

"SPECIAL APPROVAL" means approval by a majority of the members of the Conflicts Committee, provided that at the time of such approval all of the material facts known to the General Partner or any of its Affiliates regarding the proposed transaction in respect of which such approval is given were fully disclosed to or otherwise known by the Conflicts Committee.

"SUBORDINATED UNIT" means a Unit representing a fractional part of the Partnership Interests of all Limited Partners and Assignees (other than of holders of the Incentive Distribution Rights), (i) otherwise having the rights and obligations specified with respect to Subordinated Units in this Agreement or (ii) issued in accordance with Section 5.7(d). The term "SUBORDINATED UNIT" as used herein does not include a Common Unit or a Parity Unit. A Subordinated Unit that is convertible into a Common or Parity Unit shall not constitute a Common Unit or Parity Unit until such conversion occurs.

"SUBORDINATION PERIOD" means the period commencing on the Closing Date and ending on the first to occur of the following dates:

(a) the first day of any Quarter beginning after March 31, 2006 in respect which (i) (A) distributions of Available Cash from Operating Surplus on each of the Outstanding Common Units and Subordinated Units with respect to each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all Outstanding Common Units and Subordinated Units during such periods and (B) the Adjusted Operating Surplus generated during each of the three consecutive, non-overlapping four-Quarter periods immediately preceding such date equaled or exceeded the sum of the Minimum Quarterly Distribution on all of the Common Units and Subordinated Units that were Outstanding during such periods on a fully diluted basis (i.e., taking into account for purposes of such determination all Outstanding Common Units, all Outstanding Subordinated Units, all Common Units and Subordinated Units issuable upon exercise of employee options that have, as of the date of determination, already vested or are scheduled to vest prior to the end of the Quarter immediately following the Quarter with respect to which such determination is made, and all Common Units and Subordinated Units that have as of the date of determination, been earned by but not yet issued to management of the Partnership in respect of incentive compensation), plus the related distribution on the General Partner Interest in the Partnership and on the general partner interest in the Operating Partnership, during such periods and (ii) there are no Cumulative Common Unit Arrearages; and

(b) the date on which the General Partner is removed as general partner of the Partnership upon the requisite vote by holders of Outstanding Units under circumstances where Cause does not exist and Units held by the General Partner and its Affiliates are not voted in favor of such removal.

"SUBSIDIARY" means, with respect to any Person, (a) a corporation of which

more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, or (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has

(i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

"SUBSTITUTED LIMITED PARTNER" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 10.2 in place of and with all the rights of a Limited Partner and who is shown as a Limited Partner on the books and records of the Partnership.

"SURVIVING BUSINESS ENTITY" has the meaning assigned to such term in Section 14.2(b).

"TRADING DAY" has the meaning assigned to such term in Section 15.1(a).

"TRANSFER" has the meaning assigned to such term in Section 4.4(a).

"TRANSFER AGENT" means such bank, trust company or other Person (including the General Partner or one of its Affiliates) as shall be appointed from time to time by the Partnership to act as registrar and transfer agent for the Common Units; provided that if no Transfer Agent is specifically designated for any other Partnership Securities, the General Partner shall act in such capacity.

"TRANSFER APPLICATION" means an application and agreement for transfer of Units in the form set forth on the back of a Certificate or in a form substantially to the same effect in a separate instrument.

"UNDERWRITER" means each Person named as an underwriter in Schedule I to the Underwriting Agreement who purchases Common Units pursuant thereto.

"UNDERWRITING AGREEMENT" means the Underwriting Agreement dated April 9, 2001 among the Underwriters, the Partnership and certain other parties, providing for the purchase of Common Units by such Underwriters.

"UNIT" means a Partnership Security that is designated as a "UNIT" and shall include Common Units and Subordinated Units, but shall not include (i) a General Partner Interest or (ii) Incentive Distribution Rights.

"UNITHOLDERS" means the holders of Common Units and Subordinated Units.

"UNIT MAJORITY" means, during the Subordination Period, at least a majority of the Outstanding Common Units (excluding for purposes of such determination Common Units held by the General Partner and its Affiliates so long as the General Partner and its Affiliates own 10% or more of the Outstanding Common Units) voting as a class and at least a majority of the

Outstanding Subordinated Units voting as a class, and thereafter, at least a majority of the Outstanding Common Units.

"UNPAID MQD" has the meaning assigned to such term in Section 6.1(c)(i)(B).

"UNREALIZED GAIN" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date (as determined under Section 5.5(d)) over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date).

"UNREALIZED LOSS" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date) over (b) the fair market value of such property as of such date (as determined under Section 5.5(d)).

"UNRECOVERED CAPITAL" means at any time, with respect to a Unit, the Initial Unit Price less the sum of all distributions constituting Capital Surplus theretofore made in respect of an Initial Common Unit and any

distributions of cash (or the Net Agreed Value of any distributions in kind) in connection with the dissolution and liquidation of the Partnership theretofore made in respect of an Initial Common Unit, adjusted as the General Partner determines to be appropriate to give effect to any distribution, subdivision or combination of such Units.

"U.S. GAAP" means United States Generally Accepted Accounting Principles consistently applied.

"WITHDRAWAL OPINION OF COUNSEL" has the meaning assigned to such term in Section 11.1(b).

"WORKING CAPITAL BORROWINGS" means borrowings used solely for working capital purposes or to pay distributions to partners made pursuant to a credit facility or other arrangement requiring all such borrowings thereunder to be reduced to a relatively small amount each year for an economically meaningful period of time.

SECTION 1.2 CONSTRUCTION.

Unless the context requires otherwise: (a) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; and (c) the term "INCLUDE" or "INCLUDES" means includes, without limitation, and "INCLUDING" means including, without limitation.

ARTICLE II
ORGANIZATION

SECTION 2.1 FORMATION.

The General Partner and the Organizational Limited Partner have previously formed the Partnership as a limited partnership pursuant to the provisions of the Delaware Act and hereby amend and restate the First Amended and Restated Agreement of Limited Partnership of Shamrock Logistics, L.P. in its entirety. This second amendment and restatement shall become effective on the date of this Agreement. Except as expressly provided to the contrary in this Agreement, the rights, duties (including fiduciary duties), liabilities and obligations of the Partners and the administration, dissolution and termination of the Partnership shall be governed by the Delaware Act. All Partnership Interests shall constitute personal property of the owner thereof for all purposes and a Partner has no interest in specific Partnership property.

SECTION 2.2 NAME.

The name of the Partnership shall be "Shamrock Logistics, L.P." The Partnership's business may be conducted under any other name or names deemed necessary or appropriate by the General Partner in its sole discretion, including the name of the General Partner. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purpose of complying with the laws of any jurisdiction that so requires. The General Partner in its discretion may change the name of the Partnership at any time and from time to time and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

SECTION 2.3 REGISTERED OFFICE; REGISTERED AGENT; PRINCIPAL OFFICE; OTHER OFFICES.

Unless and until changed by the General Partner, the registered office of the Partnership in the State of Delaware shall be located at Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be The Corporation Trust Company. The principal office of the Partnership shall be located at 6000 North Loop 1604 West, San Antonio, Texas 78249 or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems necessary or appropriate. The address of the General Partner shall be 6000 North Loop 1604 West, San Antonio, Texas 78249 or such other place as the General Partner may from time to time designate by notice to the Limited Partners.

SECTION 2.4 PURPOSE AND BUSINESS.

The purpose and nature of the business to be conducted by the Partnership shall be to (a) serve as a partner of the Operating Partnership and, in connection therewith, to exercise all the rights and powers conferred upon the

Partnership as a partner of an Operating Partnership pursuant to the Operating Partnership Agreement for such Operating Partnership or otherwise, (b) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that the Operating Partnership is permitted to engage in by the Operating Partnership Agreement and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity, (c) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by the General Partner and which lawfully may be conducted by a limited partnership organized pursuant to the Delaware Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity; provided, however, that the General Partner reasonably determines, as of the date of the acquisition or commencement of such activity, that such activity (i) generates "QUALIFYING INCOME" (as such term is defined pursuant to Section 7704 of the Code) or (ii) enhances the operations of an activity of the Operating Partnership or a Partnership activity that generates qualifying income, and (d) do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans to a Group Member. The General Partner has no obligation or duty to the Partnership, the Limited Partners or the Assignees to propose or approve, and in its discretion may decline to propose or approve, the conduct by the Partnership of any business.

SECTION 2.5 POWERS.

The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 2.4 and for the protection and benefit of the Partnership.

SECTION 2.6 POWER OF ATTORNEY.

(a) Each Limited Partner and each Assignee hereby constitutes and appoints the General Partner and, if a Liquidator shall have been selected pursuant to Section 12.3, the Liquidator (and any successor to the Liquidator by merger, transfer, assignment, election or otherwise) and each of their authorized officers and attorneys-in-fact, as the case may be, with full power of substitution, as his true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including this Agreement

and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) that the General Partner or the Liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (B) all certificates, documents and other instruments that the General Partner or the Liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including conveyances and a certificate of cancellation) that the General Partner or the Liquidator deems necessary or appropriate to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article IV, X, XI or XII; (E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Partnership Securities issued pursuant to Section 5.6; and (F) all certificates, documents and other instruments (including agreements and a certificate of merger) relating to a merger or consolidation of the Partnership pursuant to Article XIV; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments necessary or appropriate, in the discretion of the General Partner or the Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or is necessary or appropriate, in the discretion of the General Partner or the Liquidator, to effectuate the terms or intent of this Agreement; provided, that when required by Section 13.3 or any other provision of this Agreement that establishes a percentage of the Limited Partners or of the Limited Partners of any class or series required to take any action, the General Partner and the Liquidator may exercise the power of attorney made in this Section 2.6(a)(ii) only after the necessary vote, consent or

approval of the Limited Partners or of the Limited Partners of such class or series, as applicable.

Nothing contained in this Section 2.6(a) shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article XIII or as may be otherwise expressly provided for in this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and, to the maximum extent permitted by law, not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Interest and shall extend to such Limited Partner's or Assignee's heirs, successors, assigns and personal representatives. Each such Limited Partner or Assignee hereby

agrees to be bound by any representation made by the General Partner or the Liquidator acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee, to the maximum extent permitted by law, hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within 15 days after receipt of the request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator deems necessary to effectuate this Agreement and the purposes of the Partnership.

SECTION 2.7 TERM.

The term of the Partnership commenced upon the filing of the Certificate of Limited Partnership in accordance with the Delaware Act and shall have a perpetual existence unless dissolved in accordance with the provisions of Article XII. The existence of the Partnership as a separate legal entity shall continue until the cancellation of the Certificate of Limited Partnership as provided in the Delaware Act.

SECTION 2.8 TITLE TO PARTNERSHIP ASSETS.

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner or Assignee, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner, one or more of its Affiliates or one or more nominees, as the General Partner may determine. The General Partner hereby declares and warrants that any Partnership assets for which record title is held in the name of the General Partner or one or more of its Affiliates or one or more nominees shall be held by the General Partner or such Affiliate or nominee for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the General Partner shall use reasonable efforts to cause record title to such assets (other than those assets in respect of which the General Partner determines that the expense and difficulty of conveyancing makes transfer of record title to the Partnership impracticable) to be vested in the Partnership as soon as reasonably practicable; provided, further, that, prior to the withdrawal or removal of the General Partner or as soon thereafter as practicable, the General Partner shall use reasonable efforts to effect the transfer of record title to the Partnership and, prior to any such transfer, will provide for the use of such assets in a manner satisfactory to the General Partner. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which record title to such Partnership assets is held.

ARTICLE III
RIGHTS OF LIMITED PARTNERS

SECTION 3.1 LIMITATION OF LIABILITY.

The Limited Partners and the Assignees shall have no liability under this Agreement except as expressly provided in this Agreement or the Delaware Act.

SECTION 3.2 MANAGEMENT OF BUSINESS.

No Limited Partner or Assignee, in its capacity as such, shall participate in the operation, management or control (within the meaning of the Delaware Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. Any action taken by any Affiliate of the General Partner or any officer, director, employee, member, general partner, agent or trustee of the General Partner or any of its Affiliates, or any officer, director, employee, member, general partner, agent or trustee of a Group Member, in its capacity as such, shall not

be deemed to be participation in the control of the business of the Partnership by a limited partner of the Partnership (within the meaning of Section 17-303(a) of the Delaware Act) and shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

SECTION 3.3 OUTSIDE ACTIVITIES OF THE LIMITED PARTNERS.

Subject to the provisions of Section 7.5 and the Omnibus Agreement, which shall continue to be applicable to the Persons referred to therein, regardless of whether such Persons shall also be Limited Partners or Assignees, any Limited Partner or Assignee shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership Group. Neither the Partnership nor any of the other Partners or Assignees shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee.

SECTION 3.4 RIGHTS OF LIMITED PARTNERS.

(a) In addition to other rights provided by this Agreement or by applicable law, and except as limited by Section 3.4(b), each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon reasonable written demand and at such Limited Partner's own expense:

(i) to obtain true and full information regarding the status of the business and financial condition of the Partnership;

(ii) promptly after becoming available, to obtain a copy of the Partnership's federal, state and local income tax returns for each year;

(iii) to have furnished to him a current list of the name and last known business, residence or mailing address of each Partner;

(iv) to have furnished to him a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement, the Certificate of Limited Partnership and all amendments thereto have been executed;

(v) to obtain true and full information regarding the amount of cash and a description and statement of the Net Agreed Value of any other Capital Contribution by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner; and

(vi) to obtain such other information regarding the affairs of the Partnership as is just and reasonable.

(b) The General Partner may keep confidential from the Limited Partners and Assignees, for such period of time as the General Partner deems reasonable, (i) any information that the General Partner reasonably believes to be in the nature of trade secrets or (ii) other information the disclosure of which the General Partner in good faith believes (A) is not in the best interests of the Partnership Group, (B) could damage the Partnership Group or (C) that any Group Member is required by law or by agreement with any third party to keep confidential (other than agreements with Affiliates of the Partnership the primary purpose of which is to circumvent the obligations set forth in this Section 3.4).

ARTICLE IV
CERTIFICATES; RECORD HOLDERS; TRANSFER OF PARTNERSHIP INTERESTS; REDEMPTION OF PARTNERSHIP INTERESTS

SECTION 4.1 CERTIFICATES.

Upon the Partnership's issuance of Common Units or Subordinated Units to any Person, the Partnership shall issue one or more Certificates in the name of such Person evidencing the number of such Units being so issued. In addition, (a) upon the General Partner's request, the Partnership shall issue to it one or more Certificates in the name of the General Partner evidencing its interests in the Partnership and (b) upon the request of any Person owning Incentive Distribution Rights or any other Partnership Securities other than Common Units or Subordinated Units, the Partnership shall issue to such Person one or more certificates evidencing such Incentive Distribution Rights or other Partnership

Securities other than Common Units or Subordinated Units. Certificates shall be executed on behalf of the Partnership by the Chairman of the Board, President or any Executive Vice President or Vice President and the Secretary or any Assistant Secretary of Shamrock GP. No Common Unit Certificate shall be valid for any purpose until it has been countersigned by the Transfer Agent; provided,

however, that if the General Partner elects to issue Common Units in global form, the Common Unit Certificates shall be valid upon receipt of a certificate from the Transfer Agent certifying that the Common Units have been duly registered in accordance with the directions of the Partnership and the Underwriters. Subject to the requirements of Section 6.7(b), the Partners holding Certificates evidencing Subordinated Units may exchange such Certificates for Certificates evidencing Common Units on or after the date on which such Subordinated Units are converted into Common Units pursuant to the terms of Section 5.8.

SECTION 4.2 MUTILATED, DESTROYED, LOST OR STOLEN CERTIFICATES.

(a) If any mutilated Certificate is surrendered to the Transfer Agent, the appropriate officers of Shamrock GP on behalf of the Partnership shall execute, and the Transfer Agent shall countersign and deliver in exchange therefor, a new Certificate evidencing the same number and type of Partnership Securities as the Certificate so surrendered.

(b) The appropriate officers of Shamrock GP on behalf of the Partnership shall execute and deliver, and the Transfer Agent shall countersign a new Certificate in place of any Certificate previously issued if the Record Holder of the Certificate:

(i) makes proof by affidavit, in form and substance satisfactory to the Partnership, that a previously issued Certificate has been lost, destroyed or stolen;

(ii) requests the issuance of a new Certificate before the Partnership has notice that the Certificate has been acquired by a purchaser for value in good faith and without notice of an adverse claim;

(iii) if requested by the Partnership, delivers to the Partnership a bond, in form and substance satisfactory to the Partnership, with surety or sureties and with fixed or open penalty as the Partnership may reasonably direct, in its sole discretion, to indemnify the Partnership, the Partners, the General Partner and the Transfer Agent against any claim that may be made on account of the alleged loss, destruction or theft of the Certificate; and

(iv) satisfies any other reasonable requirements imposed by the Partnership.

If a Limited Partner or Assignee fails to notify the Partnership within a reasonable time after he has notice of the loss, destruction or theft of a Certificate, and a transfer of the Limited Partner Interests represented by the Certificate is registered before the Partnership, the General Partner or the Transfer

Agent receives such notification, the Limited Partner or Assignee shall be precluded from making any claim against the Partnership, the General Partner or the Transfer Agent for such transfer or for a new Certificate.

(c) As a condition to the issuance of any new Certificate under this Section 4.2, the Partnership may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Transfer Agent) reasonably connected therewith.

SECTION 4.3 RECORD HOLDERS.

The Partnership shall be entitled to recognize the Record Holder as the Partner or Assignee with respect to any Partnership Interest and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Partnership Interest on the part of any other Person, regardless of whether the Partnership shall have actual or other notice thereof, except as otherwise provided by law or any applicable rule, regulation, guideline or requirement of any National Securities Exchange on which such Partnership Interests are listed for trading. Without limiting the foregoing, when a Person (such as a broker, dealer, bank, trust company or clearing corporation or an agent of any of the foregoing) is acting as nominee, agent or in some other representative capacity for another Person in acquiring and/or holding Partnership Interests, as between the Partnership on the one hand, and such other Persons on the other, such representative Person (a) shall be the Partner or Assignee (as the case may be) of record and beneficially, (b) must execute and deliver a Transfer Application and (c) shall be bound by this Agreement and shall have the rights and obligations of a Partner or Assignee (as the case may be) hereunder and as, and to the extent, provided for herein.

SECTION 4.4 TRANSFER GENERALLY.

(a) The term "TRANSFER," when used in this Agreement with respect to a Partnership Interest, shall be deemed to refer to a transaction by which the General Partner assigns its General Partner Interest to another Person who

becomes the General Partner, by which the holder of a Limited Partner Interest assigns such Limited Partner Interest to another Person who is or becomes a Limited Partner or an Assignee, and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise.

(b) No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article IV. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article IV shall be null and void.

(c) Nothing contained in this Agreement shall be construed to prevent (i) a disposition by any limited partner of the General Partner of any or all of the issued and outstanding limited partner interests of the General Partner or (ii) a disposition by any general partner of the General

Partner of any or all of the issued and outstanding capital stock or other equity interests of such general partner.

SECTION 4.5 REGISTRATION AND TRANSFER OF LIMITED PARTNER INTERESTS.

(a) The Partnership shall keep or cause to be kept on behalf of the Partnership a register in which, subject to such reasonable regulations as it may prescribe and subject to the provisions of Section 4.5(b), the Partnership will provide for the registration and transfer of Limited Partner Interests. The Transfer Agent is hereby appointed registrar and transfer agent for the purpose of registering Common Units and transfers of such Common Units as herein provided. The Partnership shall not recognize transfers of Certificates evidencing Limited Partner Interests unless such transfers are effected in the manner described in this Section 4.5. Upon surrender of a Certificate for registration of transfer of any Limited Partner Interests evidenced by a Certificate, and subject to the provisions of Section 4.5(b), the appropriate officers of Shamrock GP on behalf of the Partnership shall execute and deliver, and in the case of Common Units, the Transfer Agent shall countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Certificates evidencing the same aggregate number and type of Limited Partner Interests as was evidenced by the Certificate so surrendered.

(b) Except as otherwise provided in Section 4.9, the Partnership shall not recognize any transfer of Limited Partner Interests until the Certificates evidencing such Limited Partner Interests are surrendered for registration of transfer and such Certificates are accompanied by a Transfer Application duly executed by the transferee (or the transferee's attorney-in-fact duly authorized in writing). No charge shall be imposed by the Partnership for such transfer; provided, that as a condition to the issuance of any new Certificate under this Section 4.5, the Partnership may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed with respect thereto.

(c) Limited Partner Interests may be transferred only in the manner described in this Section 4.5. The transfer of any Limited Partner Interests and the admission of any new Limited Partner shall not constitute an amendment to this Agreement.

(d) Until admitted as a Substituted Limited Partner pursuant to Section 10.2, the Record Holder of a Limited Partner Interest shall be an Assignee in respect of such Limited Partner Interest. Limited Partners may include custodians, nominees or any other individual or entity in its own or any representative capacity.

(e) A transferee of a Limited Partner Interest who has completed and delivered a Transfer Application shall be deemed to have (i) requested admission as a Substituted Limited Partner, (ii) agreed to comply with and be bound by and to have executed this Agreement, (iii) represented and warranted that such transferee has the right, power and authority and, if an individual, the capacity to

enter into this Agreement, (iv) granted the powers of attorney set forth in this Agreement and (v) given the consents and approvals and made the waivers contained in this Agreement.

(f) The General Partner and its Affiliates shall have the right at any time to transfer their Subordinated Units and Common Units (whether issued upon conversion of the Subordinated Units or otherwise) to one or more Persons.

SECTION 4.6 TRANSFER OF THE GENERAL PARTNER'S GENERAL PARTNER INTEREST.

(a) Subject to Section 4.6(c) below, prior to March 31, 2011, the General Partner shall not transfer all or any part of its General Partner

Interest to a Person unless such transfer (i) has been approved by the prior written consent or vote of the holders of at least a majority of the Outstanding Common Units (excluding Common Units held by the General Partner and its Affiliates) or (ii) is of all, but not less than all, of its General Partner Interest to (A) an Affiliate of the General Partner (other than an individual) or (B) another Person (other than an individual) in connection with the merger or consolidation of the General Partner with or into such other Person (other than in individual) or the transfer by the General Partner of all or substantially all of its assets to such other Person (other than an individual).

(b) Subject to Section 4.6(c) below, on or after March 31, 2011, the General Partner may transfer all or any of its General Partner Interest without Unitholder approval.

(c) Notwithstanding anything herein to the contrary, no transfer by the General Partner of all or any part of its General Partner Interest to another Person shall be permitted unless (i) the transferee agrees to assume the rights and duties of the General Partner under this Agreement and the Operating Partnership Agreement and to be bound by the provisions of this Agreement and the Operating Partnership Agreement, (ii) the Partnership receives an Opinion of Counsel that such transfer would not result in the loss of limited liability of any Limited Partner or of any limited partner of the Operating Partnership or cause the Partnership or the Operating Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed) and (iii) such transferee also agrees to purchase all (or the appropriate portion thereof, if applicable) of the partnership interest of the General Partner as the general partner of each other Group Member. In the case of a transfer pursuant to and in compliance with this Section 4.6, the transferee or successor (as the case may be) shall, subject to compliance with the terms of Section 10.3, be admitted to the Partnership as a General Partner immediately prior to the transfer of the Partnership Interest, and the business of the Partnership shall continue without dissolution.

SECTION 4.7 TRANSFER OF INCENTIVE DISTRIBUTION RIGHTS.

Prior to March 31, 2011, a holder of Incentive Distribution Rights may transfer any or all of the Incentive Distribution Rights held by such holder without any consent of the Unitholders (a) to an Affiliate of such holders (other than an individual) or (b) to another Person (other than an individual) in connection with (i) the merger or consolidation of such holder of Incentive Distribution Rights with or into such other Person or (ii) the transfer by such holder of all or substantially all of its assets to such other Person. Any other transfer of the Incentive Distribution Rights prior to March 31, 2011, shall require the prior approval of holders at least a majority of the Outstanding Common Units (excluding Common Units held by the General Partner and its Affiliates). On or after March 31, 2011, the General Partner or any other holder of Incentive Distribution Rights may transfer any or all of its Incentive Distribution Rights without Unitholder approval. Notwithstanding anything herein to the contrary, no transfer of Incentive Distribution Rights to another Person shall be permitted unless the transferee agrees to be bound by the provisions of this Agreement. The General Partner shall have the authority (but shall not be required) to adopt such reasonable restrictions on the transfer of Incentive Distribution Rights and requirements for registering the transfer of Incentive Distribution Rights as the General Partner, in its sole discretion, shall determine are necessary or appropriate.

SECTION 4.8 RESTRICTIONS ON TRANSFERS.

(a) Except as provided in Section 4.8(d) below, but notwithstanding the other provisions of this Article IV, no transfer of any Partnership Interests shall be made if such transfer would (i) violate the then applicable federal or state securities laws or rules and regulations of the Commission, any state securities commission or any other governmental authority with jurisdiction over such transfer, (ii) terminate the existence or qualification of the Partnership or the Operating Partnership under the laws of the jurisdiction of its formation, or (iii) cause the Partnership or the Operating Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed).

(b) The General Partner may impose restrictions on the transfer of Partnership Interests if a subsequent Opinion of Counsel determines that such restrictions are necessary to avoid a significant risk of the Partnership or the Operating Partnership becoming taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes. The restrictions may be imposed by making such amendments to this Agreement as the General Partner may determine to be necessary or appropriate to impose such restrictions; provided, however, that any amendment that the General Partner believes, in the exercise of its reasonable discretion, could result in the delisting or suspension of trading of any class of Limited Partner Interests on the principal National Securities Exchange on which such class of Limited Partner Interests is then traded must be approved, prior to such amendment being effected, by the holders of at least a

majority of the Outstanding Limited Partner Interests of such class.

(c) The transfer of a Subordinated Unit that has converted into a Common Unit shall be subject to the restrictions imposed by Section 6.7(b).

(d) Nothing contained in this Article IV, or elsewhere in this Agreement, shall preclude the settlement of any transactions involving Partnership Interests entered into through the facilities of any National Securities Exchange on which such Partnership Interests are listed for trading.

SECTION 4.9 CITIZENSHIP CERTIFICATES; NON-CITIZEN ASSIGNEES.

(a) If any Group Member is or becomes subject to any federal, state or local law or regulation that, in the reasonable determination of the General Partner, creates a substantial risk of cancellation or forfeiture of any property in which the Group Member has an interest based on the nationality, citizenship or other related status of a Limited Partner or Assignee, the General Partner may request any Limited Partner or Assignee to furnish to the General Partner, within 30 days after receipt of such request, an executed Citizenship Certification or such other information concerning his nationality, citizenship or other related status (or, if the Limited Partner or Assignee is a nominee holding for the account of another Person, the nationality, citizenship or other related status of such Person) as the General Partner may request. If a Limited Partner or Assignee fails to furnish to the General Partner within the aforementioned 30-day period such Citizenship Certification or other requested information or if upon receipt of such Citizenship Certification or other requested information the General Partner determines, with the advice of counsel, that a Limited Partner or Assignee is not an Eligible Citizen, the Partnership Interests owned by such Limited Partner or Assignee shall be subject to redemption in accordance with the provisions of Section 4.10. In addition, the General Partner may require that the status of any such Partner or Assignee be changed to that of a Non-citizen Assignee and, thereupon, the General Partner shall be substituted for such Non-citizen Assignee as the Limited Partner in respect of his Limited Partner Interests.

(b) The General Partner shall, in exercising voting rights in respect of Limited Partner Interests held by it on behalf of Non-citizen Assignees, distribute the votes in the same ratios as the votes of Partners (including without limitation the General Partner) in respect of Limited Partner Interests other than those of Non-citizen Assignees are cast, either for, against or abstaining as to the matter.

(c) Upon dissolution of the Partnership, a Non-citizen Assignee shall have no right to receive a distribution in kind pursuant to Section 12.4 but shall be entitled to the cash equivalent thereof, and the Partnership shall provide cash in exchange for an assignment of the Non-citizen Assignee's share of the distribution in kind. Such payment and assignment shall be treated for Partnership purposes as a purchase by the Partnership from the Non-citizen Assignee of his Limited Partner Interest (representing his right to receive his share of such distribution in kind).

(d) At any time after he can and does certify that he has become an Eligible Citizen, a Non-citizen Assignee may, upon application to the General Partner, request admission as a Substituted Limited Partner with respect to any Limited Partner Interests of such Non-citizen Assignee not redeemed pursuant to Section 4.10, and upon his admission pursuant to Section 10.2, the General Partner shall cease to be deemed to be the Limited Partner in respect of the Non-citizen Assignee's Limited Partner Interests.

SECTION 4.10 REDEMPTION OF PARTNERSHIP INTERESTS OF NON-CITIZEN ASSIGNEES.

(a) If at any time a Limited Partner or Assignee fails to furnish a Citizenship Certification or other information requested within the 30-day period specified in Section 4.9(a), or if upon receipt of such Citizenship Certification or other information the General Partner determines, with the advice of counsel, that a Limited Partner or Assignee is not an Eligible Citizen, the Partnership may, unless the Limited Partner or Assignee establishes to the satisfaction of the General Partner that such Limited Partner or Assignee is an Eligible Citizen or has transferred his Partnership Interests to a Person who is an Eligible Citizen and who furnishes a Citizenship Certification to the General Partner prior to the date fixed for redemption as provided below, redeem the Partnership Interest of such Limited Partner or Assignee as follows:

(i) The General Partner shall, not later than the 30th day before the date fixed for redemption, give notice of redemption to the Limited Partner or Assignee, at his last address designated on the records of the Partnership or the Transfer Agent, by registered or certified mail, postage prepaid. The notice shall be deemed to have been given when so mailed. The notice shall specify the Redeemable Interests, the date fixed for redemption, the place of payment, that payment of the redemption price will be made upon surrender of the Certificate

evidencing the Redeemable Interests and that on and after the date fixed for redemption no further allocations or distributions to which the Limited Partner or Assignee would otherwise be entitled in respect of the Redeemable Interests will accrue or be made.

(ii) The aggregate redemption price for Redeemable Interests shall be an amount equal to the Current Market Price (the date of determination of which shall be the date fixed for redemption) of Limited Partner Interests of the class to be so redeemed multiplied by the number of Limited Partner Interests of each such class included among the Redeemable Interests. The redemption price shall be paid, in the discretion of the General Partner, in cash or by delivery of a promissory note of the Partnership in the principal amount of the redemption price, bearing interest at the rate of 10% annually and payable in three equal annual installments of principal together with accrued interest, commencing one year after the redemption date.

(iii) Upon surrender by or on behalf of the Limited Partner or Assignee, at the place specified in the notice of redemption, of the Certificate evidencing the Redeemable Interests, duly endorsed in blank or accompanied by an assignment duly executed in blank, the Limited

Partner or Assignee or his duly authorized representative shall be entitled to receive the payment therefor.

(iv) After the redemption date, Redeemable Interests shall no longer constitute issued and Outstanding Limited Partner Interests.

(b) The provisions of this Section 4.10 shall also be applicable to Limited Partner Interests held by a Limited Partner or Assignee as nominee of a Person determined to be other than an Eligible Citizen.

(c) Nothing in this Section 4.10 shall prevent the recipient of a notice of redemption from transferring his Limited Partner Interest before the redemption date if such transfer is otherwise permitted under this Agreement. Upon receipt of notice of such a transfer, the General Partner shall withdraw the notice of redemption, provided the transferee of such Limited Partner Interest certifies to the satisfaction of the General Partner in a Citizenship Certification delivered in connection with the Transfer Application that he is an Eligible Citizen. If the transferee fails to make such certification, such redemption shall be effected from the transferee on the original redemption date.

ARTICLE V
CAPITAL CONTRIBUTIONS AND ISSUANCE OF PARTNERSHIP INTERESTS

SECTION 5.1 ORGANIZATIONAL CONTRIBUTIONS.

In connection with the formation of the Partnership under the Delaware Act, Shamrock GP, the former general partner, made an initial Capital Contribution to the Partnership in the amount of $10.00, for an interest in the Partnership and was admitted as the General Partner of the Partnership, and the Organizational Limited Partner made an initial Capital Contribution to the Partnership in the amount of $990.00 for an interest in the Partnership and has been admitted as a Limited Partner of the Partnership. On August 10, 2000, the Certificate of Limited Partnership of the Partnership was amended to reflect the substitution of the General Partner as general partner of the Partnership and the removal of Shamrock GP. As of the Closing Date, the interest of the Organizational Limited Partner shall be redeemed as provided in the Contribution Agreement; the initial Capital Contributions of each Partner shall thereupon be refunded; and the Organizational Limited Partner shall cease to be a Limited Partner of the Partnership. Ninety- nine percent of any interest or other profit that may have resulted from the investment or other use of such initial Capital Contributions shall be allocated and distributed to the Organizational Limited Partner, and the balance thereof shall be allocated and distributed to the General Partner.

SECTION 5.2 CONTRIBUTIONS BY THE GENERAL PARTNER AND ITS AFFILIATES.

(a) On the Closing Date and pursuant to the Contribution Agreement, (i) the General Partner shall contribute to the Partnership, as a Capital Contribution, all of its interest in the Operating Partnership other than its 1.0101% general partner interest in the Operating Partnership in exchange for (A) a 1% general partner interest in the Partnership, and (B) the Incentive Distribution Rights, and (ii) UDS Logistics, LLC, a Delaware limited liability company ("UDS Logistics") shall contribute its limited partner interests in the Operating Partnership to the Partnership in exchange for (A) 9,599,322 Subordinated Units and (B) 4,424,322 Common Units.

(b) Upon the issuance of any additional Limited Partner Interests by the Partnership (including the issuance of the Common Units issued in the Initial Offering or pursuant to the Over-Allotment Option), the General Partner

shall be required to make additional Capital Contributions equal to 1/99th of any amount contributed to the Partnership by the Limited Partners in exchange for such additional Limited Partner Interests. Except as set forth in the immediately preceding sentence and Article XII, the General Partner shall not be obligated to make any additional Capital Contributions to the Partnership.

SECTION 5.3 CONTRIBUTIONS BY INITIAL LIMITED PARTNERS.

(a) On the Closing Date and pursuant to the Underwriting Agreement, each Underwriter shall pay to the Partnership cash in an amount equal to the Issue Price per Initial Common Unit, multiplied by the number of Common Units specified in the Underwriting Agreement to be purchased by such Underwriter at the Closing Date. Each Underwriter's payment of cash to the Partnership pursuant to the preceding sentence shall be regarded as representing (i) a contribution by such Underwriter to the Partnership in an amount equal to the Initial Unit Price per Initial Common Unit multiplied by the number of Common Units purchased by such Underwriter at the Closing Date and (ii) a payment by the Partnership to such Underwriter of the underwriting discount and commissions in an amount equal to (A) the excess of the Initial Unit Price over the Issue Price multiplied by (B) the number of Common Units purchased by such Underwriter at the Closing Date. In exchange for such Capital Contributions by the Underwriters, the Partnership shall issue Common Units to each Underwriter on whose behalf such Capital Contribution is made in an amount equal to the quotient obtained by dividing (i) the cash paid to the Partnership by or on behalf of such Underwriter by (ii) the Issue Price per Initial Common Unit.

(b) Notwithstanding anything else herein contained, all of the proceeds received by the Partnership from the issuance of Common Units pursuant to Section 5.3(a) will be contributed to the Operating Partnership.

(c) Upon the exercise of the Over-Allotment Option, each Underwriter shall pay to the Partnership cash in an amount equal to the Issue Price per Initial Common Unit, multiplied by the

number of Common Units specified in the Underwriting Agreement to be purchased by such Underwriter at the Option Closing Date. Each Underwriter's payment of cash to the Partnership pursuant to the preceding sentence shall be regarded as representing (i) a contribution by such Underwriter to the Partnership in an amount equal to the Initial Unit Price per Initial Common Unit multiplied by the number of Common Units purchased by such Underwriter at the Option Closing Date and (ii) a payment by the Partnership to such Underwriter of the underwriting discount and commissions in an amount equal to (A) the excess of the Initial Unit Price over the Issue Price multiplied by (B) the number of Common Units purchased by such Underwriter at the Option Closing Date. In exchange for such Capital Contributions by the Underwriters, the Partnership shall issue Common Units to each Underwriter on whose behalf such Capital Contribution is made in an amount equal to the quotient obtained by dividing (i) the cash paid to the Partnership by or on behalf of such Underwriter by (ii) the Issue Price per Initial Common Unit. Upon receipt by the Partnership of the Capital Contributions from the Underwriters as provided in this Section 5.3(c), the Partnership shall contribute such cash to the Operating Partnership to pay down debt of the Operating Partnership.

(d) No Limited Partner Interests will be issued or issuable as of or at the Closing Date other than (i) the Common Units issuable pursuant to subparagraph (a) hereof in aggregate number equal to 4,000,000, (ii) the "ADDITIONAL UNITS" as such term is used in the Underwriting Agreement in an aggregate number up to 675,000 issuable upon exercise of the Over-Allotment Option pursuant to subparagraph (c) hereof, (iii) the 4,424,322 Common Units issuable to UDS Logistics or its Affiliates pursuant to Section 5.2 hereof, (iv) the 9,599,322 Subordinated Units issuable to UDS Logistics or its Affiliates pursuant to Section 5.2 hereof, and (v) the Incentive Distribution Rights.

SECTION 5.4 INTEREST AND WITHDRAWAL.

No interest shall be paid by the Partnership on Capital Contributions. No Partner or Assignee shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent, if any, that distributions made pursuant to this Agreement or upon termination of the Partnership may be considered as such by law and then only to the extent provided for in this Agreement. Except to the extent expressly provided in this Agreement, no Partner or Assignee shall have priority over any other Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions. Any such return shall be a compromise to which all Partners and Assignees agree within the meaning of 17-502(b) of the Delaware Act.

SECTION 5.5 CAPITAL ACCOUNTS.

(a) The Partnership shall maintain for each Partner (or a beneficial owner of Partnership Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion) owning a Partnership Interest a

separate Capital Account with respect to such Partnership Interest in accordance with the rules of Treasury Regulation

Section 1.704-1(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions made to the Partnership with respect to such Partnership Interest pursuant to this Agreement and (ii) all items of Partnership income and gain (including, without limitation, income and gain exempt from tax) computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1, and decreased by (x) the amount of cash or Net Agreed Value of all actual and deemed distributions of cash or property made with respect to such Partnership Interest pursuant to this Agreement and (y) all items of Partnership deduction and loss computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1.

(b) For purposes of computing the amount of any item of income, gain, loss or deduction which is to be allocated pursuant to Article VI and is to be reflected in the Partners' Capital Accounts, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes (including, without limitation, any method of depreciation, cost recovery or amortization used for that purpose), provided, that:

(i) Solely for purposes of this Section 5.5, the Partnership shall be treated as owning directly its proportionate share (as determined by the General Partner based upon the provisions of the Operating Partnership Agreement) of all property owned by the Operating Partnership or any other Subsidiary that is classified as a partnership for federal income tax purposes.

(ii) All fees and other expenses incurred by the Partnership to promote the sale of (or to sell) a Partnership Interest that can neither be deducted nor amortized under Section 709 of the Code, if any, shall, for purposes of Capital Account maintenance, be treated as an item of deduction at the time such fees and other expenses are incurred and shall be allocated among the Partners pursuant to Section 6.1.

(iii) Except as otherwise provided in Treasury Regulation Section 1.704-1(b)(2)(iv)(m), the computation of all items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code which may be made by the Partnership and, as to those items described in Section 705(a)(1)(B) or 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment in the Capital Accounts shall be treated as an item of gain or loss.

(iv) Any income, gain or loss attributable to the taxable disposition of any Partnership property shall be determined as if the adjusted basis of such property as of such date of disposition were equal in amount to the Partnership's Carrying Value with respect to such property as of such date.

(v) In accordance with the requirements of Section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Partnership were equal to the Agreed Value of such property. Upon an adjustment pursuant to Section 5.5(d) to the Carrying Value of any Partnership property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined (A) as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment and (B) using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that, if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization deductions shall be determined using any reasonable method that the General Partner may adopt.

(vi) If the Partnership's adjusted basis in a depreciable or cost recovery property is reduced for federal income tax purposes pursuant to Section 48(q)(1) or 48(q)(3) of the Code, the amount of such reduction shall, solely for purposes hereof, be deemed to be an additional depreciation or cost recovery deduction in the year such property is placed in service and shall be allocated among the Partners pursuant to Section 6.1. Any restoration of such basis pursuant to Section 48(q)(2) of the Code shall, to the extent possible, be allocated in the same manner to the Partners to whom such deemed deduction was allocated.

(c) (i) A transferee of a Partnership Interest shall succeed to a pro rata portion of the Capital Account of the transferor relating to the Partnership Interest so transferred.

(ii) Immediately prior to the transfer of a Subordinated Unit or of a Subordinated Unit that has converted into a Common Unit pursuant to Section 5.8 by a holder thereof (other than a transfer to an Affiliate unless the General Partner elects to have this subparagraph 5.5(c)(ii) apply), the Capital Account maintained for such Person with respect to its Subordinated Units or converted Subordinated Units will (A) first, be allocated to the Subordinated Units or converted Subordinated Units to be transferred in an amount equal to the product of (x) the number of such Subordinated Units or converted Subordinated Units to be transferred and (y) the Per Unit Capital Amount for a Common Unit, and (B) second, any remaining balance in such Capital Account will be retained by the transferor, regardless of whether it has retained any Subordinated Units or converted Subordinated Units. Following any

such allocation, the transferor's Capital Account, if any, maintained with respect to the retained Subordinated Units or converted Subordinated Units, if any, will have a balance equal to the amount allocated under clause (B) hereinabove, and the transferee's Capital Account established with respect to the transferred Subordinated Units or converted Subordinated Units will have a balance equal to the amount allocated under clause (A) hereinabove.

(d) (i) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), on an issuance of additional Partnership Interests for cash or Contributed Property or the conversion of the General Partner's Combined Interest to Common Units pursuant to Section 11.3(b), the Capital Account of all Partners and the Carrying Value of each Partnership property immediately prior to such issuance shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property immediately prior to such issuance and had been allocated to the Partners at such time pursuant to Section 6.1(c) in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to the issuance of additional Partnership Interests shall be determined by the General Partner using such reasonable method of valuation as it may adopt; provided, however, that the General Partner, in arriving at such valuation, must take fully into account the fair market value of the Partnership Interests of all Partners at such time. The General Partner shall allocate such aggregate value among the assets of the Partnership (in such manner as it determines in its discretion to be reasonable) to arrive at a fair market value for individual properties.

(ii) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), immediately prior to any actual or deemed distribution to a Partner of any Partnership property (other than a distribution of cash that is not in redemption or retirement of a Partnership Interest), the Capital Accounts of all Partners and the Carrying Value of all Partnership property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value, and had been allocated to the Partners, at such time, pursuant to Section 6.1(c) in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to a distribution shall (A) in the case of an actual distribution which is not made pursuant to Section 12.4 or in the case of a deemed distribution, be determined and allocated in the same manner as that provided in Section 5.5(d)(i) or (B) in the case of a liquidating distribution pursuant to Section 12.4, be determined and allocated by the Liquidator using such reasonable method of valuation as it may adopt.

SECTION 5.6 ISSUANCES OF ADDITIONAL PARTNERSHIP SECURITIES.

(a) Subject to Section 5.7, the Partnership may issue additional Partnership Securities and options, rights, warrants and appreciation rights relating to the Partnership Securities for any Partnership purpose at any time and from time to time to such Persons for such consideration and on such terms and conditions as shall be established by the General Partner in its sole discretion, all without the approval of any Limited Partners.

(b) Each additional Partnership Security authorized to be issued by the Partnership pursuant to Section 5.6(a) may be issued in one or more classes, or one or more series of any such classes, with such designations,

preferences, rights, powers and duties (which may be senior to existing classes and series of Partnership Securities), as shall be fixed by the General Partner in the exercise of its sole discretion, including (i) the right to share Partnership profits and losses or items thereof; (ii) the right to share in Partnership distributions; (iii) the rights upon dissolution and liquidation of the Partnership; (iv) whether, and the terms and conditions upon which, the Partnership may redeem the Partnership Security; (v) whether such Partnership Security is issued with the privilege of conversion or exchange and, if so, the terms and conditions of such conversion or exchange; (vi) the terms and conditions upon which each Partnership Security will be issued, evidenced by certificates and assigned or transferred; and (vii) the right, if any, of each such Partnership Security to vote on Partnership matters, including matters relating to the relative rights, preferences and privileges of such Partnership Security.

(c) The General Partner is hereby authorized and directed to take all actions that it deems necessary or appropriate in connection with (i) each issuance of Partnership Securities and options, rights, warrants and appreciation rights relating to Partnership Securities pursuant to this Section 5.6, (ii) the conversion of the General Partner Interest and Incentive Distribution Rights into Units pursuant to the terms of this Agreement, (iii) the admission of Additional Limited Partners and (iv) all additional issuances of Partnership Securities. The General Partner is further authorized and directed to specify the relative rights, powers and duties of the holders of the Units or other Partnership Securities being so issued. The General Partner shall do all things necessary to comply with the Delaware Act and is authorized and directed to do all things it deems to be necessary or advisable in connection with any future issuance of Partnership Securities or in connection with the conversion of the General Partner Interest and Incentive Distribution Rights into Units pursuant to the terms of this Agreement, including compliance with any statute, rule, regulation or guideline of any federal, state or other governmental agency or any National Securities Exchange on which the Units or other Partnership Securities are listed for trading.

SECTION 5.7 LIMITATIONS ON ISSUANCE OF ADDITIONAL PARTNERSHIP SECURITIES.

The issuance of Partnership Securities pursuant to Section 5.6 shall be subject to the following restrictions and limitations:

(a) During the Subordination Period, the Partnership shall not issue (and shall not issue any options, rights, warrants or appreciation rights relating to) an aggregate of more than 4,462,161 additional Parity Units without the prior approval of the holders of a Unit Majority. In applying this limitation, there shall be excluded Common Units and other Parity Units (and options, rights, warrants or appreciation rights relating thereto) issued (A) in connection with the exercise of the Over-Allotment Option, (B) in accordance with Sections 5.7(b) and 5.7(c), (C) upon conversion of the General Partner Interest and Incentive Distribution Rights pursuant to Section 11.3(b), (D) pursuant to the employee benefit plans of the General Partner, the Partnership or any other Group Member and (E) in the event of a combination or subdivision of Common Units.

(b) The Partnership may also issue an unlimited number of Parity Units, prior to the end of the Subordination Period and without the prior approval of the Unitholders, if such issuance occurs (i) in connection with an Acquisition or a Capital Improvement or (ii) within 365 days of, and the net proceeds from such issuance are used to repay debt incurred in connection with, an Acquisition or a Capital Improvement, in each case where such Acquisition or Capital Improvement involves assets that, if acquired by the Partnership as of the date that is one year prior to the first day of the Quarter in which such Acquisition is to be consummated or such Capital Improvement is to be completed, would have resulted, on a pro forma basis, in an increase in:

(A) the amount of Adjusted Operating Surplus generated by the Partnership on a per-Unit basis (for all Outstanding Units) with respect to the most recently completed four-Quarter period (on a pro forma basis as described below) as compared to

(B) the actual amount of Adjusted Operating Surplus generated by the Partnership on a per-Unit basis (for all Outstanding Units) (excluding Adjusted Operating Surplus attributable to the Acquisition or Capital Improvement) with respect to such most recently completed four-Quarter period.

If the issuance of Parity Units with respect to an Acquisition or Capital Improvement occurs within the first four full Quarters after the Closing Date, then Adjusted Operating Surplus as used in clauses (A) (subject to the succeeding sentence) and (B) above shall be calculated (i) for each Quarter, if any, that commenced after the Closing Date for which actual results of operations are available, based on the actual Adjusted Operating Surplus of the Partnership generated with respect to such Quarter, and (ii) for each other Quarter, on a pro forma basis consistent with the procedures, as applicable, set forth in Appendix D to the Registration Statement. Furthermore, the amount in

clause (A) shall be

determined on a pro forma basis assuming that (1) all of the Parity Units to be issued in connection with or within 365 days of such Acquisition or Capital Improvement had been issued and outstanding, (2) all indebtedness for borrowed money to be incurred or assumed in connection with such Acquisition or Capital Improvement (other than any such indebtedness that is to be repaid with the proceeds of such issuance of Parity Units) had been incurred or assumed, in each case as of the commencement of such four-Quarter period, (3) the personnel expenses that would have been incurred by the Partnership in the operation of the acquired assets are the personnel expenses for employees to be retained by the Partnership in the operation of the acquired assets, and (4) the non-personnel costs and expenses are computed on the same basis as those incurred by the Partnership in the operation of the Partnership's business at similarly situated Partnership facilities.

(c) During the Subordination Period, without the prior approval of the holders of a Unit Majority, the Partnership shall not issue any additional Partnership Securities (or options, rights, warrants or appreciation rights related thereto) (i) that are entitled in any Quarter to receive in respect of the Subordination Period any distributions of Available Cash from Operating Surplus before the Common Units and any Parity Units have received (or amounts have been set aside for payment of) the Minimum Quarterly Distribution and any Cumulative Common Unit Arrearage for such Quarter or (ii) that are entitled to allocations in respect of the Subordination Period of Net Termination Gain before the Common Units and any Parity Units have been allocated Net Termination Gain pursuant to Section 6.1(c)(i)(B).

(d) During the Subordination Period, without the prior approval of the holders of a Unit Majority, the Partnership may issue additional Partnership Securities (or options, rights, warrants or appreciation rights related thereto) (i) that are not entitled in any Quarter during the Subordination Period to receive any distributions of Available Cash from Operating Surplus until after the Common Units and any Parity Units have received (or amounts have been set aside for payment of) the Minimum Quarterly Distribution and any Cumulative Common Unit Arrearage for such Quarter and (ii) that are not entitled to allocations in respect of the Subordination Period of Net Termination Gain before the Common Units and any Parity Units have been allocated Net Termination Gain pursuant to Section 6.1(c)(i)(B), even if (A) the amount of Available Cash from Operating Surplus to which each such Partnership Security is entitled to receive after the Minimum Quarterly Distribution and any Cumulative Common Unit Arrearage have been paid or set aside for payment on the Common Units exceeds the Minimum Quarterly Distribution, (B) the amount of Net Termination Gain to be allocated to such Partnership Security after Net Termination Gain has been allocated to any Common Units and Parity Units pursuant to Section 6.1(c)(i)(B) exceeds the amount of such Net Termination Gain to be allocated to each Common Unit or Parity Unit or (C) the holders of such additional Partnership Securities have the right to require the Partnership or its Affiliates to repurchase such Partnership Securities at a discount, par or a premium.

(e) No fractional Units shall be issued by the Partnership.

SECTION 5.8 CONVERSION OF SUBORDINATED UNITS.

(a) All Subordinated Units shall convert into Common Units on a one-for-one basis on the first day following the Record Date for distributions in respect of the final Quarter of the Subordination Period.

(b) Notwithstanding any other provision of this Agreement, all the then Outstanding Subordinated Units will automatically convert into Common Units on a one-for-one basis as set forth in, and pursuant to the terms of, Section 11.4.

(c) A Subordinated Unit that has converted into a Common Unit shall be subject to the provisions of Section 6.7(b).

SECTION 5.9 LIMITED PREEMPTIVE RIGHT.

Except as provided in this Section 5.9 and in Section 5.2, no Person shall have any preemptive, preferential or other similar right with respect to the issuance of any Partnership Security, whether unissued, held in the treasury or hereafter created. The General Partner shall have the right, which it may from time to time assign in whole or in part to any of its Affiliates, to purchase Partnership Securities from the Partnership whenever, and on the same terms that, the Partnership issues Partnership Securities to Persons other than the General Partner and its Affiliates, to the extent necessary to maintain the Percentage Interests of the General Partner and its Affiliates equal to that which existed immediately prior to the issuance of such Partnership Securities.

SECTION 5.10 SPLITS AND COMBINATION.

(a) Subject to Sections 5.10(d), 6.6 and 6.9 (dealing with adjustments of distribution levels), the Partnership may make a Pro Rata distribution of Partnership Securities to all Record Holders or may effect a subdivision or combination of Partnership Securities so long as, after any such event, each Partner shall have the same Percentage Interest in the Partnership as before such event, and any amounts calculated on a per Unit basis (including any Common Unit Arrearage or Cumulative Common Unit Arrearage) or stated as a number of Units (including the number of Subordinated Units that may convert prior to the end of the Subordination Period and the number of additional Parity Units that may be issued pursuant to Section 5.7 without a Unitholder vote) are proportionately adjusted retroactive to the beginning of the Partnership.

(b) Whenever such a distribution, subdivision or combination of Partnership Securities is declared, the General Partner shall select a Record Date as of which the distribution, subdivision or combination shall be effective and shall send notice thereof at least 20 days prior to such Record Date to each Record Holder as of a date not less than 10 days prior to the date of such notice. The General Partner also may cause a firm of independent public accountants selected by it to calculate

the number of Partnership Securities to be held by each Record Holder after giving effect to such distribution, subdivision or combination. The General Partner shall be entitled to rely on any certificate provided by such firm as conclusive evidence of the accuracy of such calculation.

(c) Promptly following any such distribution, subdivision or combination, the Partnership may issue Certificates to the Record Holders of Partnership Securities as of the applicable Record Date representing the new number of Partnership Securities held by such Record Holders, or the General Partner may adopt such other procedures as it may deem appropriate to reflect such changes. If any such combination results in a smaller total number of Partnership Securities Outstanding, the Partnership shall require, as a condition to the delivery to a Record Holder of such new Certificate, the surrender of any Certificate held by such Record Holder immediately prior to such Record Date.

(d) The Partnership shall not issue fractional Units upon any distribution, subdivision or combination of Units. If a distribution, subdivision or combination of Units would result in the issuance of fractional Units but for the provisions of Section 5.7(e) and this Section 5.10(d), each fractional Unit shall be rounded to the nearest whole Unit (and a 0.5 Unit shall be rounded to the next higher Unit).

SECTION 5.11 FULLY PAID AND NON-ASSESSABLE NATURE OF LIMITED PARTNER INTERESTS.

All Limited Partner Interests issued pursuant to, and in accordance with the requirements of, this Article V shall be fully paid and non-assessable Limited Partner Interests in the Partnership, except as such non-assessability may be affected by Section 17-607 of the Delaware Act.

ARTICLE VI
ALLOCATIONS AND DISTRIBUTIONS

SECTION 6.1 ALLOCATIONS FOR CAPITAL ACCOUNT PURPOSES.

For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Section 5.5(b)) shall be allocated among the Partners in each taxable year (or portion thereof) as provided herein below.

(a) NET INCOME. After giving effect to the special allocations set forth in Section 6.1(d), Net Income for each taxable year and all items of income, gain, loss and deduction taken into account in computing Net Income for such taxable year shall be allocated as follows:

(i) First, 100% to the General Partner in an amount equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 6.1(b)(iii) for all previous taxable years until the aggregate Net Income allocated to the General Partner pursuant to this

Section 6.1(a)(i) for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 6.1(b)(iii) for all previous taxable years;

(ii) Second, 1% to the General Partner in an amount equal to the aggregate Net Losses allocated to the General Partner pursuant to Section

6.1(b)(ii) for all previous taxable years and 99% to the Unitholders, in accordance with their respective Percentage Interests, until the aggregate Net Income allocated to such Partners pursuant to this Section 6.1(a)(ii) for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to such Partners pursuant to Section 6.1(b)(ii) for all previous taxable years; and

(iii) Third, the balance, if any, 1% to the General Partner and 99% the Unitholders in accordance with their respective Percentage Interests.

(b) NET LOSSES. After giving effect to the special allocations set forth in Section 6.1(d), Net Losses for each taxable period and all items of income, gain, loss and deduction taken into account in computing Net Losses for such taxable period shall be allocated as follows:

(i) First, 1% to the General Partner and 99% to the Unitholders, Pro Rata, until the aggregate Net Losses allocated pursuant to this Section 6.1(b)(i) for the current taxable year and all previous taxable years is equal to the aggregate Net Income allocated to such Partners pursuant to Section 6.1(a)(iii) for all previous taxable years, provided that the Net Losses shall not be allocated pursuant to this Section 6.1(b)(i) to the extent that such allocation would cause any Unitholder to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in its Adjusted Capital Account);

(ii) Second, 1% to the General Partner and 99% to the Unitholders, Pro Rata; provided, that Net Losses shall not be allocated pursuant to this Section 6.1(b)(ii) to the extent that such allocation would cause any Unitholder to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in its Adjusted Capital Account);

(iii) Third, the balance, if any, 100% to the General Partner.

(c) NET TERMINATION GAINS AND LOSSES. After giving effect to the special allocations set forth in Section 6.1(d), all items of income, gain, loss and deduction taken into account in computing Net Termination Gain or Net Termination Loss for such taxable period shall be allocated in the same manner as such Net Termination Gain or Net Termination Loss is allocated hereunder. All allocations under this Section 6.1(c) shall be made after Capital Account balances have been adjusted by all other allocations provided under this Section 6.1 and after all distributions of Available Cash provided under Sections 6.4 and 6.5 have been made; provided, however, that solely for purposes of

this Section 6.1(c), Capital Accounts shall not be adjusted for distributions made pursuant to Section 12.4.

(i) If a Net Termination Gain is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Gain shall be allocated among the Partners in the following manner (and the Capital Accounts of the Partners shall be increased by the amount so allocated in each of the following subclauses, in the order listed, before an allocation is made pursuant to the next succeeding subclause):

(A) First, to each Partner having a deficit balance in its Capital Account, in the proportion that such deficit balance bears to the total deficit balances in the Capital Accounts of all Partners, until each such Partner has been allocated Net Termination Gain equal to any such deficit balance in its Capital Account;

(B) Second, 99% to all Unitholders holding Common Units, Pro Rata, and 1% to the General Partner until the Capital Account in respect of each Common Unit then Outstanding is equal to the sum of (1) its Unrecovered Capital plus (2) the Minimum Quarterly Distribution for the Quarter during which the Liquidation Date occurs, reduced by any distribution pursuant to Section 6.4(a)(i) or (b)(i) with respect to such Common Unit for such Quarter (the amount determined pursuant to this clause (2) is hereinafter defined as the "UNPAID MQD") plus (3) any then existing Cumulative Common Unit Arrearage;

(C) Third, if such Net Termination Gain is recognized (or is deemed to be recognized) prior to the expiration of the Subordination Period, 99% to all Unitholders holding Subordinated Units, Pro Rata, and 1% to the General Partner until the Capital Account in respect of each Subordinated Unit then Outstanding equals the sum of (1) its Unrecovered Capital, determined for the taxable year (or portion thereof) to which this allocation of gain relates, plus (2) the Minimum Quarterly Distribution for the Quarter during which the Liquidation Date occurs, reduced by any distribution pursuant to Section 6.4(a)(iii) with respect to such Subordinated Unit for such Quarter;

(D) Fourth, 90.9184% to all Unitholders, Pro Rata, 8.0816% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner until the Capital Account in respect of each Common Unit then Outstanding is equal to the sum of (1) its Unrecovered Capital, plus (2) the Unpaid MQD, plus (3) any then existing Cumulative Common Unit Arrearage, plus (4) the excess of (aa) the First Target Distribution less the Minimum Quarterly Distribution for each Quarter of the Partnership's existence over (bb) the cumulative per Unit amount of any distributions of Operating Surplus that was distributed pursuant to Sections 6.4(a)(iv) and

6.4(b)(ii) (the sum of (1) plus (2) plus (3) plus (4) is hereinafter defined as the "FIRST LIQUIDATION TARGET AMOUNT");

(E) Fifth, 75.7653% to all Unitholders, Pro Rata, 23.2347% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner until the Capital Account in respect of each Common Unit then Outstanding is equal to the sum of (1) the First Liquidation Target Amount, plus (2) the excess of (aa) the Second Target Distribution less the First Target Distribution for each Quarter of the Partnership's existence over (bb) the cumulative per Unit amount of any distributions of Operating Surplus that was distributed pursuant to Sections 6.4(a)(v) and 6.4(b)(iii) (the sum of (1) plus (2) is hereinafter defined as the "SECOND LIQUIDATION TARGET AMOUNT"); and

(F) Finally, any remaining amount 50.5102% to all Unitholders, Pro Rata, 48.4898% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner.

(ii) If a Net Termination Loss is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Loss shall be allocated among the Partners in the following manner:

(A) First, if such Net Termination Loss is recognized (or is deemed to be recognized) prior to the conversion of the last Outstanding Subordinated Unit, 99% to the Unitholders holding Subordinated Units, Pro Rata, and 1% to the General Partner until the Capital Account in respect of each Subordinated Unit then Outstanding has been reduced to zero;

(B) Second, 99% to all Unitholders holding Common Units, Pro Rata, and 1% to the General Partner until the Capital Account in respect of each Common Unit then Outstanding has been reduced to zero; and

(C) Third, the balance, if any, 100% to the General Partner.

(d) SPECIAL ALLOCATIONS. Notwithstanding any other provision of this Section 6.1, the following special allocations shall be made for such taxable period:

(i) PARTNERSHIP MINIMUM GAIN CHARGEBACK. Notwithstanding any other provision of this Section 6.1, if there is a net decrease in Partnership Minimum Gain during any Partnership taxable period, each Partner shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(f)(6), 1.704-2(g)(2) and 1.704-2(j)(2)(i), or any

successor provision. For purposes of this Section 6.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(d) with respect to such taxable period (other than an allocation pursuant to Sections 6.1(d)(vi) and 6.1(d)(vii)). This Section 6.1(d)(i) is intended to comply with the Partnership Minimum Gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) CHARGEBACK OF PARTNER NONRECOURSE DEBT MINIMUM GAIN. Notwithstanding the other provisions of this Section 6.1 (other than Section 6.1(d)(i)), except as provided in Treasury Regulation Section 1.704-2(i)(4), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any Partnership taxable period, any Partner with a share of Partner Nonrecourse Debt Minimum Gain at the beginning of such taxable period shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and

amounts provided in Treasury Regulation Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 6.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(d), other than Section 6.1(d)(i) and other than an allocation pursuant to Sections 6.1(d)(vi) and 6.1(d)(vii), with respect to such taxable period. This Section 6.1(d)(ii) is intended to comply with the chargeback of items of income and gain requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(iii) PRIORITY ALLOCATIONS.

(A) If the amount of cash or the Net Agreed Value of any property distributed (except cash or property distributed pursuant to Section 12.4) to any Unitholder with respect to its Units for a taxable year is greater (on a per Unit basis) than the amount of cash or the Net Agreed Value of property distributed to the other Unitholders with respect to their Units (on a per Unit basis), then (1) each Unitholder receiving such greater cash or property distribution shall be allocated gross income in an amount equal to the product of (aa) the amount by which the distribution (on a per Unit basis) to such Unitholder exceeds the distribution (on a per Unit basis) to the Unitholders receiving the smallest distribution and (bb) the number of Units owned by the Unitholder receiving the greater distribution; and (2) the General Partner shall be allocated gross income in an aggregate amount equal to 1/99th of the sum of the amounts allocated in clause (1) above.

(B) After the application of Section 6.1(d)(iii)(A), all or any portion of the remaining items of Partnership gross income or gain for the taxable period, if any, shall

be allocated 100% to the holders of Incentive Distribution Rights, Pro Rata, until the aggregate amount of such items allocated to the holders of Incentive Distribution Rights pursuant to this paragraph 6.1(d)(iii)(B) for the current taxable year and all previous taxable years is equal to the cumulative amount of all Incentive Distributions made to the holders of Incentive Distribution Rights from the Closing Date to a date 45 days after the end of the current taxable year.

(iv) QUALIFIED INCOME OFFSET. In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations promulgated under Section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible unless such deficit balance is otherwise eliminated pursuant to Section 6.1(d)(i) or (ii).

(v) GROSS INCOME ALLOCATIONS. In the event any Partner has a deficit balance in its Capital Account at the end of any Partnership taxable period in excess of the sum of (A) the amount such Partner is required to restore pursuant to the provisions of this Agreement and (B) the amount such Partner is deemed obligated to restore pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), such Partner shall be specially allocated items of Partnership gross income and gain in the amount of such excess as quickly as possible; provided, that an allocation pursuant to this Section 6.1(d)(v) shall be made only if and to the extent that such Partner would have a deficit balance in its Capital Account as adjusted after all other allocations provided for in this Section 6.1 have been tentatively made as if this Section 6.1(d)(v) were not in this Agreement.

(vi) NONRECOURSE DEDUCTIONS. Nonrecourse Deductions for any taxable period shall be allocated to the Partners in accordance with their respective Percentage Interests. If the General Partner determines in its good faith discretion that the Partnership's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Treasury Regulations promulgated under Section 704(b) of the Code, the General Partner is authorized, upon notice to the other Partners, to revise the prescribed ratio to the numerically closest ratio that does satisfy such requirements.

(vii) PARTNER NONRECOURSE DEDUCTIONS. Partner Nonrecourse Deductions for any taxable period shall be allocated 100% to the Partner that bears the Economic Risk of Loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulation Section 1.704-2(i). If

more than one Partner bears the Economic Risk of Loss with respect to a Partner Nonrecourse Debt, such

Partner Nonrecourse Deductions attributable thereto shall be allocated between or among such Partners in accordance with the ratios in which they share such Economic Risk of Loss.

(viii) NONRECOURSE LIABILITIES. For purposes of Treasury Regulation Section 1.752-3(a)(3), the Partners agree that Nonrecourse Liabilities of the Partnership in excess of the sum of (A) the amount of Partnership Minimum Gain and (B) the total amount of Nonrecourse Built-in Gain shall be allocated among the Partners in accordance with their respective Percentage Interests.

(ix) CODE SECTION 754 ADJUSTMENTS. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(c) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Treasury Regulations.

(x) ECONOMIC UNIFORMITY. At the election of the General Partner with respect to any taxable period ending upon, or after, the termination of the Subordination Period, all or a portion of the remaining items of Partnership gross income or gain for such taxable period, after taking into account allocations pursuant to Section 6.1(d)(iii), shall be allocated 100% to each Partner holding Subordinated Units that are Outstanding as of the termination of the Subordination Period ("FINAL SUBORDINATED UNITS") in the proportion of the number of Final Subordinated Units held by such Partner to the total number of Final Subordinated Units then Outstanding, until each such Partner has been allocated an amount of gross income or gain which increases the Capital Account maintained with respect to such Final Subordinated Units to an amount equal to the product of (A) the number of Final Subordinated Units held by such Partner and (B) the Per Unit Capital Amount for a Common Unit. The purpose of this allocation is to establish uniformity between the Capital Accounts underlying Final Subordinated Units and the Capital Accounts underlying Common Units held by Persons other than the General Partner and its Affiliates immediately prior to the conversion of such Final Subordinated Units into Common Units. This allocation method for establishing such economic uniformity will only be available to the General Partner if the method for allocating the Capital Account maintained with respect to the Subordinated Units between the transferred and retained Subordinated Units pursuant to Section 5.5(c)(ii) does not otherwise provide such economic uniformity to the Final Subordinated Units.

(xi) CURATIVE ALLOCATION.

4(A) Notwithstanding any other provision of this Section 6.1, other than the Required Allocations, the Required Allocations shall be taken into account in making the Agreed Allocations so that, to the extent possible, the net amount of items of income, gain, loss and deduction allocated to each Partner pursuant to the Required Allocations and the Agreed Allocations, together, shall be equal to the net amount of such items that would have been allocated to each such Partner under the Agreed Allocations had the Required Allocations and the related Curative Allocation not otherwise been provided in this Section 6.1. Notwithstanding the preceding sentence, Required Allocations relating to (1) Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partnership Minimum Gain and (2) Partner Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partner Nonrecourse Debt Minimum Gain. Allocations pursuant to this Section 6.1(d)(xi)(A) shall only be made with respect to Required Allocations to the extent the General Partner reasonably determines that such allocations will otherwise be inconsistent with the economic agreement among the Partners. Further, allocations pursuant to this Section 6.1(d)(xi)(A) shall be deferred with respect to allocations pursuant to clauses (1) and (2) hereof to the extent the General Partner reasonably determines that such allocations are likely to be offset by subsequent Required Allocations.

(B) The General Partner shall have reasonable discretion, with respect to each taxable period, to (1) apply the provisions of Section 6.1(d)(xi)(A) in whatever order is most likely to minimize the economic distortions that might otherwise result from the Required

Allocations, and (2) divide all allocations pursuant to Section 6.1(d)(xi)(A) among the Partners in a manner that is likely to minimize such economic distortions.

(xii) CORRECTIVE ALLOCATIONS. In the event of any allocation of Additional Book Basis Derivative Items or any Book-Down Event or any recognition of a Net Termination Loss, the following rules shall apply:

(A) In the case of any allocation of Additional Book Basis Derivative Items (other than an allocation of Unrealized Gain or Unrealized Loss under Section 5.5(d) hereof), the General Partner shall allocate additional items of gross income and gain away from the holders of Incentive Distribution Rights to the Unitholders and the General Partner, or additional items of deduction and loss away from the Unitholders and the General Partner to the holders of Incentive Distribution Rights, to the extent that the Additional Book Basis Derivative Items allocated to the Unitholders or the General Partner exceed their Share of Additional Book Basis Derivative Items. For this

purpose, the Unitholders and the General Partner shall be treated as being allocated Additional Book Basis Derivative Items to the extent that such Additional Book Basis Derivative Items have reduced the amount of income that would otherwise have been allocated to the Unitholders or the General Partner under the Partnership Agreement (e.g., Additional Book Basis Derivative Items taken into account in computing cost of goods sold would reduce the amount of book income otherwise available for allocation among the Partners). Any allocation made pursuant to this Section 6.1(d)(xii)(A) shall be made after all of the other Agreed Allocations have been made as if this Section 6.1(d)(xii) were not in this Agreement and, to the extent necessary, shall require the reallocation of items that have been allocated pursuant to such other Agreed Allocations.

(B) In the case of any negative adjustments to the Capital Accounts of the Partners resulting from a Book-Down Event or from the recognition of a Net Termination Loss, such negative adjustment (1) shall first be allocated, to the extent of the Aggregate Remaining Net Positive Adjustments, in such a manner, as reasonably determined by the General Partner, that to the extent possible the aggregate Capital Accounts of the Partners will equal the amount which would have been the Capital Account balance of the Partners if no prior Book-Up Events had occurred, and (2) any negative adjustment in excess of the Aggregate Remaining Net Positive Adjustments shall be allocated pursuant to Section 6.1(c) hereof.

(C) In making the allocations required under this Section 6.1(d)(xii), the General Partner, in its sole discretion, may apply whatever conventions or other methodology it deems reasonable to satisfy the purpose of this Section 6.1(d)(xii).

SECTION 6.2 ALLOCATIONS FOR TAX PURPOSES.

(a) Except as otherwise provided herein, for federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Partners in the same manner as its correlative item of "BOOK" income, gain, loss or deduction is allocated pursuant to Section 6.1.

(b) In an attempt to eliminate Book-Tax Disparities attributable to a Contributed Property or Adjusted Property, items of income, gain, loss, depreciation, amortization and cost recovery deductions shall be allocated for federal income tax purposes among the Partners as follows:

(i) (A) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Partners in the manner provided under Section 704(c) of the Code that takes into account the variation between the Agreed Value of such property and its adjusted basis at the time of contribution; and (B) any item of Residual Gain or Residual Loss attributable

to a Contributed Property shall be allocated among the Partners in the same manner as its correlative item of "BOOK" gain or loss is allocated pursuant to Section 6.1.

(ii) (A) In the case of an Adjusted Property, such items shall (1) first, be allocated among the Partners in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 5.5(d)(i) or 5.5(d)(ii), and (2) second, in the event such property was originally a Contributed Property, be allocated among the Partners in a manner consistent with Section 6.2(b)(i)(A); and (B) any item of Residual Gain or Residual Loss

attributable to an Adjusted Property shall be allocated among the Partners in the same manner as its correlative item of "BOOK" gain or loss is allocated pursuant to Section 6.1.

(iii) The General Partner shall apply the principles of Treasury Regulation Section 1.704-3(d) to eliminate Book-Tax Disparities.

(c) For the proper administration of the Partnership and for the preservation of uniformity of the Limited Partner Interests (or any class or classes thereof), the General Partner shall have sole discretion to (i) adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; (ii) make special allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions; and (iii) amend the provisions of this Agreement as appropriate (x) to reflect the proposal or promulgation of Treasury Regulations under Section 704(b) or Section 704(c) of the Code or (y) otherwise to preserve or achieve uniformity of the Limited Partner Interests (or any class or classes thereof). The General Partner may adopt such conventions, make such allocations and make such amendments to this Agreement as provided in this Section 6.2(c) only if such conventions, allocations or amendments would not have a material adverse effect on the Partners, the holders of any class or classes of Limited Partner Interests issued and Outstanding or the Partnership, and if such allocations are consistent with the principles of Section 704 of the Code.

(d) The General Partner in its discretion may determine to depreciate or amortize the portion of an adjustment under Section 743(b) of the Code attributable to unrealized appreciation in any Adjusted Property (to the extent of the unamortized Book-Tax Disparity) using a predetermined rate derived from the depreciation or amortization method and useful life applied to the Partnership's common basis of such property, despite any inconsistency of such approach with Treasury Regulation Section 1.167(c)-l(a)(6), or any successor regulations thereto. If the General Partner determines that such reporting position cannot reasonably be taken, the General Partner may adopt depreciation and amortization conventions under which all purchasers acquiring Limited Partner Interests in the same month would receive depreciation and amortization deductions, based upon the same applicable rate as if they had purchased a direct interest in the Partnership's property. If the General Partner chooses not to utilize such aggregate method, the General Partner may use any other reasonable depreciation and amortization conventions to preserve the uniformity of the intrinsic tax characteristics of any Limited

Partner Interests that would not have a material adverse effect on the Limited Partners or the Record Holders of any class or classes of Limited Partner Interests.

(e) Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this Section 6.2, be characterized as Recapture Income in the same proportions and to the same extent as such Partners (or their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

(f) All items of income, gain, loss, deduction and credit recognized by the Partnership for federal income tax purposes and allocated to the Partners in accordance with the provisions hereof shall be determined without regard to any election under Section 754 of the Code which may be made by the Partnership; provided, however, that such allocations, once made, shall be adjusted as necessary or appropriate to take into account those adjustments permitted or required by Sections 734 and 743 of the Code.

(g) Each item of Partnership income, gain, loss and deduction attributable to a transferred Partnership Interest, shall for federal income tax purposes, be determined on an annual basis and prorated on a monthly basis and shall be allocated to the Partners as of the opening of the New York Stock Exchange on the first Business Day of each month; provided, however, that (i) such items for the period beginning on the Closing Date and ending on the last day of the month in which the Option Closing Date or the expiration of the Over-allotment Option occurs shall be allocated to the Partners as of the opening of the New York Stock Exchange on the first Business Day of the next succeeding month; and provided, further, that gain or loss on a sale or other disposition of any assets of the Partnership other than in the ordinary course of business shall be allocated to the Partners as of the opening of the New York Stock Exchange on the first Business Day of the month in which such gain or loss is recognized for federal income tax purposes. The General Partner may revise, alter or otherwise modify such methods of allocation as it determines necessary, to the extent permitted or required by Section 706 of the Code and the regulations or rulings promulgated thereunder.

(h) Allocations that would otherwise be made to a Limited Partner under the provisions of this Article VI shall instead be made to the beneficial owner of Limited Partner Interests held by a nominee in any case in which the

nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion.

SECTION 6.3 REQUIREMENT AND CHARACTERIZATION OF DISTRIBUTIONS; DISTRIBUTIONS TO RECORD HOLDERS.

(a) Within 45 days following the end of (i) the period beginning on the Closing Date and ending on June 30, 2001 and (ii) each Quarter commencing with the Quarter beginning on July 1,

2001, an amount equal to 100% of Available Cash with respect to such Quarter shall, subject to Section 17-607 of the Delaware Act, be distributed in accordance with this Article VI by the Partnership to the Partners as of the Record Date selected by the General Partner in its reasonable discretion. All amounts of Available Cash distributed by the Partnership on any date from any source shall be deemed to be Operating Surplus until the sum of all amounts of Available Cash theretofore distributed by the Partnership to the Partners pursuant to Section 6.4 equals the amount of Operating Surplus as calculated with respect to the Quarter in respect of which such distribution of Available Cash is to be made through the close of the Quarter. Any remaining amounts of Available Cash distributed by the Partnership on such date shall, except as otherwise provided in Section 6.5, be deemed to be "CAPITAL SURPLUS." All distributions required to be made under this Agreement shall be made subject to Section 17-607 of the Delaware Act.

(b) Notwithstanding Section 6.3(a), in the event of the dissolution and liquidation of the Partnership, all receipts received during or after the Quarter in which the Liquidation Date occurs, other than from borrowings described in (a)(ii) of the definition of Available Cash, shall be applied and distributed solely in accordance with, and subject to the terms and conditions of, Section 12.4.

(c) The General Partner shall have the discretion to treat taxes paid by the Partnership on behalf of, or amounts withheld with respect to, all or less than all of the Partners, as a distribution of Available Cash to such Partners.

(d) Each distribution in respect of a Partnership Interest shall be paid by the Partnership, directly or through the Transfer Agent or through any other Person or agent, only to the Record Holder of such Partnership Interest as of the Record Date set for such distribution. Such payment shall constitute full payment and satisfaction of the Partnership's liability in respect of such payment, regardless of any claim of any Person who may have an interest in such payment by reason of an assignment or otherwise.

SECTION 6.4 DISTRIBUTIONS OF AVAILABLE CASH FROM OPERATING SURPLUS.

(a) DURING SUBORDINATION PERIOD. Available Cash with respect to any Quarter within the Subordination Period that is deemed to be Operating Surplus pursuant to the provisions of Section 6.3 or 6.5 shall, subject to Section 17-607 of the Delaware Act, be distributed as follows, except as otherwise required by Section 5.6(b) in respect of additional Partnership Securities issued pursuant thereto:

(i) First, 99% to the Unitholders holding Common Units, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Common Unit then Outstanding an amount equal to the Minimum Quarterly Distribution for such Quarter;

(ii) Second, 99% to the Unitholders holding Common Units, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Common Unit then Outstanding an amount equal to the Cumulative Common Unit Arrearage existing with respect to such Quarter;

(iii) Third, 99% to the Unitholders holding Subordinated Units, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Subordinated Unit then Outstanding an amount equal to the Minimum Quarterly Distribution for such Quarter;

(iv) Fourth, 90.9184% to all Unitholders, Pro Rata, 8.0816% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the First Target Distribution over the Minimum Quarterly Distribution for such Quarter;

(v) Fifth, 75.7653% to all Unitholders, Pro Rata, 23.2347% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the Second Target

Distribution over the First Target Distribution for such Quarter; and

(vi) Thereafter, 50.5102% to all Unitholders, Pro Rata, 48.4898% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner;

provided, however, if the Minimum Quarterly Distribution, the First Target Distribution and the Second Target Distribution have been reduced to zero pursuant to the second sentence of Section 6.6(a), the distribution of Available Cash that is deemed to be Operating Surplus with respect to any Quarter will be made solely in accordance with Section 6.4(a)(vi).

(b) AFTER SUBORDINATION PERIOD. Available Cash with respect to any Quarter after the Subordination Period that is deemed to be Operating Surplus pursuant to the provisions of Section 6.3 or 6.5, subject to Section 17-607 of the Delaware Act, shall be distributed as follows, except as otherwise required by Section 5.6(b) in respect of additional Partnership Securities issued pursuant thereto:

(i) First, 99% to all Unitholders, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the Minimum Quarterly Distribution for such Quarter;

(ii) Second, 90.9184% to all Unitholders, Pro Rata, and 8.0816% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the First Target Distribution over the Minimum Quarterly Distribution for such Quarter;

(iii) Third, 75.7653% to all Unitholders, Pro Rata, and 23.2347% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Unit then Outstanding an amount equal to the excess of the Second Target Distribution over the First Target Distribution for such Quarter; and

(iv) Thereafter, 50.5102% to all Unitholders, Pro Rata, and 48.4898% to the holders of the Incentive Distribution Rights, Pro Rata, and 1% to the General Partner;

provided, however, if the Minimum Quarterly Distribution, the First Target Distribution and the Second Target Distribution have been reduced to zero pursuant to the second sentence of Section 6.6(a), the distribution of Available Cash that is deemed to be Operating Surplus with respect to any Quarter will be made solely in accordance with Section 6.4(b)(iv).

SECTION 6.5 DISTRIBUTIONS OF AVAILABLE CASH FROM CAPITAL SURPLUS.

Available Cash that is deemed to be Capital Surplus pursuant to the provisions of Section 6.3(a) shall, subject to Section 17-607 of the Delaware Act, be distributed, unless the provisions of Section 6.3 require otherwise, 99% to all Unitholders, Pro Rata, and 1% to the General Partner until a hypothetical holder of a Common Unit acquired on the Closing Date has received with respect to such Common Unit, during the period since the Closing Date through such date, distributions of Available Cash that are deemed to be Capital Surplus in an aggregate amount equal to the Initial Unit Price. Available Cash that is deemed to be Capital Surplus shall then be distributed 99% to all Unitholders holding Common Units, Pro Rata, and 1% to the General Partner until there has been distributed in respect of each Common Unit then Outstanding an amount equal to the Cumulative Common Unit Arrearage. Thereafter, all Available Cash shall be distributed as if it were Operating Surplus and shall be distributed in accordance with Section 6.4.

SECTION 6.6 ADJUSTMENT OF MINIMUM QUARTERLY DISTRIBUTION AND TARGET DISTRIBUTION LEVELS.

(a) The Minimum Quarterly Distribution, First Target Distribution, Second Target Distribution, Common Unit Arrearages and Cumulative Common Unit Arrearages shall be proportionately adjusted in the event of any distribution, combination or subdivision (whether effected by a distribution payable in Units or otherwise) of Units or other Partnership Securities in accordance with Section 5.10. In the event of a distribution of Available Cash that is deemed to be from Capital Surplus, the then applicable Minimum Quarterly Distribution, First Target Distribution and Second Target Distribution shall be adjusted proportionately downward to equal the product obtained by multiplying the otherwise applicable Minimum Quarterly Distribution, First Target Distribution and Second Target Distribution, as the case may be, by a fraction of which the numerator is the Unrecovered Capital of the Common Units immediately after giving effect to such distribution and of

which the denominator is the Unrecovered Capital of the Common Units immediately prior to giving effect to such distribution.

(b) The Minimum Quarterly Distribution, First Target Distribution and Second Target Distribution shall also be subject to adjustment pursuant to Section 6.9.

SECTION 6.7 SPECIAL PROVISIONS RELATING TO THE HOLDERS OF SUBORDINATED UNITS.

(a) Except with respect to the right to vote on or approve matters requiring the vote or approval of a percentage of the holders of Outstanding Common Units and the right to participate in allocations of income, gain, loss and deduction and distributions made with respect to Common Units, the holder of a Subordinated Unit shall have all of the rights and obligations of a Unitholder holding Common Units hereunder; provided, however, that immediately upon the conversion of Subordinated Units into Common Units pursuant to Section 5.8, the Unitholder holding a Subordinated Unit shall possess all of the rights and obligations of a Unitholder holding Common Units hereunder, including the right to vote as a Common Unitholder and the right to participate in allocations of income, gain, loss and deduction and distributions made with respect to Common Units; provided, however, that such converted Subordinated Units shall remain subject to the provisions of Sections 5.5(c)(ii), 6.1(d)(x) and 6.7(b).

(b) The Unitholder holding a Subordinated Unit that has converted into a Common Unit pursuant to Section 5.8 shall not be issued a Common Unit Certificate pursuant to Section 4.1, and shall not be permitted to transfer its converted Subordinated Units to a Person which is not an Affiliate of the holder until such time as the General Partner determines, based on advice of counsel, that a converted Subordinated Unit should have, as a substantive matter, like intrinsic economic and federal income tax characteristics, in all material respects, to the intrinsic economic and federal income tax characteristics of an Initial Common Unit. In connection with the condition imposed by this Section 6.7(b), the General Partner may take whatever reasonable steps are required to provide economic uniformity to the converted Subordinated Units in preparation for a transfer of such converted Subordinated Units, including the application of Sections 5.5(c)(ii) and 6.1(d)(x); provided, however, that no such steps may be taken that would have a material adverse effect on the Unitholders holding Common Units represented by Common Unit Certificates.

SECTION 6.8 SPECIAL PROVISIONS RELATING TO THE HOLDERS OF INCENTIVE DISTRIBUTION RIGHTS.

Notwithstanding anything to the contrary set forth in this Agreement, the holders of the Incentive Distribution Rights (a) shall (i) possess the rights and obligations provided in this Agreement with respect to a Limited Partner pursuant to Articles III and VII and (ii) have a Capital Account as a Partner pursuant to Section 5.5 and all other provisions related thereto and (b) shall not (i) be entitled to vote on any matters requiring the approval or vote of the holders of Outstanding Units, (ii) be entitled to any distributions other than as provided in Sections 6.4(a)(iv), (v) and (vi), 6.4(b)(ii), (iii) and (iv),

and 12.4 or (iii) be allocated items of income, gain, loss or deduction other than as specified in this Article VI.

SECTION 6.9 ENTITY-LEVEL TAXATION.

If legislation is enacted or the interpretation of existing language is modified by the relevant governmental authority which causes the Partnership or the Operating Partnership to be treated as an association taxable as a corporation or otherwise subjects the Partnership or the Operating Partnership to entity-level taxation for federal, state or local income tax purposes, the then applicable Minimum Quarterly Distribution, First Target Distribution and Second Target Distribution shall be adjusted to equal the product obtained by multiplying (a) the amount thereof by (b) one minus the sum of (i) the highest marginal federal corporate (or other entity, as applicable) income tax rate of the Partnership or the Operating Partnership for the taxable year of the Partnership or the Operating Partnership in which such Quarter occurs (expressed as a percentage) plus (ii) the effective overall state and local income tax rate (expressed as a percentage) applicable to the Partnership or the Operating Partnership for the calendar year next preceding the calendar year in which such Quarter occurs (after taking into account the benefit of any deduction allowable for federal income tax purposes with respect to the payment of state and local income taxes), but only to the extent of the increase in such rates resulting from such legislation or interpretation. Such effective overall state and local income tax rate shall be determined for the taxable year next preceding the first taxable year during which the Partnership or the Operating Partnership is taxable for federal income tax purposes as an association taxable as a corporation or is otherwise subject to entity-level taxation by determining such rate as if the Partnership or the Operating Partnership had been subject to such state and local taxes during such preceding taxable year.

ARTICLE VII

MANAGEMENT AND OPERATION OF BUSINESS

SECTION 7.1 MANAGEMENT.

(a) The General Partner shall conduct, direct and manage all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the General Partner, and no Limited Partner or Assignee shall have any management power over the business and affairs of the Partnership. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Section 7.3, shall have full power and authority to do all things and on such terms as it, in its sole discretion, may deem necessary or appropriate to conduct the business of the Partnership, to exercise all powers set forth in Section 2.5 and to effectuate the purposes set forth in Section 2.4, including the following:

(i) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness, including indebtedness that is convertible into Partnership Securities, and the incurring of any other obligations;

(ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(iii) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the Partnership with or into another Person (the matters described in this clause (iii) being subject, however, to any prior approval that may be required by Section 7.3);

(iv) the use of the assets of the Partnership (including cash on hand) for any purpose consistent with the terms of this Agreement, including the financing of the conduct of the operations of the Partnership Group; subject to Section 7.6(a), the lending of funds to other Persons (including the Operating Partnership); the repayment of obligations of the Partnership Group and the making of capital contributions to any member of the Partnership Group;

(v) the negotiation, execution and performance of any contracts, conveyances or other instruments (including instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership, with the other party to the contract to have no recourse against the General Partner or its assets other than its interest in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case);

(vi) the distribution of Partnership cash;

(vii) the selection and dismissal of employees (including employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

(viii) the maintenance of such insurance for the benefit of the Partnership Group and the Partners as it deems necessary or appropriate;

(ix) the formation of, or acquisition of an interest in, and the contribution of property and the making of loans to, any further limited or general partnerships, joint ventures, corporations or other relationships (including the acquisition of interests in, and the contributions

of property to, the Operating Partnership from time to time) subject to the restrictions set forth in Section 2.4;

(x) the control of any matters affecting the rights and obligations of the Partnership, including the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation;

(xi) the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(xii) the entering into of listing agreements with any National Securities Exchange and the delisting of some or all of the Limited Partner Interests from, or requesting that trading be suspended on, any such exchange (subject to any prior approval that may be required under Section 4.8);

(xiii) unless restricted or prohibited by Section 5.7, the purchase, sale or other acquisition or disposition of Partnership Securities, or the issuance of additional options, rights, warrants and appreciation rights relating to Partnership Securities; and

(xiv) the undertaking of any action in connection with the Partnership's participation in the Operating Partnership as a partner.

(b) Notwithstanding any other provision of this Agreement, the Operating Partnership Agreement, the Delaware Act or any applicable law, rule or regulation, each of the Partners and the Assignees and each other Person who may acquire an interest in Partnership Securities hereby (i) approves, ratifies and confirms the execution, delivery and performance by the parties thereto of the Operating Partnership Agreement, the Underwriting Agreement, the Omnibus Agreement, the Contribution Agreement, and the other agreements described in or filed as exhibits to the Registration Statement that are related to the transactions contemplated by the Registration Statement; (ii) agrees that the General Partner (on its own or through any officer of the Partnership) is authorized to execute, deliver and perform the agreements referred to in clause (i) of this sentence and the other agreements, acts, transactions and matters described in or contemplated by the Registration Statement on behalf of the Partnership without any further act, approval or vote of the Partners or the Assignees or the other Persons who may acquire an interest in Partnership Securities; and (iii) agrees that the execution, delivery or performance by the General Partner, any Group Member or any Affiliate of any of them, of this Agreement or any agreement authorized or permitted under this Agreement (including the exercise by the General Partner or any Affiliate of the General Partner of the rights accorded pursuant to Article XV), shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement (or any other agreements) or of any duty stated or implied by law or equity.

SECTION 7.2 CERTIFICATE OF LIMITED PARTNERSHIP.

The General Partner has caused the Certificate of Limited Partnership and the Certificate of Amendment to the Certificate of Limited Partnership to be filed with the Secretary of State of the State of Delaware as required by the Delaware Act and shall use all reasonable efforts to cause to be filed such other certificates or documents as may be determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware or any other state in which the Partnership may elect to do business or own property. To the extent that such action is determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate of Limited Partnership and do all things to maintain the Partnership as a limited partnership (or a partnership or other entity in which the limited partners have limited liability) under the laws of the State of Delaware or of any other state in which the Partnership may elect to do business or own property. Subject to the terms of Section 3.4(a), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership, any qualification document or any amendment thereto to any Limited Partner.

SECTION 7.3 RESTRICTIONS ON GENERAL PARTNER'S AUTHORITY.

(a) The General Partner may not, without written approval of the specific act by holders of all of the Outstanding Limited Partner Interests or by other written instrument executed and delivered by holders of all of the Outstanding Limited Partner Interests subsequent to the date of this Agreement, take any action in contravention of this Agreement, including, except as otherwise provided in this Agreement, (i) committing any act that would make it impossible to carry on the ordinary business of the Partnership; (ii) possessing Partnership property, or assigning any rights in specific Partnership property, for other than a Partnership purpose; (iii) admitting a Person as a Partner; (iv) amending this Agreement in any manner; or (v) transferring its interest as general partner of the Partnership.

(b) Except as provided in Articles XII and XIV, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions (including by way of merger, consolidation or other combination) or approve on behalf of the Partnership the sale, exchange or other disposition of all or substantially all of the assets of the Operating Partnership, taken as a whole, without the approval of holders of a Unit Majority; provided however that this provision shall not preclude or limit the General Partner's ability to

mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Partnership or the Operating Partnership and shall not apply to any forced sale of any or all of the assets of the Partnership or the Operating Partnership pursuant to the foreclosure of, or other realization upon, any such encumbrance. Without the approval of holders of a Unit Majority, the General Partner

shall not, on behalf of the Partnership, (i) consent to any amendment to the Operating Partnership Agreement or, except as expressly permitted by Section 7.9(d), take any action permitted to be taken by a partner of the Operating Partnership, in either case, that would have a material adverse effect on the Partnership as a partner of the Operating Partnership or the holders of Common Units (other than the General Partner and its Affiliates) or (ii) except as permitted under Sections 4.6, 11.1 and 11.2, elect or cause the Partnership to elect a successor general partner of the Partnership or the Operating Partnership.

SECTION 7.4 REIMBURSEMENT OF THE GENERAL PARTNER.

(a) Except as provided in this Section 7.4 and elsewhere in this Agreement or in the Operating Partnership Agreement, the General Partner shall not be compensated for its services as general partner of any Group Member.

(b) Subject to the provisions of the Services Agreement, the General Partner shall be reimbursed on a monthly basis, or such other reasonable basis as the General Partner may determine in its sole discretion, for (i) all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership (including salary, bonus, incentive compensation and other amounts paid to any Person including Affiliates of the General Partner to perform services for the Partnership or for the General Partner in the discharge of its duties to the Partnership), and (ii) all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by the General Partner in connection with operating the Partnership's business (including expenses allocated to the General Partner by its Affiliates). The General Partner shall determine the expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Reimbursements pursuant to this Section 7.4 shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 7.7.

(c) Subject to Section 5.7, the General Partner, in its sole discretion and without the approval of the Limited Partners (who shall have no right to vote in respect thereof), may propose and adopt on behalf of the Partnership employee benefit plans, employee programs and employee practices (including plans, programs and practices involving the issuance of Partnership Securities or options to purchase Partnership Securities), or cause the Partnership to issue Partnership Securities in connection with, or pursuant to, any employee benefit plan, employee program or employee practice maintained or sponsored by the General Partner or any of its Affiliates, in each case for the benefit of employees of the General Partner, any Group Member or any Affiliate, or any of them, in respect of services performed, directly or indirectly, for the benefit of the Partnership Group. The Partnership agrees to issue and sell to the General Partner or any of its Affiliates any Partnership Securities that the General Partner or such Affiliate is obligated to provide to any employees pursuant to any such employee benefit plans, employee programs or employee practices. Expenses incurred by the General Partner in connection with any such plans, programs and practices (including the net cost to the General Partner or such Affiliate of Partnership Securities purchased by the General Partner or such Affiliate

from the Partnership to fulfill options or awards under such plans, programs and practices) shall be reimbursed in accordance with Section 7.4(b). Any and all obligations of the General Partner under any employee benefit plans, employee programs or employee practices adopted by the General Partner as permitted by this Section 7.4(c) shall constitute obligations of the General Partner hereunder and shall be assumed by any successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's General Partner Interest pursuant to Section 4.6.

SECTION 7.5 OUTSIDE ACTIVITIES.

(a) After the Closing Date, the General Partner, for so long as it is the General Partner of the Partnership (i) agrees that its sole business will be to act as the general partner of the Partnership, the Operating Partnership, and any other partnership or limited liability company of which the Partnership or the Operating Partnership is, directly or indirectly, a partner and to undertake activities that are ancillary or related thereto (including being a limited partner in the Partnership), (ii) shall not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to (A) its performance as general partner of one or more Group

Members or as described in or contemplated by the Registration Statement or (B) the acquiring, owning or disposing of debt or equity securities in any Group Member and (iii) except to the extent permitted in the Omnibus Agreement, shall not, and shall cause its Affiliates not to, engage in any Restricted Business.

(b) UDS has entered into the Omnibus Agreement with the Partnership and the Operating Partnership, which agreement sets forth certain restrictions on the ability of UDS and its Affiliates to engage in Restricted Businesses.

(c) Except as specifically restricted by Section 7.5(a) and the Omnibus Agreement, each Indemnitee (other than the General Partner) shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by any Group Member, independently or with others, including business interests and activities in direct competition with the business and activities of any Group Member, and none of the same shall constitute a breach of this Agreement or any duty express or implied by law to any Group Member or any Partner or Assignee. Neither any Group Member, any Limited Partner nor any other Person shall have any rights by virtue of this Agreement, the Operating Partnership Agreement or the partnership relationship established hereby or thereby in any business ventures of any Indemnitee.

(d) Subject to the terms of Section 7.5(a), Section 7.5(b), Section 7.5(c) and the Omnibus Agreement, but otherwise notwithstanding anything to the contrary in this Agreement, (i) the engaging in competitive activities by any Indemnitees (other than the General Partner) in accordance with the provisions of this Section 7.5 is hereby approved by the Partnership and all Partners, (ii) it shall be deemed not to be a breach of the General Partner's fiduciary duty or any other obligation of any

type whatsoever of the General Partner for the Indemnitees (other than the General Partner) to engage in such business interests and activities in preference to or to the exclusion of the Partnership and (iii) except as set forth in the Omnibus Agreement, the General Partner and the Indemnitees shall have no obligation to present business opportunities to the Partnership.

(e) The General Partner and any of its Affiliates may acquire Units or other Partnership Securities in addition to those acquired on the Closing Date and, except as otherwise provided in this Agreement, shall be entitled to exercise all rights of the General Partner or Limited Partner, as applicable, relating to such Units or Partnership Securities.

(f) The term "AFFILIATES" when used in Section 7.5(a) and Section 7.5(e) with respect to the General Partner shall not include any Group Member or any Subsidiary of the Group Member.

(g) Anything in this Agreement to the contrary notwithstanding, to the extent that provisions of Sections 7.7, 7.8, 7.9, 7.10 or other Sections of this Agreement purport or are interpreted to have the effect of restricting the fiduciary duties that might otherwise, as a result of Delaware or other applicable law, be owed by the General Partner to the Partnership and its Limited Partners, or to constitute a waiver or consent by the Limited Partners to any such restriction, such provisions shall be inapplicable and have no effect in determining whether the General Partner has complied with its fiduciary duties in connection with determinations made by it under this Section 7.5.

SECTION 7.6 LOANS FROM THE GENERAL PARTNER; LOANS OR CONTRIBUTIONS FROM THE PARTNERSHIP; CONTRACTS WITH AFFILIATES; CERTAIN RESTRICTIONS ON THE GENERAL PARTNER.

(a) The General Partner or its Affiliates may lend to any Group Member, and any Group Member may borrow from the General Partner or any of its Affiliates, funds needed or desired by the Group Member for such periods of time and in such amounts as the General Partner may determine; provided, however, that in any such case the lending party may not charge the borrowing party interest at a rate greater than the rate that would be charged the borrowing party or impose terms less favorable to the borrowing party than would be charged or imposed on the borrowing party by unrelated lenders on comparable loans made on an arm's-length basis (without reference to the lending party's financial abilities or guarantees). The borrowing party shall reimburse the lending party for any costs (other than any additional interest costs) incurred by the lending party in connection with the borrowing of such funds. For purposes of this Section 7.6(a) and Section 7.6(b), the term "GROUP MEMBER" shall include any Affiliate of a Group Member that is controlled by the Group Member. No Group Member may lend funds to the General Partner or any of its Affiliates (other than another Group Member).

(b) The Partnership may lend or contribute to any Group Member, and any Group Member may borrow from the Partnership, funds on terms and conditions established in the sole

discretion of the General Partner; provided, however, that the Partnership may not charge the Group Member interest at a rate less than the rate that would be charged to the Group Member (without reference to the General Partner's financial abilities or guarantees) by unrelated lenders on comparable loans. The foregoing authority shall be exercised by the General Partner in its sole discretion and shall not create any right or benefit in favor of any Group Member or any other Person.

(c) The General Partner may itself, or may enter into an agreement with any of its Affiliates to, render services to a Group Member or to the General Partner in the discharge of its duties as general partner of the Partnership. Any services rendered to a Group Member by the General Partner or any of its Affiliates shall be on terms that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(c) shall be deemed satisfied as to (i) any transaction approved by Special Approval, (ii) any transaction, the terms of which are no less favorable to the Partnership Group than those generally being provided to or available from unrelated third parties or (iii) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership Group), is equitable to the Partnership Group. The provisions of Section 7.4 shall apply to the rendering of services described in this Section 7.6(c).

(d) The Partnership Group may transfer assets to joint ventures, other partnerships, corporations, limited liability companies or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions as are consistent with this Agreement and applicable law.

(e) Neither the General Partner nor any of its Affiliates shall sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, except pursuant to transactions that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(e) shall be deemed to be satisfied as to (i) the transactions effected pursuant to Sections 5.2 and 5.3, the Contribution Agreement and any other transactions described in or contemplated by the Registration Statement, (ii) any transaction approved by Special Approval, (iii) any transaction, the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties, or (iv) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership), is equitable to the Partnership. With respect to any contribution of assets to the Partnership in exchange for Partnership Securities, the Conflicts Committee, in determining whether the appropriate number of Partnership Securities are being issued, may take into account, among other things, the fair market value of the assets, the liquidated and contingent liabilities assumed, the tax basis in the assets, the extent to which tax-only allocations to the transferor will protect the existing partners of the Partnership against a low tax basis, and such other factors as the Conflicts Committee deems relevant under the circumstances.

(f) The General Partner and its Affiliates will have no obligation to permit any Group Member to use any facilities or assets of the General Partner and its Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such use, nor shall there be any obligation on the part of the General Partner or its Affiliates to enter into such contracts.

(g) Without limitation of Sections 7.6(a) through 7.6(f), and notwithstanding anything to the contrary in this Agreement, the existence of the conflicts of interest described in the Registration Statement are hereby approved by all Partners.

SECTION 7.7 INDEMNIFICATION.

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the Partnership from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee; provided, that in each case the Indemnitee acted in good faith and in a manner that such Indemnitee reasonably believed to be in, or (in the case of a Person other than the General Partner) not opposed to, the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was

unlawful; provided, further, no indemnification pursuant to this Section 7.7 shall be available to the General Partner with respect to its obligations incurred pursuant to the Underwriting Agreement or the Contribution Agreement (other than obligations incurred by the General Partner on behalf of the Partnership or the Operating Partnership). The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Indemnitee acted in a manner contrary to that specified above. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, it being agreed that the General Partner shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate such indemnification.

(b) To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 7.7(a) in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of any undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 7.7.

(c) The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the

holders of Outstanding Limited Partner Interests, as a matter of law or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity (including any capacity under the Underwriting Agreement), and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

(d) The Partnership may purchase and maintain (or reimburse the General Partner or its Affiliates for the cost of) insurance, on behalf of the General Partner, its Affiliates and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expense that may be incurred by such Person in connection with the Partnership's activities or such Person's activities on behalf of the Partnership, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 7.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "FINES" within the meaning of Section 7.7(a); and action taken or omitted by it with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is in, or not opposed to, the best interests of the Partnership.

(f) In no event may an Indemnitee subject the Limited Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 7.7 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Partnership, nor the obligations of the Partnership to indemnify any such Indemnitee under and in accordance with the provisions of this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

SECTION 7.8 LIABILITY OF INDEMNITEES.

(a) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnitee shall be liable for monetary damages to the Partnership, the Limited Partners, the Assignees or any other Persons who have acquired interests in the Partnership Securities, for losses sustained or liabilities incurred as a result of any act or omission if such Indemnitee acted in good faith.

(b) Subject to its obligations and duties as General Partner set forth in Section 7.1(a), the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

(c) To the extent that, at law or in equity, an Indemnitee has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to the Partners, the General Partner and any other Indemnitee acting in connection with the Partnership's business or affairs shall not be liable to the Partnership or to any Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or otherwise modify the duties and liabilities of an Indemnitee otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such Indemnitee.

(d) Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability to the Partnership, the Limited Partners, the General Partner, and the Partnership's and General Partner's directors, officers and employees under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

SECTION 7.9 RESOLUTION OF CONFLICTS OF INTEREST.

(a) Unless otherwise expressly provided in this Agreement or the Operating Partnership Agreement, whenever a potential conflict of interest exists or arises between the General Partner or any of its Affiliates, on the one hand, and the Partnership, the Operating Partnership, any Partner or any Assignee, on the other, any resolution or course of action by the General Partner or its Affiliates in respect of such conflict of interest shall be permitted and deemed approved by all Partners, and shall not constitute a breach of this Agreement, of the Operating Partnership Agreement, of any agreement contemplated herein or therein, or of any duty stated or implied by law or equity, if the resolution or course of action is, or by operation of this Agreement is deemed to be, fair and reasonable to the Partnership. The General Partner shall be authorized but not required in connection with its

resolution of such conflict of interest to seek Special Approval of such resolution. Any conflict of interest and any resolution of such conflict of interest shall be conclusively deemed fair and reasonable to the Partnership if such conflict of interest or resolution is (i) approved by Special Approval, (ii) on terms no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or (iii) fair to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership). The General Partner may also adopt a resolution or course of action that has not received Special Approval. The General Partner (including the Conflicts Committee in connection with Special Approval) shall be authorized in connection with its determination of what is "fair and reasonable" to the Partnership and in connection with its resolution of any conflict of interest to consider (A) the relative interests of any party to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interest; (B) any customary or accepted industry practices and any customary or historical dealings with a particular Person; (C) any applicable generally accepted accounting practices or principles; and (D) such additional factors as the General Partner (including the Conflicts Committee) determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances. Nothing contained in this Agreement, however, is intended to nor shall it be construed to require the General Partner (including the Conflicts Committee) to consider the interests of any Person other than the Partnership. In the absence of bad faith by the General Partner, the resolution, action or terms so made, taken or provided by the General Partner with respect to such matter shall not constitute a breach of this Agreement or any other agreement contemplated herein or a breach of any standard of care or duty imposed herein or therein or, to the extent permitted by law, under the Delaware Act or any other law, rule or regulation.

(b) Whenever this Agreement or any other agreement contemplated hereby provides that the General Partner or any of its Affiliates is permitted or required to make a decision (i) in its "sole discretion" or "discretion," that it deems "necessary or appropriate" or "necessary or advisable" or under a grant of similar authority or latitude, except as otherwise provided herein, the

General Partner or such Affiliate shall be entitled to consider only such interests and factors as it desires and shall have no duty or obligation to give any consideration to any interest of, or factors affecting, the Partnership, the Operating Partnership, any Limited Partner or any Assignee, (ii) it may make such decision in its sole discretion (regardless of whether there is a reference to "sole discretion" or "discretion") unless another express standard is provided for, or (iii) in "good faith" or under another express standard, the General Partner or such Affiliate shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement, the Operating Partnership Agreement, any other agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation. In addition, any actions taken by the General Partner or such Affiliate consistent with the standards of "reasonable discretion" set forth in the definitions of Available Cash or Operating Surplus shall not constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners. The General Partner shall have no duty, express or implied, to sell or otherwise dispose of any asset of the Partnership Group other than in the ordinary course of business. No borrowing by any Group Member or the approval thereof by the General Partner shall be deemed to

constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners by reason of the fact that the purpose or effect of such borrowing is directly or indirectly to (A) enable distributions to the General Partner or its Affiliates (including in their capacities as Limited Partners) to exceed 1% of the total amount distributed to all partners or (B) hasten the expiration of the Subordination Period or the conversion of any Subordinated Units into Common Units.

(c) Whenever a particular transaction, arrangement or resolution of a conflict of interest is required under this Agreement to be "fair and reasonable" to any Person, the fair and reasonable nature of such transaction, arrangement or resolution shall be considered in the context of all similar or related transactions.

(d) The Unitholders hereby authorize the General Partner, on behalf of the Partnership as a partner of a Group Member, to approve of actions by the general partner of such Group Member similar to those actions permitted to be taken by the General Partner pursuant to this Section 7.9.

SECTION 7.10 OTHER MATTERS CONCERNING THE GENERAL PARTNER.

(a) The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion (including an Opinion of Counsel) of such Persons as to matters that the General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

(c) The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers, a duly appointed attorney or attorneys-in-fact or the duly authorized officers of the Partnership.

(d) Any standard of care and duty imposed by this Agreement or under the Delaware Act or any applicable law, rule or regulation shall be modified, waived or limited, to the extent permitted by law, as required to permit the General Partner to act under this Agreement or any other agreement contemplated by this Agreement and to make any decision pursuant to the authority prescribed in this Agreement, so long as such action is reasonably believed by the General Partner to be in, or not inconsistent with, the best interests of the Partnership.

SECTION 7.11 PURCHASE OR SALE OF PARTNERSHIP SECURITIES.

The General Partner may cause the Partnership to purchase or otherwise acquire Partnership Securities; provided that, except as permitted pursuant to Section 4.10, the General Partner may not cause any Group Member to purchase Subordinated Units during the Subordination Period. As long as Partnership Securities are held by any Group Member, such Partnership Securities shall not be considered Outstanding for any purpose, except as otherwise provided herein. The General Partner or any Affiliate of the General Partner may also purchase or otherwise acquire and sell or otherwise dispose of Partnership Securities for its own account, subject to the provisions of Articles IV and X.

SECTION 7.12 REGISTRATION RIGHTS OF THE GENERAL PARTNER AND ITS AFFILIATES.

(a) If (i) the General Partner or any Affiliate of the General Partner (including for purposes of this Section 7.12, any Person that is an Affiliate of the General Partner at the date hereof notwithstanding that it may later cease to be an Affiliate of the General Partner) holds Partnership Securities that it desires to sell and (ii) Rule 144 of the Securities Act (or any successor rule or regulation to Rule 144) or another exemption from registration is not available to enable such holder of Partnership Securities (the "HOLDER") to dispose of the number of Partnership Securities it desires to sell at the time it desires to do so without registration under the Securities Act, then upon the request of the General Partner or any of its Affiliates, the Partnership shall file with the Commission as promptly as practicable after receiving such request, and use all reasonable efforts to cause to become effective and remain effective for a period of not less than six months following its effective date or such shorter period as shall terminate when all Partnership Securities covered by such registration statement have been sold, a registration statement under the Securities Act registering the offering and sale of the number of Partnership Securities specified by the Holder; provided, however, that the Partnership shall not be required to effect more than three registrations pursuant to this Section 7.12(a); and provided further, however, that if the Conflicts Committee determines in its good faith judgment that a postponement of the requested registration for up to six months would be in the best interests of the Partnership and its Partners due to a pending transaction, investigation or other event, the filing of such registration statement or the effectiveness thereof may be deferred for up to six months, but not thereafter. In connection with any registration pursuant to the immediately preceding sentence, the Partnership shall promptly prepare and file (x) such documents as may be necessary to register or qualify the securities subject to such registration under the securities laws of such states as the Holder shall reasonably request; provided, however, that no such qualification shall be required in any jurisdiction where, as a result thereof, the Partnership would become subject to general service of process or to taxation or qualification to do business as a foreign corporation or partnership doing business in such jurisdiction solely as a result of such registration, and (y) such documents as may be necessary to apply for listing or to list the Partnership Securities subject to such registration on such National Securities Exchange as the Holder shall reasonably request, and do any and all other acts and things that may reasonably be necessary or advisable to enable the Holder to consummate a public sale of such Partnership Securities in such states. Except as set forth in Section 7.12(c), all costs and

expenses of any such registration and offering (other than the underwriting discounts and commissions) shall be paid by the Partnership, without reimbursement by the Holder.

(b) If the Partnership shall at any time propose to file a registration statement under the Securities Act for an offering of equity securities of the Partnership for cash (other than an offering relating solely to an employee benefit plan), the Partnership shall use all reasonable efforts to include such number or amount of securities held by the Holder in such registration statement as the Holder shall request. If the proposed offering pursuant to this Section 7.12(b) shall be an underwritten offering, then, in the event that the managing underwriter or managing underwriters of such offering advise the Partnership and the Holder in writing that in their opinion the inclusion of all or some of the Holder's Partnership Securities would adversely and materially affect the success of the offering, the Partnership shall include in such offering only that number or amount, if any, of securities held by the Holder which, in the opinion of the managing underwriter or managing underwriters, will not so adversely and materially affect the offering. Except as set forth in Section 7.12(c), all costs and expenses of any such registration and offering (other than the underwriting discounts and commissions) shall be paid by the Partnership, without reimbursement by the Holder.

(c) If underwriters are engaged in connection with any registration referred to in this Section 7.12, the Partnership shall provide indemnification, representations, covenants, opinions and other assurance to the underwriters in form and substance reasonably satisfactory to such underwriters. Further, in addition to and not in limitation of the Partnership's obligation under Section 7.7, the Partnership shall, to the fullest extent permitted by law, indemnify and hold harmless the Holder, its officers, directors and each Person who controls the Holder (within the meaning of the Securities Act) and any agent thereof (collectively, "INDEMNIFIED PERSONS") against any losses, claims, demands, actions, causes of action, assessments, damages, liabilities (joint or several), costs and expenses (including interest, penalties and reasonable attorneys' fees and disbursements), resulting to, imposed upon, or incurred by the Indemnified Persons, directly or indirectly, under the Securities Act or otherwise (hereinafter referred to in this Section 7.12(c) as a "CLAIM" and in the plural as "CLAIMS") based upon, arising out of or resulting from any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which any Partnership Securities were registered under the Securities Act or any state securities or Blue Sky

laws, in any preliminary prospectus (if used prior to the effective date of such registration statement), or in any summary or final prospectus or in any amendment or supplement thereto (if used during the period the Partnership is required to keep the registration statement current), or arising out of, based upon or resulting from the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements made therein not misleading; provided, however, that the Partnership shall not be liable to any Indemnified Person to the extent that any such claim arises out of, is based upon or results from an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, such preliminary, summary or final prospectus or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Partnership by or on behalf of such Indemnified Person specifically for use in the preparation thereof.

(d) The provisions of Section 7.12(a) and 7.12(b) shall continue to be applicable with respect to the General Partner (and any of the General Partner's Affiliates) after it ceases to be a Partner of the Partnership, during a period of two years subsequent to the effective date of such cessation and for so long thereafter as is required for the Holder to sell all of the Partnership Securities with respect to which it has requested during such two-year period inclusion in a registration statement otherwise filed or that a registration statement be filed; provided, however, that the Partnership shall not be required to file successive registration statements covering the same Partnership Securities for which registration was demanded during such two-year period. The provisions of Section 7.12(c) shall continue in effect thereafter.

(e) Any request to register Partnership Securities pursuant to this Section 7.12 shall (i) specify the Partnership Securities intended to be offered and sold by the Person making the request, (ii) express such Person's present intent to offer such shares for distribution, (iii) describe the nature or method of the proposed offer and sale of Partnership Securities, and (iv) contain the undertaking of such Person to provide all such information and materials and take all action as may be required in order to permit the Partnership to comply with all applicable requirements in connection with the registration of such Partnership Securities.

SECTION 7.13 RELIANCE BY THIRD PARTIES.

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner and any officer of Shamrock GP authorized by Shamrock GP to act on behalf of and in the name of the Partnership has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any authorized contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner or any such officer as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner or any such officer in connection with any such dealing. In no event shall any Person dealing with the General Partner or any such officer or its representatives be obligated to ascertain that the terms of the Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or any such officer or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (b) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (c) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

ARTICLE VIII
BOOKS, RECORDS, ACCOUNTING AND REPORTS

SECTION 8.1 RECORDS AND ACCOUNTING.

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including all books and records necessary to provide to the Limited Partners any information required to be provided pursuant to Section 3.4(a). Any books and records maintained by or on behalf of the Partnership in the regular course of its business, including the record of the Record Holders and Assignees of Units or other Partnership Securities, books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard drives, punch cards, magnetic tape, photographs, micrographics or any other information storage device; provided, that the books

and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP.

SECTION 8.2 FISCAL YEAR.

The fiscal year of the Partnership shall be a fiscal year ending December 31.

SECTION 8.3 REPORTS.

(a) As soon as practicable, but in no event later than 120 days after the close of each fiscal year of the Partnership, the General Partner shall cause to be mailed or furnished to each Record Holder of a Unit as of a date selected by the General Partner in its discretion, an annual report containing financial statements of the Partnership for such fiscal year of the Partnership, presented in accordance with U.S. GAAP, including a balance sheet and statements of operations, Partnership equity and cash flows, such statements to be audited by a firm of independent public accountants selected by the General Partner.

(b) As soon as practicable, but in no event later than 90 days after the close of each Quarter except the last Quarter of each fiscal year, the General Partner shall cause to be mailed or furnished to each Record Holder of a Unit, as of a date selected by the General Partner in its discretion, a report containing unaudited financial statements of the Partnership and such other information as may be required by applicable law, regulation or rule of any National Securities Exchange on which the Units are listed for trading, or as the General Partner determines to be necessary or appropriate.

ARTICLE IX
TAX MATTERS

SECTION 9.1 TAX RETURNS AND INFORMATION.

The Partnership shall timely file all returns of the Partnership that are required for federal, state and local income tax purposes on the basis of the accrual method and a taxable year ending on December 31. The tax information reasonably required by Record Holders for federal and state income tax reporting purposes with respect to a taxable year shall be furnished to them within 90 days of the close of the calendar year in which the Partnership's taxable year ends. The classification, realization and recognition of income, gain, losses and deductions and other items shall be on the accrual method of accounting for federal income tax purposes.

SECTION 9.2 TAX ELECTIONS.

(a) The Partnership shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder, subject to the reservation of the right to seek to revoke any such election upon the General Partner's determination that such revocation is in the best interests of the Limited Partners. Notwithstanding any other provision herein contained, for the purposes of computing the adjustments under Section 743(b) of the Code, the General Partner shall be authorized (but not required) to adopt a convention whereby the price paid by a transferee of a Limited Partner Interest will be deemed to be the lowest quoted closing price of the Limited Partner Interests on any National Securities Exchange on which such Limited Partner Interests are traded during the calendar month in which such transfer is deemed to occur pursuant to Section 6.2(g) without regard to the actual price paid by such transferee.

(b) The Partnership shall elect to deduct expenses incurred in organizing the Partnership ratably over a sixty-month period as provided in Section 709 of the Code.

(c) Except as otherwise provided herein, the General Partner shall determine whether the Partnership should make any other elections permitted by the Code.

SECTION 9.3 TAX CONTROVERSIES.

Subject to the provisions hereof, the General Partner is designated as the Tax Matters Partner (as defined in the Code) and is authorized and required to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. Each Partner agrees to cooperate with the General Partner and to do or refrain from doing any or all things reasonably required by the General Partner to conduct such proceedings.

SECTION 9.4 WITHHOLDING.

Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines in its discretion to be necessary or appropriate to cause the Partnership and the Operating Partnership to comply with any withholding requirements established under the Code or any other federal, state or local law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required or elects to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner or Assignee (including, without limitation, by reason of Section 1446 of the Code), the amount withheld may at the discretion of the General Partner be treated by the Partnership as a distribution of cash pursuant to Section 6.3 in the amount of such withholding from such Partner.

ARTICLE X
ADMISSION OF PARTNERS

SECTION 10.1 ADMISSION OF INITIAL LIMITED PARTNERS.

Upon the issuance by the Partnership of Common Units, Subordinated Units and Incentive Distribution Rights to UDS Logistics and the General Partner as described in Section 5.2, each of UDS Logistics and the General Partner shall be deemed to have been admitted to the Partnership as a Limited Partner in respect of the Common Units, Subordinated Units and Incentive Distribution Rights issued to it. Upon the issuance by the Partnership of Common Units to the Underwriters as described in Section 5.3 in connection with the Initial Offering and the execution by each Underwriter of a Transfer Application, the General Partner shall admit the Underwriters to the Partnership as Initial Limited Partners in respect of the Common Units purchased by them.

SECTION 10.2 ADMISSION OF SUBSTITUTED LIMITED PARTNER.

By transfer of a Limited Partner Interest in accordance with Article IV, the transferor shall be deemed to have given the transferee the right to seek admission as a Substituted Limited Partner subject to the conditions of, and in the manner permitted under, this Agreement. A transferor of a Certificate representing a Limited Partner Interest shall, however, only have the authority to convey to a purchaser or other transferee who does not execute and deliver a Transfer Application (a) the right to negotiate such Certificate to a purchaser or other transferee and (b) the right to transfer the right to request admission as a Substituted Limited Partner to such purchaser or other transferee in respect of the transferred Limited Partner Interests. Each transferee of a Limited Partner Interest (including any nominee holder or an agent acquiring such Limited Partner Interest for the account of another Person) who executes and delivers a Transfer Application shall, by virtue of such execution and delivery, be an Assignee and be deemed to have applied to become a Substituted Limited Partner with respect to the Limited Partner Interests so transferred to such Person. Such Assignee shall become a Substituted

Limited Partner (x) at such time as the General Partner consents thereto, which consent may be given or withheld in the General Partner's discretion, and (y) when any such admission is shown on the books and records of the Partnership. If such consent is withheld, such transferee shall be an Assignee. An Assignee shall have an interest in the Partnership equivalent to that of a Limited Partner with respect to allocations and distributions, including liquidating distributions, of the Partnership. With respect to voting rights attributable to Limited Partner Interests that are held by Assignees, the General Partner shall be deemed to be the Limited Partner with respect thereto and shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, vote such Limited Partner Interests at the written direction of the Assignee who is the Record Holder of such Limited Partner Interests. If no such written direction is received, such Limited Partner Interests will not be voted. An Assignee shall have no other rights of a Limited Partner.

SECTION 10.3 ADMISSION OF SUCCESSOR GENERAL PARTNER.

A successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner Interest pursuant to Section 4.6 who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective immediately prior to the withdrawal or removal of the predecessor or transferring General Partner pursuant to Section 11.1 or 11.2 or the transfer of the General Partner Interest pursuant to Section 4.6, provided, however, that no such successor shall be admitted to the Partnership until compliance with the terms of Section 4.6 has occurred and such successor has executed and delivered such other documents or instruments as may be required to effect such admission. Any such successor shall, subject to the terms hereof, carry on the business of the members of the Partnership Group without dissolution.

SECTION 10.4 ADMISSION OF ADDITIONAL LIMITED PARTNERS.

(a) A Person (other than the General Partner, an Initial Limited Partner or a Substituted Limited Partner) who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including the power of attorney granted in Section 2.6, and (ii) such other documents or instruments as may be required in the discretion of the General Partner to effect such Person's admission as an Additional Limited Partner.

(b) Notwithstanding anything to the contrary in this Section 10.4, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded as such in the books and records of the Partnership, following the consent of the General Partner to such admission.

SECTION 10.5 AMENDMENT OF AGREEMENT AND CERTIFICATE OF LIMITED PARTNERSHIP.

To effect the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Delaware Act to amend the records of the Partnership to reflect such admission and, if necessary, to prepare as soon as practicable an amendment to this Agreement and, if required by law, the General Partner shall prepare and file an amendment to the Certificate of Limited Partnership, and the General Partner may for this purpose, among others, exercise the power of attorney granted pursuant to Section 2.6.

ARTICLE XI
WITHDRAWAL OR REMOVAL OF PARTNERS

SECTION 11.1 WITHDRAWAL OF THE GENERAL PARTNER.

(a) The General Partner shall be deemed to have withdrawn from the Partnership upon the occurrence of any one of the following events (each such event herein referred to as an "EVENT OF WITHDRAWAL"):

(i) The General Partner voluntarily withdraws from the Partnership by giving written notice to the other Partners (and it shall be deemed that the General Partner has withdrawn pursuant to this Section 11.1(a)(i) if the General Partner voluntarily withdraws as general partner of the Operating Partnership);

(ii) The General Partner transfers all of its rights as General Partner pursuant to Section 4.6;

(iii) The General Partner is removed pursuant to Section 11.2;

(iv) The General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition for relief under Chapter 7 of the United States Bankruptcy Code; (C) files a petition or answer seeking for itself a liquidation, dissolution or similar relief (but not a reorganization) under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A)-(C) of this Section 11.1(a)(iv); or (E) seeks, consents to or acquiesces in the appointment of a trustee (but not a debtor-in-possession), receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(v) A final and non-appealable order of relief under Chapter 7 of the United States Bankruptcy Code is entered by a court with appropriate jurisdiction pursuant to a voluntary or involuntary petition by or against the General Partner; or

(vi) (A) in the event the General Partner is a corporation, a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation; (B) in the event the General Partner is a partnership or a limited liability company, the dissolution and commencement of winding up of the General Partner; (C) in the event the General Partner is acting in such capacity by virtue of being a trustee of a trust, the termination of the trust; (D) in the event the General Partner is a natural person, his death or adjudication of incompetency; and (E) otherwise in the event of the termination of the General Partner.

If an Event of Withdrawal specified in Section 11.1(a)(iv), (v) or (vi)(A),

(B), (C) or (E) occurs, the withdrawing General Partner shall give notice to the Limited Partners within 30 days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 11.1 shall result in the withdrawal of the General Partner from the Partnership.

(b) Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall not constitute a breach of this Agreement under the following circumstances: (i) at any time during the period beginning on the Closing Date and ending at 12:00 midnight, Eastern Standard Time, on March 31, 2011, the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners; provided that prior to the effective date of such withdrawal, the withdrawal is approved by Unitholders holding at least a majority of the Outstanding Common Units (excluding Common Units held by the General Partner and its Affiliates) and the General Partner delivers to the Partnership an Opinion of Counsel ("WITHDRAWAL OPINION OF COUNSEL") that such withdrawal (following the selection of the successor General Partner) would not result in the loss of the limited liability of any Limited Partner or of a limited partner of the Operating Partnership or cause the Partnership or the Operating Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such); (ii) at any time after 12:00 midnight, Eastern Standard Time, on March 31, 2011, the General Partner voluntarily withdraws by giving at least 90 days' advance notice to the Unitholders, such withdrawal to take effect on the date specified in such notice; (iii) at any time that the General Partner ceases to be the General Partner pursuant to Section 11.1(a)(ii) or is removed pursuant to Section 11.2; or (iv) notwithstanding clause (i) of this sentence, at any time that the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners, such withdrawal to take effect on the date specified in the notice, if at the time such notice is given one Person and its Affiliates (other than the General Partner and its Affiliates) own beneficially or of record or control at least 50% of the Outstanding Units. The withdrawal of the General Partner from the Partnership upon the occurrence of

an Event of Withdrawal shall also constitute the withdrawal of the General Partner as general partner of the other Group Members. If the General Partner gives a notice of withdrawal pursuant to Section 11.1(a)(i), the holders of a Unit Majority, may, prior to the effective date of such withdrawal, elect a successor General Partner. The Person so elected as successor General Partner shall automatically become the successor general partner of the other Group Members of which the General Partner is a general partner. If, prior to the effective date of the General Partner's withdrawal, a successor is not selected by the Unitholders as provided herein or the Partnership does not receive a Withdrawal Opinion of Counsel, the Partnership shall be dissolved in accordance with Section 12.1. Any successor General Partner elected in accordance with the terms of this Section 11.1 shall be subject to the provisions of Section 10.3.

SECTION 11.2 REMOVAL OF THE GENERAL PARTNER.

The General Partner may be removed if such removal is approved by the Unitholders holding at least 662/3% of the Outstanding Units (including Units held by the General Partner and its Affiliates). Any such action by such holders for removal of the General Partner must also provide for the election of a successor General Partner by the Unitholders holding a Unit Majority (including Units held by the General Partner and its Affiliates). Such removal shall be effective immediately following the admission of a successor General Partner pursuant to Section 10.3. The removal of the General Partner shall also automatically constitute the removal of the General Partner as general partner of the other Group Members of which the General Partner is a general partner. If a Person is elected as a successor General Partner in accordance with the terms of this Section 11.2, such Person shall, upon admission pursuant to Section 10.3, automatically become a successor general partner of the other Group Members of which the General Partner is a general partner. The right of the holders of Outstanding Units to remove the General Partner shall not exist or be exercised unless the Partnership has received an opinion opining as to the matters covered by a Withdrawal Opinion of Counsel. Any successor General Partner elected in accordance with the terms of this Section 11.2 shall be subject to the provisions of Section 10.3.

SECTION 11.3 INTEREST OF DEPARTING PARTNER AND SUCCESSOR GENERAL PARTNER.

(a) In the event of (i) withdrawal of the General Partner under circumstances where such withdrawal does not violate this Agreement or (ii) removal of the General Partner by the holders of Outstanding Units under circumstances where Cause does not exist, if a successor General Partner is elected in accordance with the terms of Section 11.1 or 11.2, the Departing Partner shall have the option exercisable prior to the effective date of the departure of such Departing Partner to require its successor to purchase its General Partner Interest and its general partner interest (or equivalent interest) in the other Group Members and all of its Incentive Distribution Rights (collectively, the "COMBINED INTEREST") in exchange for an amount in cash equal to the fair market value of such Combined Interest, such amount to be

determined and payable as of the effective date of its departure. If the General Partner is removed by the Unitholders under circumstances where Cause exists or if the General

Partner withdraws under circumstances where such withdrawal violates this Agreement or the Operating Partnership Agreement, and if a successor General Partner is elected in accordance with the terms of Section 11.1 or 11.2, such successor shall have the option, exercisable prior to the effective date of the departure of such Departing Partner, to purchase the Combined Interest for such fair market value of such Combined Interest of the Departing Partner. In either event, the Departing Partner shall be entitled to receive all reimbursements due such Departing Partner pursuant to Section 7.4, including any employee-related liabilities (including severance liabilities), incurred in connection with the termination of any employees employed by the Departing Partner for the benefit of the Partnership or the other Group Members.

For purposes of this Section 11.3(a), the fair market value of a Departing Partner's Combined Interest shall be determined by agreement between the Departing Partner and its successor or, failing agreement within 30 days after the effective date of such Departing Partner's departure, by an independent investment banking firm or other independent expert selected by the Departing Partner and its successor, which, in turn, may rely on other experts, and the determination of which shall be conclusive as to such matter. If such parties cannot agree upon one independent investment banking firm or other independent expert within 45 days after the effective date of such departure, then the Departing Partner shall designate an independent investment banking firm or other independent expert, the Departing Partner's successor shall designate an independent investment banking firm or other independent expert, and such firms or experts shall mutually select a third independent investment banking firm or independent expert, which third independent investment banking firm or other independent expert shall determine the fair market value of the Combined Interest of the Departing Partner. In making its determination, such third independent investment banking firm or other independent expert may consider the then current trading price of Units on any National Securities Exchange on which Units are then listed, the value of the Partnership's assets, the rights and obligations of the Departing Partner and other factors it may deem relevant.

(b) If the Combined Interest is not purchased in the manner set forth in Section 11.3(a), the Departing Partner (or its transferee) shall become a Limited Partner and its Combined Interest shall be converted into Common Units pursuant to a valuation made by an investment banking firm or other independent expert selected pursuant to Section 11.3(a), without reduction in such Partnership Interest (but subject to proportionate dilution by reason of the admission of its successor). Any successor General Partner shall indemnify the Departing Partner (or its transferee) as to all debts and liabilities of the Partnership arising on or after the date on which the Departing Partner (or its transferee) becomes a Limited Partner. For purposes of this Agreement, conversion of the Combined Interest of the Departing Partner to Common Units will be characterized as if the Departing Partner (or its transferee) contributed its Combined Interest to the Partnership in exchange for the newly issued Common Units.

(c) If a successor General Partner is elected in accordance with the terms of Section 11.1 or 11.2 and the option described in Section 11.3(a) is not exercised by the party entitled

to do so, the successor General Partner shall, at the effective date of its admission to the Partnership, contribute to the Partnership cash in the amount equal to 1/99th of the Net Agreed Value of the Partnership's assets on such date. In such event, such successor General Partner shall, subject to the following sentence, be entitled to the Percentage Interest of all Partnership allocations and distributions to which the Departing Partner was entitled. The successor General Partner shall cause this Agreement to be amended to reflect that, from and after the date of such successor General Partner's admission, the successor General Partner's interest in all Partnership distributions and allocations shall be 1%.

SECTION 11.4 TERMINATION OF SUBORDINATION PERIOD, CONVERSION OF SUBORDINATED UNITS AND EXTINGUISHMENT OF CUMULATIVE COMMON UNIT ARREARAGES.

Notwithstanding any provision of this Agreement, if the General Partner is removed as general partner of the Partnership under circumstances where Cause does not exist and Units held by the General Partner and its Affiliates are not voted in favor of such removal, (i) the Subordination Period will end and all Outstanding Subordinated Units will immediately and automatically convert into Common Units on a one-for-one basis and (ii) all Cumulative Common Unit Arrearages on the Common Units will be extinguished.

SECTION 11.5 WITHDRAWAL OF LIMITED PARTNERS.

No Limited Partner shall have any right to withdraw from the Partnership; provided, however, that when a transferee of a Limited Partner's Limited Partner Interest becomes a Record Holder of the Limited Partner Interest so transferred, such transferring Limited Partner shall cease to be a Limited Partner with respect to the Limited Partner Interest so transferred.

ARTICLE XII
DISSOLUTION AND LIQUIDATION

SECTION 12.1 DISSOLUTION.

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the removal or withdrawal of the General Partner, if a successor General Partner is elected pursuant to Section 11.1 or 11.2, the Partnership shall not be dissolved and such successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and (subject to Section 12.2) its affairs shall be wound up, upon:

(a) the expiration of its term as provided in Section 2.7;

(b) an Event of Withdrawal of the General Partner as provided in Section 11.1(a) (other than Section 11.1(a)(ii)), unless a successor is elected and an Opinion of

Counsel is received as provided in Section 11.1(b) or 11.2 and such successor is admitted to the Partnership pursuant to Section 10.3;

(c) an election to dissolve the Partnership by the General Partner that is approved by the holders of a Unit Majority;

(d) the entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Delaware Act; or

(e) the sale of all or substantially all of the assets and properties of the Partnership Group.

SECTION 12.2 CONTINUATION OF THE BUSINESS OF THE PARTNERSHIP AFTER DISSOLUTION.

Upon (a) dissolution of the Partnership following an Event of Withdrawal caused by the withdrawal or removal of the General Partner as provided in Section 11.1(a)(i) or (iii) and the failure of the Partners to select a successor to such Departing Partner pursuant to Section 11.1 or 11.2, then within 90 days thereafter, or (b) dissolution of the Partnership upon an event constituting an Event of Withdrawal as defined in Section 11.1(a)(iv), (v) or (vi), then, to the maximum extent permitted by law, within 180 days thereafter, the holders of a Unit Majority may elect to reconstitute the Partnership and continue its business on the same terms and conditions set forth in this Agreement by forming a new limited partnership on terms identical to those set forth in this Agreement and having as the successor general partner a Person approved by the holders of a Unit Majority. Unless such an election is made within the applicable time period as set forth above, the Partnership shall conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(i) the reconstituted Partnership shall continue until dissolved in accordance with this Article XII;

(ii) if the successor General Partner is not the former General Partner, then the interest of the former General Partner shall be treated in the manner provided in Section 11.3; and

(iii) all necessary steps shall be taken to cancel this Agreement and the Certificate of Limited Partnership and to enter into and, as necessary, to file a new partnership agreement and certificate of limited partnership, and the successor general partner may for this purpose exercise the powers of attorney granted the General Partner pursuant to Section 2.6; provided, that the right of the holders of a Unit Majority to approve a successor General Partner and to reconstitute and to continue the business of the Partnership shall not exist and may not be exercised unless the Partnership has received an Opinion of Counsel that (x) the exercise of the right would not result in the loss of limited liability of any Limited Partner and (y) neither the

Partnership, the reconstituted limited partnership nor the Operating Partnership would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of such right to continue.

SECTION 12.3 LIQUIDATOR.

Upon dissolution of the Partnership, unless the Partnership is continued under an election to reconstitute and continue the Partnership pursuant to Section 12.2, the General Partner shall select one or more Persons to act as Liquidator. The Liquidator (if other than the General Partner) shall be entitled to receive such compensation for its services as may be approved by holders of at least a majority of the Outstanding Common Units and Subordinated Units voting as a single class. The Liquidator (if other than the General Partner) shall agree not to resign at any time without 15 days' prior notice and may be removed at any time, with or without cause, by notice of removal approved by holders of at least a majority of the Outstanding Common Units and Subordinated Units voting as a single class. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be approved by holders of at least a majority of the Outstanding Common Units and Subordinated Units voting as a single class. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XII, the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 7.3(b)) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding up and liquidation of the Partnership as provided for herein.

SECTION 12.4 LIQUIDATION.

The Liquidator shall proceed to dispose of the assets of the Partnership, discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as the Liquidator determines to be in the best interest of the Partners, subject to Section 17-804 of the Delaware Act and the following:

(a) DISPOSITION OF ASSETS. The assets may be disposed of by public or private sale or by distribution in kind to one or more Partners on such terms as the Liquidator and such Partner or Partners may agree. If any property is distributed in kind, the Partner receiving the property shall be deemed for purposes of Section 12.4(c) to have received cash equal to its fair market value; and contemporaneously therewith, appropriate cash distributions must be made to the other Partners. The Liquidator may, in its absolute discretion, defer liquidation or distribution of the Partnership's assets for

a reasonable time if it determines that an immediate sale or distribution of all or some of the Partnership's assets would be impractical or would cause undue loss to the Partners. The Liquidator may, in its absolute discretion, distribute the Partnership's assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the Partners.

(b) DISCHARGE OF LIABILITIES. Liabilities of the Partnership include amounts owed to the Liquidator as compensation for serving in such capacity (subject to the terms of Section 12.3) and amounts owed to Partners otherwise than in respect of their distribution rights under Article VI. With respect to any liability that is contingent, conditional or unmatured or is otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment. When paid, any unused portion of the reserve shall be distributed as additional liquidation proceeds.

(c) LIQUIDATION DISTRIBUTIONS. All property and all cash in excess of that required to discharge liabilities as provided in Section 12.4(b) shall be distributed to the Partners in accordance with, and to the extent of, the positive balances in their respective Capital Accounts, as determined after taking into account all Capital Account adjustments (other than those made by reason of distributions pursuant to this Section 12.4(c)) for the taxable year of the Partnership during which the liquidation of the Partnership occurs (with such date of occurrence being determined pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(g)), and such distribution shall be made by the end of such taxable year (or, if later, within 90 days after said date of such occurrence).

SECTION 12.5 CANCELLATION OF CERTIFICATE OF LIMITED PARTNERSHIP.

Upon the completion of the distribution of Partnership cash and property as provided in Section 12.4 in connection with the liquidation of the Partnership, the Partnership shall be terminated and the Certificate of Limited Partnership and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

SECTION 12.6 RETURN OF CONTRIBUTIONS.

The General Partner shall not be personally liable for, and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate, the return of the Capital Contributions of the Limited Partners or Unitholders, or any portion thereof, it being expressly understood that any such return shall be made solely from Partnership assets.

SECTION 12.7 WAIVER OF PARTITION.

To the maximum extent permitted by law, each Partner hereby waives any right to partition of the Partnership property.

SECTION 12.8 CAPITAL ACCOUNT RESTORATION.

No Limited Partner shall have any obligation to restore any negative balance in its Capital Account upon liquidation of the Partnership. The General Partner shall be obligated to restore any negative balance in its Capital Account upon liquidation of its interest in the Partnership by the end of the taxable year of the Partnership during which such liquidation occurs, or, if later, within 90 days after the date of such liquidation.

ARTICLE XIII
AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS; RECORD DATE

SECTION 13.1 AMENDMENT TO BE ADOPTED SOLELY BY THE GENERAL PARTNER.

Each Partner agrees that the General Partner, without the approval of any Partner or Assignee, may amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered agent of the Partnership or the registered office of the Partnership;

(b) admission, substitution, withdrawal or removal of Partners in accordance with this Agreement;

(c) a change that, in the sole discretion of the General Partner, is necessary or advisable to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state or to ensure that the Partnership and the Operating Partnership will not be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change that, in the discretion of the General Partner, (i) does not adversely affect the Limited Partners (including any particular class of Partnership Interests as compared to other classes of Partnership Interests) in any material respect, (ii) is necessary or advisable to (A) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute (including the Delaware Act) or (B) facilitate the trading of the Limited Partner Interests (including the division of any

class or classes of Outstanding Limited Partner Interests into different classes to facilitate uniformity of tax consequences within such classes of Limited Partner Interests) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are or will be listed for trading, compliance with any of which the General Partner determines in its discretion to be in the best interests of the Partnership and the Limited Partners, (iii) is necessary or advisable in connection with action taken by the General Partner pursuant to Section 5.10 or (iv) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement;

(e) a change in the fiscal year or taxable year of the Partnership and any changes that, in the discretion of the General Partner, are necessary or advisable as a result of a change in the fiscal year or taxable year of the Partnership including, if the General Partner shall so determine, a change in the definition of "QUARTER" and the dates on which distributions are to be made by the Partnership;

(f) an amendment that is necessary, in the Opinion of Counsel, to prevent the Partnership, or the General Partner or its directors, officers, trustees or agents from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement

Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(g) subject to the terms of Section 5.7, an amendment that, in the discretion of the General Partner, is necessary or advisable in connection with the authorization of issuance of any class or series of Partnership Securities pursuant to Section 5.6;

(h) any amendment expressly permitted in this Agreement to be made by the General Partner acting alone;

(i) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with Section 14.3;

(j) an amendment that, in the discretion of the General Partner, is necessary or advisable to reflect, account for and deal with appropriately the formation by the Partnership of, or investment by the Partnership in, any corporation, partnership, joint venture, limited liability company or other entity, in connection with the conduct by the Partnership of activities permitted by the terms of Section 2.4;

(k) a merger or conveyance pursuant to Section 14.3(d); or

(l) any other amendments substantially similar to the foregoing.

SECTION 13.2 AMENDMENT PROCEDURES.

Except as provided in Sections 13.1 and 13.3, all amendments to this Agreement shall be made in accordance with the following requirements. Amendments to this Agreement may be proposed only by or with the consent of the General Partner, which consent may be given or withheld in its sole discretion. A proposed amendment shall be effective upon its approval by the holders of a Unit Majority, unless a greater or different percentage is required under this Agreement or by Delaware law. Each proposed amendment that requires the approval of the holders of a specified percentage of Outstanding Units shall be set forth in a writing that contains the text of the proposed amendment. If such an amendment is proposed, the General Partner shall seek the written approval of the requisite percentage of Outstanding Units or call a meeting of the Unitholders to consider and vote on such proposed amendment. The General Partner shall notify all Record Holders upon final adoption of any such proposed amendments.

SECTION 13.3 AMENDMENT REQUIREMENTS.

(a) Notwithstanding the provisions of Sections 13.1 and 13.2, no provision of this Agreement that establishes a percentage of Outstanding Units (including Units deemed owned by the General Partner) required to take any action shall be amended, altered, changed, repealed or rescinded in any respect that would have the effect of reducing such voting percentage unless such amendment is approved by the written consent or the affirmative vote of holders of Outstanding Units whose aggregate Outstanding Units constitute not less than the voting requirement sought to be reduced.

(b) Notwithstanding the provisions of Sections 13.1 and 13.2, no amendment to this Agreement may (i) enlarge the obligations of any Limited Partner without its consent, unless such shall be deemed to have occurred as a result of an amendment approved pursuant to Section 13.3(c), (ii) enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable to, the General Partner or any of its Affiliates without its consent, which consent may be given or withheld in its sole discretion, (iii) change Section 12.1(a) or 12.1(c), or (iv) change the term of the Partnership or, except as set forth in Section 12.1(c), give any Person the right to dissolve the Partnership.

(c) Except as otherwise provided, and without limitation of the General Partner's authority to adopt amendments to this Agreement without the approval of any Partners or Assignee as contemplated in Section 13.1, any amendment that would have a material adverse effect on the rights or preferences of any class of Partnership Interests in relation to other classes of Partnership Interests must be approved by the holders of not less than a majority of the Outstanding Partnership Interests of the class affected.

(d) Notwithstanding any other provision of this Agreement, except for amendments pursuant to Section 13.1 and except as otherwise provided by Section 14.3(b), no amendments shall become effective without the approval of the holders of at least 90% of the Outstanding Common Units and Subordinated Units voting as a single class unless the Partnership obtains an Opinion of Counsel to the effect that such amendment will not affect the limited liability of any Limited Partner under applicable law.

(e) Except as provided in Section 13.1, this Section 13.3 shall only be amended with the approval of the holders of at least 90% of the Outstanding Units.

SECTION 13.4 SPECIAL MEETINGS.

All acts of Limited Partners to be taken pursuant to this Agreement shall be taken in the manner provided in this Article XIII. Special meetings of the Limited Partners may be called by the General Partner or by Limited Partners owning 20% or more of the Outstanding Limited Partner Interests of the class or classes for which a meeting is proposed. Limited Partners shall call a special meeting by delivering to the General Partner one or more requests in writing stating that the signing Limited Partners wish to call a special meeting and indicating the general or specific purposes for which the special meeting is to be called. Within 60 days after receipt of such a call from Limited Partners or within such greater time as may be reasonably necessary for the Partnership to comply with any statutes, rules, regulations, listing agreements or similar requirements governing the holding of a meeting or the solicitation of proxies for use at such a meeting, the General Partner shall send a notice of the meeting to the Limited Partners either directly or indirectly through the Transfer Agent. A meeting shall be held at a time and place determined by the General Partner on a date not less than 10 days nor more than 60 days after the mailing of notice of the meeting. Limited Partners shall not vote on matters that would cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Partnership so as to jeopardize the Limited Partners' limited liability under the Delaware Act or the law of any other state in which the Partnership is qualified to do business.

SECTION 13.5 NOTICE OF A MEETING.

Notice of a meeting called pursuant to Section 13.4 shall be given to the Record Holders of the class or classes of Limited Partner Interests for which a meeting is proposed in writing by mail or other means of written communication in accordance with Section 16.1. The notice shall be deemed to have been given at the time when deposited in the mail or sent by other means of written communication.

SECTION 13.6 RECORD DATE.

For purposes of determining the Limited Partners entitled to notice of or to vote at a meeting of the Limited Partners or to give approvals without a meeting as provided in Section 13.11 the General Partner may set a Record Date, which shall not be less than 10 nor more than 60 days before (a) the

date of the meeting (unless such requirement conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern) or (b) in the event that approvals are sought without a meeting, the date by which Limited Partners are requested in writing by the General Partner to give such approvals.

SECTION 13.7 ADJOURNMENT.

When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting and a new Record Date need not be fixed, if the time and place thereof are announced at the meeting at which the adjournment is taken, unless such adjournment shall be for more than 45 days. At the adjourned meeting, the Partnership may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 45 days or if a new Record Date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given in accordance with this Article XIII.

SECTION 13.8 WAIVER OF NOTICE; APPROVAL OF MEETING; APPROVAL OF MINUTES.

The transactions of any meeting of Limited Partners, however called and noticed, and whenever held, shall be as valid as if it had occurred at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if, either before or after the meeting, Limited Partners representing such quorum who were present in person or by proxy and entitled to vote, sign a written waiver of notice or an approval of the holding of the meeting or an approval of the minutes thereof. All waivers and approvals shall be filed with the Partnership records or made a part of the minutes of the meeting. Attendance of a Limited Partner at a meeting shall constitute a waiver of notice of the meeting, except when the Limited Partner does not approve, at the beginning of the meeting, of the transaction of any business because the meeting is not lawfully called or convened; and except that attendance at a meeting is not a waiver of any right to disapprove the consideration of matters required to be included in the notice of the meeting, but not so included, if the disapproval is expressly made at the meeting.

SECTION 13.9 QUORUM.

The holders of a majority of the Outstanding Limited Partner Interests of the class or classes for which a meeting has been called (including Limited Partner Interests deemed owned by the General Partner) represented in person or by proxy shall constitute a quorum at a meeting of Limited Partners of such class or classes unless any such action by the Limited Partners requires approval by holders of a greater percentage of such Limited Partner Interests, in which case the quorum shall be such greater percentage. At any meeting of the Limited Partners duly called and held in accordance with this Agreement at which a quorum is present, the act of Limited Partners holding Outstanding Limited Partner Interests that in the aggregate represent a majority of the Outstanding Limited Partner Interests

entitled to vote and be present in person or by proxy at such meeting shall be deemed to constitute the act of all Limited Partners, unless a greater or different percentage is required with respect to such action under the provisions of this Agreement, in which case the act of the Limited Partners holding Outstanding Limited Partner Interests that in the aggregate represent at least such greater or different percentage shall be required. The Limited Partners present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Limited Partners to leave less than a quorum, if any action taken (other than adjournment) is approved by the required percentage of Outstanding Limited Partner Interests specified in this Agreement (including Limited Partner Interests deemed owned by the General Partner). In the absence of a quorum any meeting of Limited Partners may be adjourned from time to time by the affirmative vote of holders of at least a majority of the Outstanding Limited Partner Interests entitled to vote at such meeting (including Limited Partner Interests deemed owned by the General Partner) represented either in person or by proxy, but no other business may be transacted, except as provided in Section 13.7.

SECTION 13.10   CONDUCT OF A MEETING.

The General Partner shall have full power and authority concerning the manner of conducting any meeting of the Limited Partners or solicitation of approvals in writing, including the determination of Persons entitled to vote, the existence of a quorum, the satisfaction of the requirements of Section 13.4, the conduct of voting, the validity and effect of any proxies and the determination of any controversies, votes or challenges arising in connection with or during the meeting or voting. The General Partner shall designate a Person to serve as chairman of any meeting and shall further designate a Person to take the minutes of any meeting. All minutes shall be kept with the records of the Partnership maintained by the General Partner. The General Partner may make such other regulations consistent with applicable law and this Agreement as it may deem advisable concerning the conduct of any meeting of the Limited Partners or solicitation of approvals in writing, including regulations in regard to the appointment of proxies, the appointment and duties of inspectors of votes and approvals, the submission and examination of proxies and other evidence of the right to vote, and the revocation of approvals in writing.

SECTION 13.11   ACTION WITHOUT A MEETING.

If authorized by the General Partner, any action that may be taken at a meeting of the Limited Partners may be taken without a meeting if an approval in writing setting forth the action so taken is signed by Limited Partners owning not less than the minimum percentage of the Outstanding Limited Partner Interests (including Limited Partner Interests deemed owned by the General Partner) that would be necessary to authorize or take such action at a meeting at which all the Limited Partners were present and voted (unless such provision conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern). Prompt notice of the taking of action without a meeting shall be given to the Limited Partners who have not approved in

writing. The General Partner may specify that any written ballot submitted to Limited Partners for the purpose of taking any action without a meeting shall be returned to the Partnership within the time period, which shall be not less than 20 days, specified by the General Partner. If a ballot returned to the Partnership does not vote all of the Limited Partner Interests held by the Limited Partners the Partnership shall be deemed to have failed to receive a ballot for the Limited Partner Interests that were not voted. If approval of the taking of any action by the Limited Partners is solicited by any Person other than by or on behalf of the General Partner, the written approvals shall have no force and effect unless and until (a) they are deposited with the Partnership in care of the General Partner, (b) approvals sufficient to take the action proposed are dated as of a date not more than 90 days prior to the date sufficient approvals are deposited with the Partnership and (c) an Opinion of Counsel is delivered to the General Partner to the effect that the exercise of

such right and the action proposed to be taken with respect to any particular matter (i) will not cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Partnership so as to jeopardize the Limited Partners' limited liability, and (ii) is otherwise permissible under the state statutes then governing the rights, duties and liabilities of the Partnership and the Partners.

SECTION 13.12 VOTING AND OTHER RIGHTS.

(a) Only those Record Holders of the Limited Partner Interests on the Record Date set pursuant to Section 13.6 (and also subject to the limitations contained in the definition of "OUTSTANDING") shall be entitled to notice of, and to vote at, a meeting of Limited Partners or to act with respect to matters as to which the holders of the Outstanding Limited Partner Interests have the right to vote or to act. All references in this Agreement to votes of, or other acts that may be taken by, the Outstanding Limited Partner Interests shall be deemed to be references to the votes or acts of the Record Holders of such Outstanding Limited Partner Interests.

(b) With respect to Limited Partner Interests that are held for a Person's account by another Person (such as a broker, dealer, bank, trust company or clearing corporation, or an agent of any of the foregoing), in whose name such Limited Partner Interests are registered, such other Person shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, and unless the arrangement between such Persons provides otherwise, vote such Limited Partner Interests in favor of, and at the direction of, the Person who is the beneficial owner, and the Partnership shall be entitled to assume it is so acting without further inquiry. The provisions of this Section 13.12(b) (as well as all other provisions of this Agreement) are subject to the provisions of Section 4.3.

ARTICLE XIV
MERGER

SECTION 14.1 AUTHORITY.

The Partnership may merge or consolidate with one or more corporations, limited liability companies, business trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a general partnership or limited partnership, formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("MERGER AGREEMENT") in accordance with this Article XIV.

SECTION 14.2 PROCEDURE FOR MERGER OR CONSOLIDATION.

Merger or consolidation of the Partnership pursuant to this Article XIV requires the prior approval of the General Partner. If the General Partner shall determine, in the exercise of its discretion, to consent to the merger or consolidation, the General Partner shall approve the Merger Agreement, which shall set forth:

(a) The names and jurisdictions of formation or organization of each of the business entities proposing to merge or consolidate;

(b) The name and jurisdiction of formation or organization of the business entity that is to survive the proposed merger or consolidation (the "SURVIVING BUSINESS ENTITY");

(c) The terms and conditions of the proposed merger or consolidation;

(d) The manner and basis of exchanging or converting the equity securities of each constituent business entity for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity; and (i) if any general or limited partner interests, securities or rights of any constituent business entity are not to be exchanged or converted solely for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity, the cash, property or general or limited partner interests, rights, securities or obligations of any limited partnership, corporation, trust or other entity (other than the Surviving Business Entity) which the holders of such general or limited partner interests, securities or rights are to receive in exchange for, or upon conversion of their general or limited partner interests, securities or rights, and (ii) in the case of securities represented by certificates, upon the surrender of such certificates, which cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity or any general or limited partnership, corporation, trust or other entity (other than the Surviving Business Entity), or evidences thereof, are to be delivered;

(e) A statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger or consolidation;

(f) The effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 14.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of the certificate of merger, the effective time shall be fixed no later than the time of the filing of the certificate of merger and stated therein); and

(g) Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or appropriate by the General Partner.

SECTION 14.3 APPROVAL BY LIMITED PARTNERS OF MERGER OR CONSOLIDATION.

(a) Except as provided in Section 14.3(d), the General Partner, upon its approval of the Merger Agreement, shall direct that the Merger Agreement be submitted to a vote of Limited Partners, whether at a special meeting or by written consent, in either case in accordance with the requirements of Article XIII. A copy or a summary of the Merger Agreement shall be included in or enclosed with the notice of a special meeting or the written consent.

(b) Except as provided in Section 14.3(d), the Merger Agreement shall be approved upon receiving the affirmative vote or consent of the holders of a Unit Majority unless the Merger Agreement contains any provision that, if contained in an amendment to this Agreement, the provisions of this Agreement or the Delaware Act would require for its approval the vote or consent of a greater percentage of the Outstanding Limited Partner Interests or of any class of Limited Partners, in which case such greater percentage vote or consent shall be required for approval of the Merger Agreement.

(c) Except as provided in Section 14.3(d), after such approval by vote or consent of the Limited Partners, and at any time prior to the filing of the certificate of merger pursuant to Section 14.4, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

(d) Notwithstanding anything else contained in this Article XIV or in this Agreement, the General Partner is permitted, in its discretion, without Limited Partner approval, to merge the Partnership or any Group Member into, or convey all of the Partnership's assets to, another limited liability entity which shall be newly formed and shall have no assets, liabilities or operations at the time of such Merger other than those it receives from the Partnership or other Group Member if (i) the General Partner has received an Opinion of Counsel that the merger or conveyance, as the case may

be, would not result in the loss of the limited liability of any Limited Partner or any partner in the Operating Partnership or cause the Partnership or Operating Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such), (ii) the sole purpose of such merger or conveyance is to effect a mere change in the legal form of the Partnership into another limited liability entity and (iii) the governing instruments of the new entity provide the Limited Partners and the General Partner with the same rights and obligations as are herein contained.

SECTION 14.4 CERTIFICATE OF MERGER.

Upon the required approval by the General Partner and the Unitholders of a Merger Agreement, a certificate of merger shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Delaware Act.

SECTION 14.5 EFFECT OF MERGER.

(a) At the effective time of the certificate of merger:

(i) all of the rights, privileges and powers of each of the business entities that has merged or consolidated, and all property, real, personal and mixed, and all debts due to any of those business entities and all other things and causes of action belonging to each of those business entities, shall be vested in the Surviving Business Entity and after the merger or consolidation shall be the property of the Surviving Business Entity to the extent they were of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and is not

in any way impaired because of the merger or consolidation;

(iii) all rights of creditors and all liens on or security interests in property of any of those constituent business entities shall be preserved unimpaired; and

(iv) all debts, liabilities and duties of those constituent business entities shall attach to the Surviving Business Entity and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it.

(b) A merger or consolidation effected pursuant to this Article shall not be deemed to result in a transfer or assignment of assets or liabilities from one entity to another.

ARTICLE XV
RIGHT TO ACQUIRE LIMITED PARTNER INTERESTS

SECTION 15.1 RIGHT TO ACQUIRE LIMITED PARTNER INTERESTS.

(a) Notwithstanding any other provision of this Agreement, if at any time not more than 20% of the total Limited Partner Interests of any class then Outstanding is held by Persons other than the General Partner and its Affiliates, the General Partner shall then have the right, which right it may assign and transfer in whole or in part to the Partnership or any Affiliate of the General Partner, exercisable in its sole discretion, to purchase all, but not less than all, of such Limited Partner Interests of such class then Outstanding held by Persons other than the General Partner and its Affiliates, at the greater of (x) the Current Market Price as of the date three days prior to the date that the notice described in Section 15.1(b) is mailed and (y) the highest price paid by the General Partner or any of its Affiliates for any such Limited Partner Interest of such class purchased during the 90-day period preceding the date that the notice described in Section 15.1(b) is mailed. As used in this Agreement, (i) "CURRENT MARKET PRICE" as of any date of any class of Limited Partner Interests listed or admitted to trading on any National Securities Exchange means the average of the daily Closing Prices (as hereinafter defined) per limited partner interest of such class for the 20 consecutive Trading Days (as hereinafter defined) immediately prior to such date; (ii) "CLOSING PRICE" for any day means the last sale price on such day, regular way, or in case no such sale takes place on such day, the average of the closing bid and asked prices on such day, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted for trading on the principal National Securities Exchange (other than the Nasdaq Stock Market) on which such Limited Partner Interests of such class are listed or admitted to trading or, if such Limited Partner Interests of such class are not listed or admitted to trading on any National Securities Exchange (other than the Nasdaq Stock Market), the last quoted price on such day or, if not so quoted, the average of the high bid and low asked prices on such day in the over-the-counter market, as reported by the Nasdaq Stock Market or such other system then in use, or, if on any such day such Limited Partner Interests of such class are not quoted by any such organization, the average of the closing bid and asked prices on such day as furnished by a professional market maker making a market in such Limited Partner Interests of such class selected by the General Partner, or if on any such day no market maker is making a market in such Limited Partner Interests of such class, the fair value of such Limited Partner Interests on such day as determined reasonably and in good faith by the General Partner; and (iii) "TRADING DAY" means a day on which the principal National Securities Exchange on which such Limited Partner Interests of any class are listed or admitted to trading is open for the transaction of business or, if Limited Partner Interests of a class are not listed or admitted to trading on any National Securities Exchange, a day on which banking institutions in New York City generally are open.

(b) If the General Partner, any Affiliate of the General Partner or the Partnership elects to exercise the right to purchase Limited Partner Interests granted pursuant to Section 15.1(a), the General Partner shall deliver to the Transfer Agent notice of such election to purchase (the "NOTICE OF ELECTION TO PURCHASE") and shall cause the Transfer Agent to mail a copy of such Notice of Election to Purchase to the Record Holders of Limited Partner Interests of such class (as of a Record Date

selected by the General Partner) at least 10, but not more than 60, days prior to the Purchase Date. Such Notice of Election to Purchase shall also be published for a period of at least three consecutive days in at least two daily newspapers of general circulation printed in the English language and published in the Borough of Manhattan, New York. The Notice of Election to Purchase shall specify the Purchase Date and the price (determined in accordance with Section 15.1(a)) at which Limited Partner Interests will be purchased and state that the General Partner, its Affiliate or the Partnership, as the case may be, elects to

purchase such Limited Partner Interests, upon surrender of Certificates representing such Limited Partner Interests in exchange for payment, at such office or offices of the Transfer Agent as the Transfer Agent may specify, or as may be required by any National Securities Exchange on which such Limited Partner Interests are listed or admitted to trading. Any such Notice of Election to Purchase mailed to a Record Holder of Limited Partner Interests at his address as reflected in the records of the Transfer Agent shall be conclusively presumed to have been given regardless of whether the owner receives such notice. On or prior to the Purchase Date, the General Partner, its Affiliate or the Partnership, as the case may be, shall deposit with the Transfer Agent cash in an amount sufficient to pay the aggregate purchase price of all of such Limited Partner Interests to be purchased in accordance with this Section 15.1. If the Notice of Election to Purchase shall have been duly given as aforesaid at least 10 days prior to the Purchase Date, and if on or prior to the Purchase Date the deposit described in the preceding sentence has been made for the benefit of the holders of Limited Partner Interests subject to purchase as provided herein, then from and after the Purchase Date, notwithstanding that any Certificate shall not have been surrendered for purchase, all rights of the holders of such Limited Partner Interests (including any rights pursuant to Articles IV, V, VI, and XII) shall thereupon cease, except the right to receive the purchase price (determined in accordance with Section 15.1(a)) for Limited Partner Interests therefor, without interest, upon surrender to the Transfer Agent of the Certificates representing such Limited Partner Interests, and such Limited Partner Interests shall thereupon be deemed to be transferred to the General Partner, its Affiliate or the Partnership, as the case may be, on the record books of the Transfer Agent and the Partnership, and the General Partner or any Affiliate of the General Partner, or the Partnership, as the case may be, shall be deemed to be the owner of all such Limited Partner Interests from and after the Purchase Date and shall have all rights as the owner of such Limited Partner Interests (including all rights as owner of such Limited Partner Interests pursuant to Articles IV, V, VI and XII).

(c) At any time from and after the Purchase Date, a holder of an Outstanding Limited Partner Interest subject to purchase as provided in this Section 15.1 may surrender his Certificate evidencing such Limited Partner Interest to the Transfer Agent in exchange for payment of the amount described in Section 15.1(a), therefor, without interest thereon.

ARTICLE XVI
GENERAL PROVISIONS

SECTION 16.1 ADDRESSES AND NOTICES.

Any notice, demand, request, report or proxy materials required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner or Assignee at the address described below. Any notice, payment or report to be given or made to a Partner or Assignee hereunder shall be deemed conclusively to have been given or made, and the obligation to give such notice or report or to make such payment shall be deemed conclusively to have been fully satisfied, upon sending of such notice, payment or report to the Record Holder of such Partnership Securities at his address as shown on the records of the Transfer Agent or as otherwise shown on the records of the Partnership, regardless of any claim of any Person who may have an interest in such Partnership Securities by reason of any assignment or otherwise. An affidavit or certificate of making of any notice, payment or report in accordance with the provisions of this Section 16.1 executed by the General Partner, the Transfer Agent or the mailing organization shall be prima facie evidence of the giving or making of such notice, payment or report. If any notice, payment or report addressed to a Record Holder at the address of such Record Holder appearing on the books and records of the Transfer Agent or the Partnership is returned by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver it, such notice, payment or report and any subsequent notices, payments and reports shall be deemed to have been duly given or made without further mailing (until such time as such Record Holder or another Person notifies the Transfer Agent or the Partnership of a change in his address) if they are available for the Partner or Assignee at the principal office of the Partnership for a period of one year from the date of the giving or making of such notice, payment or report to the other Partners and Assignees. Any notice to the Partnership shall be deemed given if received by the General Partner at the principal office of the Partnership designated pursuant to Section 2.3. The General Partner may rely and shall be protected in relying on any notice or other document from a Partner, Assignee or other Person if believed by it to be genuine.

SECTION 16.2 FURTHER ACTION.

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

SECTION 16.3 BINDING EFFECT.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

SECTION 16.4 INTEGRATION.

This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

SECTION 16.5 CREDITORS.

None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

SECTION 16.6 WAIVER.

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

SECTION 16.7 COUNTERPARTS.

This Agreement may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto or, in the case of a Person acquiring a Unit, upon accepting the certificate evidencing such Unit or executing and delivering a Transfer Application as herein described, independently of the signature of any other party.

SECTION 16.8 APPLICABLE LAW.

This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

SECTION 16.9 INVALIDITY OF PROVISIONS.

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

SECTION 16.10 CONSENT OF PARTNERS.

Each Partner hereby expressly consents and agrees that, whenever in this Agreement it is specified that an action may be taken upon the affirmative vote or consent of less than all of the Partners, such action may be so taken upon the concurrence of less than all of the Partners and each Partner shall be bound by the results of such action.

[REST OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

GENERAL PARTNER:

RIVERWALK LOGISTICS, L.P.

By: Shamrock Logistics GP, LLC, its General Partner

Name: /s/ Steve Blank

Title: CHIEF FINANCIAL AND ACCOUNTING OFFICER

ORGANIZATIONAL LIMITED PARTNER:

/s/ Todd Walker

Todd Walker

LIMITED PARTNERS:

All Limited Partners now and hereafter admitted as Limited

Partners of the Partnership,pursuant to powers of attorney now and hereafter executed in favor of, and granted and delivered to the General Partner.

RIVERWALK LOGISTICS, L.P.

By: Shamrock Logistics GP, LLC, its General Partner

Name: /s/ Steve Blank

Title: Chief Financial and Accounting Officer

UDS LOGISTICS, LLC

By: Diamond Shamrock Refining and Marketing Company, its Sole Member

Name: /s/ Timothy J. Fretthold

Title: Executive Vice President, Chief Legal And

Administrative Officer

EXHIBIT A
TO THE SECOND AMENDED AND
RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF
SHAMROCK LOGISTICS, L.P.

CERTIFICATE EVIDENCING COMMON UNITS
REPRESENTING LIMITED PARTNER INTERESTS IN
SHAMROCK LOGISTICS, L.P.

No._____________ __________Common Units

In accordance with Section 4.1 of the Second Amended and Restated Agreement of Limited Partnership of Shamrock Logistics, L.P., as amended, supplemented or restated from time to time (the "PARTNERSHIP AGREEMENT"), Shamrock Logistics, L.P., a Delaware limited partnership (the "PARTNERSHIP"), hereby certifies that ___________________ (the "HOLDER") is the registered owner of ________ Common Units representing limited partner interests in the Partnership (the "COMMON UNITS") transferable on the books of the Partnership, in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed and accompanied by a properly executed application for transfer of the Common Units represented by this Certificate. The rights, preferences and limitations of the Common Units are set forth in, and this Certificate and the Common Units represented hereby are issued and shall in all respects be subject to the terms and provisions of, the Partnership Agreement. Copies of the Partnership Agreement are on file at, and will be furnished without charge on delivery of written request to the Partnership at, the principal office of the Partnership located at 6000 North Loop 1604 West, San Antonio, Texas 78249. Capitalized terms used herein but not defined shall have the meanings given them in the Partnership Agreement.

The Holder, by accepting this Certificate, is deemed to have (i) requested admission as, and agreed to become, a Limited Partner and to have agreed to comply with and be bound by and to have executed the Partnership Agreement, (ii) represented and warranted that the Holder has all right, power and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement, (iii) granted the powers of attorney provided for in the Partnership Agreement and (iv) made the waivers and given the consents and approvals contained in the Partnership Agreement.

This Certificate shall not be valid for any purpose unless it has been countersigned and registered by the Transfer Agent and Registrar.

Dated: --------------------

SHAMROCK LOGISTICS, L.P.

By: Riverwalk Logistics, L.P., its General Partner

By: Shamrock Logistics GP, LLC, its General Partner

By: -------------------------------

Name: ---------------------------

Countersigned and Registered by:

- ------------------------------------
as Transfer Agent and Registrar

By: ------------------------------ Authorized Signature

By: ------------------------------- Secretary

[REVERSE OF CERTIFICATE]

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as follows according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT/TRANSFERS MIN ACT
---------- Custodian --------
(Cust) (Minor)
under Uniform Gifts/Transfers to
Minors Act ------------------
(State)

Additional abbreviations, though not in the above list, may also be used.

ASSIGNMENT OF COMMON UNITS
IN
SHAMROCK LOGISTICS, L.P.

IMPORTANT NOTICE REGARDING INVESTOR RESPONSIBILITIES
DUE TO TAX SHELTER STATUS OF SHAMROCK LOGISTICS, L.P.

You have acquired an interest in Shamrock Logistics, L.P., 6000 North Loop 1604 West, San Antonio, Texas 78249, whose taxpayer identification number is 74-2958817. The Internal Revenue Service has issued Shamrock Logistics, L.P. the following tax shelter registration number:________________.

YOU MUST REPORT THIS REGISTRATION NUMBER TO THE INTERNAL REVENUE SERVICE IF YOU CLAIM ANY DEDUCTION, LOSS, CREDIT OR OTHER TAX BENEFIT OR REPORT ANY INCOME BY REASON OF YOUR INVESTMENT IN SHAMROCK LOGISTICS, L.P.

You must report the registration number as well as the name and taxpayer identification number of Shamrock Logistics, L.P. on Form 8271. FORM 8271 MUST BE ATTACHED TO THE RETURN ON WHICH YOU CLAIM THE DEDUCTION, LOSS, CREDIT OR OTHER TAX BENEFIT OR REPORT ANY INCOME BY REASON OF YOUR INVESTMENT IN SHAMROCK LOGISTICS, L.P.

If you transfer your interest in Shamrock Logistics, L.P. to another person, you are required by the Internal Revenue Service to keep a list containing (a) that person's name, address and taxpayer identification number, (b) the date on which you transferred the interest and (c) the name, address and tax shelter registration number of Shamrock Logistics, L.P. If you do not want to keep such a list, you must (1) send the information specified above to the Partnership, which will keep the list for this tax shelter, and (2) give a copy of this notice to the person to whom you transfer your interest. Your failure to comply with any of the above-described responsibilities could result in the imposition of a penalty under Section 6707(b) or 6708(a) of the Internal Revenue Code of 1986, as amended, unless such failure is shown to be due to reasonable cause.

ISSUANCE OF A REGISTRATION NUMBER DOES NOT INDICATE THAT THIS INVESTMENT OR THE CLAIMED TAX BENEFITS HAVE BEEN REVIEWED, EXAMINED OR APPROVED BY THE INTERNAL REVENUE SERVICE.

FOR VALUE RECEIVED, -------------------- HEREBY ASSIGNS, CONVEYS, SELLS AND TRANSFERS UNTO

------------------- (Please print or typewrite name address of Assignee)

--------------------------- (Please insert Social Security or other identifying and number of Assignee)

________________ Common Units representing limited partner interests evidenced by this Certificate, subject to the Partnership Agreement, and does hereby irrevocably constitute and appoint ________________ as its attorney-in-fact with full power of substitution to transfer the same on the books of Shamrock Logistics, L.P.

Date:

NOTE: The signature to any endorsement hereon must correspond with the name as written upon the face of this Certificate in every particular, without alteration, enlargement or change.

SIGNATURE(S) MUST BE
GUARANTEED BY A MEMBER FIRM (Signature)
OF THE NATIONAL ASSOCIATION OF
OF SECURITIES DEALERS, INC. OR (Signature)
BY A COMMERCIAL BANK OR TRUST
COMPANY

SIGNATURE(S) GUARANTEED

No transfer of the Common Units evidenced hereby will be registered on the books of the Partnership, unless the Certificate evidencing the Common Units to be transferred is surrendered for registration or transfer and an Application for Transfer of Common Units has been executed by a transferee either (a) on the form set forth below or (b) on a separate application that the Partnership will furnish on request without charge. A transferor of the Common Units shall have no duty to the transferee with respect to execution of the transfer application in order for such transferee to obtain registration of the transfer of the Common Units.

APPLICATION FOR TRANSFER OF COMMON UNITS

The undersigned ("ASSIGNEE") hereby applies for transfer to the name of the Assignee of the Common Units evidenced hereby.

The Assignee (a) requests admission as a Substituted Limited Partner and agrees to comply with and be bound by, and hereby executes, the Second Amended and Restated Agreement of Limited Partnership of Shamrock Logistics, L.P. (the "PARTNERSHIP"), as amended, supplemented or restated to the date hereof (the "PARTNERSHIP AGREEMENT"), (b) represents and warrants that the Assignee has all right, power and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement, (c) appoints the General Partner of the Partnership and, if a Liquidator shall be appointed, the Liquidator of the Partnership as the Assignee's attorney-in-fact to execute, swear to, acknowledge and file any document, including, without limitation, the Partnership Agreement and any amendment thereto and the Certificate of Limited Partnership of the Partnership and any amendment thereto, necessary or appropriate for the Assignee's admission as a Substituted Limited Partner and as a party to the Partnership Agreement, (d) gives the powers of attorney provided for in the Partnership Agreement, and (e) makes the waivers and gives the consents and approvals contained in the Partnership Agreement. Capitalized terms not defined herein have the meanings assigned to such terms in the Partnership Agreement.

Date:
------------------------------- -------------------------------------
Signature of Assignee

- ------------------------------------- -------------------------------------
Social Security or other identifying number of Assignee
Name and Address of Assignee

- -------------------------------------
Purchase Price including commissions, if any

Type of Entity (check one):

/ / Individual / / Partnership / / Corporation
/ / Trust / / Other (specify) ------------------------------

Nationality (check one):

/ / U.S. Citizen, Resident or Domestic Entity
/ / Foreign Corporation / / Non-resident Alien

If the U.S. Citizen, Resident or Domestic Entity box is checked, the following certification must be completed.

Under Section 1445(e) of the Internal Revenue Code of 1986, as amended (the "CODE"), the Partnership must withhold tax with respect to certain transfers of property if a holder of an interest in the Partnership is a foreign person. To inform the Partnership that no withholding is required with respect to the undersigned interestholder's interest in it, the undersigned hereby certifies the following (or, if applicable, certifies the following on behalf of the interestholder).

Complete Either A or B:

A. Individual Interestholder

1. I am not a non-resident alien for purposes of U.S. income taxation.

2. My U.S. taxpayer identification number (Social Security Number) is_____.

3. My home address is____________________________.

B. Partnership, Corporation or Other Interestholder

1. ___________________________ is not a foreign corporation, foreign
(Name of Interestholder)
partnership, foreign trust or foreign estate (as those terms are defined in the Code and Treasury Regulations).

2. The interestholder's U.S. employer identification number is____________.

3. The interestholder's office address and place of incorporation (if applicable) is_______________

The interestholder agrees to notify the Partnership within sixty (60) days of the date the interestholder becomes a foreign person.

The interestholder understands that this certificate may be disclosed to the Internal Revenue Service by the Partnership and that any false statement contained herein could be punishable by fine, imprisonment or both.

Under penalties of perjury, I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct and complete and, if applicable, I further declare that I have authority to sign this document on behalf of:

Name of Interestholder

Signature and Date

Title (if applicable)
-

Note: If the Assignee is a broker, dealer, bank, trust company, clearing corporation, other nominee holder or an agent of any of the foregoing, and is holding for the account of any other person, this application should be completed by an officer thereof or, in the case of a broker or dealer, by a registered representative who is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., or, in the case of any other nominee holder, a person performing a similar function. If the Assignee is a broker, dealer, bank, trust company, clearing corporation, other

nominee owner or an agent of any of the foregoing, the above certification as to any person for whom the Assignee will hold the Common Units shall be made to the best of the Assignee's knowledge.

FIRST AMENDMENT
TO
SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
OF
SHAMROCK LOGISTICS, L.P.

This First Amendment to the Second Amended and Restated Agreement of Limited Partnership of Shamrock Logistics, L.P. (the "PARTNERSHIP") is entered into by and among Riverwalk Logistics, L.P., a Delaware limited partnership (the "GENERAL PARTNER"), as General Partner of the Partnership, and the Limited Partners of the Partnership, as hereinafter provided.

WHEREAS, the General Partner and the other parties thereto entered into that certain Second Amended and Restated Agreement of Limited Partnership of the Partnership dated as of April 16, 2001 (the "AGREEMENT");

WHEREAS, Article XIII of the Agreement permits the General Partner to amend the Agreement to change the name of the Partnership and to take certain other actions which, in the sole discretion of the General Partner, do not adversely affect the Limited Partners in any material respect, without the consent of Limited Partners.

NOW THEREFORE, in order to change the name of the Partnership and to reflect the change in name of the general partner of the General Partner, the General Partner does hereby amend the Second Amended and Restated Agreement of Limited Partnership of the Partnership as follows:

1. The definition of "Partnership" in Article I is hereby amended in its entirety to read as follows:

> " 'PARTNERSHIP' means Valero L.P., a Delaware limited partnership, and any successors thereto."

2. The definition of "Shamrock GP" in Article I is hereby amended in its entirety to read as follows:

> " 'SHAMROCK GP' means Valero GP, LLC, a Delaware limited liability company and the general partner of the General Partner."

3. The first sentence of Section 2.2 is hereby amended to read as follows:

> "The name of the Partnership shall be Valero L.P."

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands as of the 31st day of December, 2001.

GENERAL PARTNER:

RIVERWALK LOGISTICS, L.P.

By: Valero GP, LLC (formerly Shamrock Logistics GP, LLC), its General Partner

By: /s/ Curtis V. Anastasio
Name: Curtis V. Anastsio
Title: President and Chief Executive Officer

LIMITED PARTNERS:

All Limited Partners now and hereafter admitted as limited partners of the Partnership, pursuant to Powers of Attorney now and hereafter executed in favor of, and granted and delivered to, the General Partner

By: RIVERWALK LOGISTICS, L.P., General Partner, as attorney-in-fact for all Limited Partners pursuant to the Powers of Attorney granted pursuant to Section 2.6 of the Agreement.

By: Valero GP, LLC (formerly Shamrock Logistics GP, LLC), its General Partner

By: /s/ Todd Walker
Name: Todd Walker
Title: Corporate Secretary

AMENDED AND RESTATED
CERTIFICATE OF LIMITED PARTNERSHIP
OF
SHAMROCK LOGISTICS OPERATIONS, L.P.

Shamrock Logistics Operations, L.P., a limited partnership organized under the Revised Uniform Limited Partnership Act of the State of Delaware (the "Act"), for the purpose of amending and restating its Certificate of Limited Partnership filed with the Office of the Secretary of State of the State of Delaware on December 7, 1999, as amended on June 5, 2000, hereby certifies that its Certificate of Limited Partnership is amended and restated to read in its entirety as follows, and that such amendment and restatement shall be effective as of 12:01 A.M. Eastern Standard Time on January 8, 2002:

1. The name of the limited partnership is Valero Logistics Operations L.P. (the "Partnership").

2. The address of the registered office of the Partnership in the State of Delaware and the name and address of the registered agent of the Partnership required to be maintained by Section 17-104 of the Act at such address are as follows:

Name and Address of Registered Agent	Address of Registered Office
Corporation Trust Company 1209 Orange Street Wilmington, Delaware 19801	1209 Orange Street Wilmington, DE 19801

3. The name and business address of the General Partner are as follows:

General Partner	Address
Riverwalk Logistics, L.P.	6000 North Loop 1604 West San Antonio, Texas 78249

IN WITNESS WHEREOF, this Amended and Restated Certificate of Limited Partnership has been duly executed as of the 7th day of January, 2002 and is being filed in accordance with Section 17?210 of the Act by the undersigned General Partner.

GENERAL PARTNER

RIVERWALK LOGISTICS, L.P.

By: Valero GP, LLC,
its General Partner

By: /s/ Todd Walker
Name: Todd Walker
Title: Corporate Secretary

EXHIBIT 3.9

SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF SHAMROCK LOGISTICS OPERATIONS, L.P.

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SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF SHAMROCK LOGISTICS OPERATIONS, L.P.

THIS SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP of SHAMROCK LOGISTICS OPERATIONS, L.P., dated as of April 16, 2001, is entered into by and among Riverwalk Logistics, L.P., a Delaware limited partnership, as the General Partner, Todd Walker, as the Organizational Limited Partner, and Shamrock Logistics, L.P., a Delaware limited partnership, as the Limited Partner, together with any other Persons who hereafter become Partners in the Partnership or parties hereto as provided herein.

R E C I T A L S:

WHEREAS, Shamrock Logistics GP, LLC, a Delaware limited liability company ("SHAMROCK GP"), and Todd Walker formed the Partnership pursuant to the Agreement of Limited Partnership of Shamrock Logistics Operations, L.P. dated as of December 7, 1999 (the "PRIOR AGREEMENT") and a Certificate of Limited Partnership filed with the Secretary of State of the State of Delaware on such date; and

WHEREAS, on June 5, 2000 the Certificate of Limited Partnership of the Partnership was thereby amended to reflect the substitution of Riverwalk Logistics, L.P. as general partner of the Partnership, and the withdrawal of Shamrock GP from the Partnership, in its entirety; and

WHEREAS, pursuant to certain mergers that were consummated on June 30, 2000 and certain contributions that occurred on July 1, 2000, Diamond Shamrock Refining and Marketing Company, a Delaware corporation ("DSRMC"), and Sigmor Corporation, a Delaware corporation, received limited partner interests in the Partnership; and

WHEREAS, on August 10, 2000 the Prior Agreement was thereby amended to reflect the substitution of Riverwalk Logistics, L.P. as general partner of the Partnership, and the withdrawal of Shamrock GP from the Partnership, in its entirety (as amended, the "FIRST AMENDED AGREEMENT"); and

WHEREAS, the Partners of the Partnership now desire to amend the First Amended Agreement to reflect (i) the addition of Shamrock Logistics, L.P. as a limited partner of the Partnership, (ii) additional contributions by the Partners and (iii) certain other matters.

NOW, THEREFORE, in consideration of the covenants, conditions and agreements contained herein, the parties hereto hereby amend the First Amended Agreement and, as so amended, restate it in its entirety as follows:

ARTICLE I
DEFINITIONS

SECTION 1.1 DEFINITIONS.

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement. Capitalized terms used herein but not otherwise defined shall have the meaning assigned to such term in the MLP Agreement.

"ADDITIONAL LIMITED PARTNER" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 10.3 and who is shown as such on the books and records of the Partnership.

"ADJUSTED CAPITAL ACCOUNT" means the Capital Account maintained for each Partner as of the end of each fiscal year of the Partnership, (a) increased by any amounts that such Partner is obligated to restore under the standards set by Treasury Regulation Section 1.704-1(b)(2)(ii)(c)(or is deemed obligated to restore under Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5)) and (b) decreased by (i) the amount of all losses and deductions that, as of the end of such fiscal year, are reasonably expected to be allocated to such Partner in subsequent years under Sections 704(e)(2) and 706(d) of the Code and Treasury Regulation Section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that, as of the end of such fiscal year, are reasonably expected to be made to such Partner in subsequent years in accordance with the terms of this Agreement or otherwise to the extent they exceed offsetting increases to such Partner's Capital Account that are reasonably expected to occur during (or prior to) the year in which

such distributions are reasonably expected to be made (other than increases as a result of a minimum gain chargeback pursuant to Section 6.1(d)(i) or 6.1(d)(ii)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith. The "ADJUSTED CAPITAL ACCOUNT" of a Partner in respect of a General Partner Interest or any other specified interest in the Partnership shall be the amount which such Adjusted Capital Account would be if such General Partner Interest or other interest in the Partnership were the only interest in the Partnership held by a Partner from and after the date on which such General Partner Interest or other interest was first issued.

"ADJUSTED PROPERTY" means any property the Carrying Value of which has been adjusted pursuant to Section 5.5(d)(i) or 5.5(d)(ii).

"AFFILIATE" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "CONTROL" means the possession, direct or indirect, of the power to direct or cause the direction of the

management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"AGREED ALLOCATION" means any allocation, other than a Required Allocation, of an item of income, gain, loss or deduction pursuant to the provisions of Section 6.1, including, without limitation, a Curative Allocation (if appropriate to the context in which the term "AGREED ALLOCATION" is used).

"AGREED VALUE" of any Contributed Property means the fair market value of such property or other consideration at the time of contribution as determined by the General Partner using such reasonable method of valuation as it may adopt. The General Partner shall, in its discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Agreed Value of Contributed Properties contributed to the Partnership in a single or integrated transaction among each separate property on a basis proportional to the fair market value of each Contributed Property.

"AGREEMENT" means this Second Amended and Restated Agreement of Limited Partnership of Shamrock Logistics Operations, L.P., as it may be amended, supplemented or restated from time to time.

"ASSIGNEE" means a Person to whom one or more Partnership Interests have been transferred in a manner permitted under this Agreement, but who has not been admitted as a Substituted Limited Partner.

"ASSOCIATE" means, when used to indicate a relationship with any Person, (a) any corporation or organization of which such Person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock or other voting interest; (b) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same principal residence as such Person.

"AVAILABLE CASH" means, with respect to any Quarter ending prior to the Liquidation Date, and without duplication:

(a) the sum of (i) all cash and cash equivalents of the Partnership Group on hand at the end of such Quarter, and (ii) all additional cash and cash equivalents of the Partnership Group on hand on the date of determination of Available Cash with respect to such Quarter resulting from Working Capital Borrowings made subsequent to the end of such Quarter, less

(b) the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the General Partner to (i) provide for the proper conduct of

the business of the Partnership Group (including reserves for future capital expenditures and for anticipated future credit needs of the

Partnership Group) subsequent to such Quarter, (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which any Group Member is a party or by which it is bound or its assets are subject or (iii) provide funds for distributions under Section 6.4 or 6.5 of the MLP Agreement in respect of any one or more of the next four Quarters; PROVIDED, HOWEVER, that the General Partner may not establish cash reserves pursuant to (iii) above if the effect of such reserves would be that the MLP is unable to distribute the Minimum Quarterly Distribution on all Common Units, plus any Cumulative Common Unit Arrearage on all Common Units, with respect to such Quarter; and PROVIDED FURTHER, that disbursements made by a Group Member or cash reserves established, increased or reduced after the end of such Quarter but on or before the date of determination of Available Cash with respect to such Quarter shall be deemed to have been made, established, increased or reduced, for purposes of determining Available Cash, within such Quarter if the General Partner so determines.

Notwithstanding the foregoing, "AVAILABLE CASH" with respect to the Quarter in which the Liquidation Date occurs and any subsequent Quarter shall equal zero.

"BOOK-TAX DISPARITY" means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Section 5.5 and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles.

"BUSINESS DAY" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the states of New York or Texas shall not be regarded as a Business Day.

"CAPITAL ACCOUNT" means the capital account maintained for a Partner pursuant to Section 5.5. The "CAPITAL ACCOUNT" of a Partner in respect of a General Partner Interest or any other specified interest in the Partnership shall be the amount which such Capital Account would be if such General Partner Interest or other specified interest in the Partnership were the only interest in the Partnership held by a Partner from and after the date on which such General Partner Interest or other specified interest in the Partnership was first issued.

"CAPITAL CONTRIBUTION" means any cash, cash equivalents or the Net Agreed Value of Contributed Property that a Partner contributes to the Partnership pursuant to this Agreement or the Contribution Agreement.

"CARRYING VALUE" means (a) with respect to a Contributed Property, the Agreed Value of such property reduced (but not below zero) by all depreciation, amortization and cost recovery deductions charged to the Partners' and Assignees' Capital Accounts in respect of such Contributed Property, and (b) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Sections 5.5(d)(i) and 5.5(d)(ii) and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the General Partner.

"CERTIFICATE OF LIMITED PARTNERSHIP" means the Certificate of Limited Partnership of the Partnership filed with the Secretary of State of the State of Delaware as referenced in the recitals, as such Certificate of Limited Partnership may be amended, supplemented or restated from time to time.

"CLOSING DATE" means the first date on which Common Units are sold by the MLP to the Underwriters pursuant to the provisions of the Underwriting Agreement.

"CODE" means the Internal Revenue Code of 1986, as amended and in effect from time to time. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of successor law.

"COMMISSION" means the United States Securities and Exchange

Commission.

"COMMON UNIT" has the meaning assigned to such term in the MLP Agreement.

"CONTRIBUTED PROPERTY" means each property or other asset, in such form as may be permitted by the Delaware Act, but excluding cash, contributed to the Partnership. Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 5.5(d), such property shall no longer constitute a Contributed Property, but shall be deemed an Adjusted Property.

"CONTRIBUTION AGREEMENT" means that certain Contribution Agreement, dated as of the Closing Date, among the General Partner, the MLP, the Partnership and certain other parties named therein, together with the additional conveyance documents and instruments contemplated or referenced thereunder.

"CURATIVE ALLOCATION" means any allocation of an item of income, gain, deduction, loss or credit pursuant to the provisions of Section 6.1(d)(ix).

"DELAWARE ACT" means the Delaware Revised Uniform Limited Partnership Act, 6 Del. C.section.17-101, et seq., as amended, supplemented or restated from time to time, and any successor to such statute.

"DEPARTING PARTNER" means a former General Partner from and after the effective date of any withdrawal or removal of such former General Partner pursuant to Section 11.1 or 11.2.

"DSRMC" has the meaning assigned to such term in the recitals.

"ECONOMIC RISK OF LOSS" has the meaning set forth in Treasury Regulation Section 1.752-2(a).

"EVENT OF WITHDRAWAL" has the meaning assigned to such term in Section 11.1(a).

"FIRST AMENDED AGREEMENT" is defined in the recitals.

"GENERAL PARTNER" means Riverwalk Logistics, L.P. and its successors and permitted assigns as general partner of the Partnership.

"GENERAL PARTNER INTEREST" means the ownership interest of the General Partner in the Partnership (in its capacity as a general partner) and includes any and all benefits to which the General Partner is entitled as provided in this Agreement, together with all obligations of the General Partner to comply with the terms and provisions of this Agreement.

"GROUP MEMBER" means a member of the Partnership Group.

"INDEMNITEE" means (a) the General Partner, (b) any Departing Partner, (c) any Person who is or was an Affiliate of the General Partner or any Departing Partner, (d) any Person who is or was a member, partner, officer, director, employee, agent or trustee of any Group Member, the General Partner or any Departing Partner or any Affiliate of any Group Member, the General Partner or any Departing Partner, and (e) any Person who is or was serving at the request of the General Partner or any Departing Partner or any Affiliate of the General Partner or any Departing Partner as an officer, director, employee, member, partner, agent, fiduciary or trustee of another Person; PROVIDED, that a Person shall not be an Indemnitee by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services.

"INITIAL OFFERING" means the initial offering and sale of Common Units to the public, as described in the Registration Statement.

"LIMITED PARTNER" means any Person that is admitted to the Partnership as a limited partner pursuant to the terms and conditions of this Agreement; but the term Limited Partner shall not include any Person from and after the time such Person withdraws as a Limited Partner from the Partnership.

"LIMITED PARTNER INTEREST" means the ownership interest of a

Limited Partner or Assignee in the Partnership and includes any and all benefits to which such Limited Partner or Assignee is entitled as provided in this Agreement, together with all obligations of such Limited Partner or Assignee to comply with the terms and provisions of this Agreement.

"LIQUIDATION DATE" means (a) in the case of an event giving rise to the dissolution of the Partnership of the type described in clauses (a) and (b) of the first sentence of Section 12.2, the date on which the applicable time period during which the Partners have the right to elect to reconstitute the Partnership and continue its business has expired without such an election being made, and (b) in the case of any other event giving rise to the dissolution of the Partnership, the date on which such event occurs.

"LIQUIDATOR" means one or more Persons selected by the General Partner to perform the functions described in Section 12.3 as liquidating trustee of the Partnership within the meaning of the Delaware Act.

"MERGER AGREEMENT" has the meaning assigned to such term in Section 14.1.

"MINIMUM QUARTERLY DISTRIBUTION" has the meaning assigned to such term in the MLP Agreement.

"MLP" means Shamrock Logistics, L.P.

"MLP AGREEMENT" means the Second Amended and Restated Agreement of Limited Partnership of Shamrock Logistics, L.P., as it may be amended, supplemented or restated from time to time.

"MLP SECURITY" has the meaning assigned to the term "Partnership Security" in the MLP Agreement.

"NATIONAL SECURITIES EXCHANGE" has the meaning assigned to such term in the MLP Agreement.

"NET AGREED VALUE" means, (a) in the case of any Contributed Property, the Agreed Value of such property reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed, and (b) in the case of any property distributed to a Partner or Assignee by the Partnership,

the Partnership's Carrying Value of such property (as adjusted pursuant to Section 5.5(d)(ii)) at the time such property is distributed, reduced by any indebtedness either assumed by such Partner or Assignee upon such distribution or to which such property is subject at the time of distribution, in either case, as determined under Section 752 of the Code.

"NEW DEBT" has the meaning assigned to such term in Section 5.2(f).

"NET INCOME" means, for any taxable year, the excess, if any, of the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included in the calculation of Net Income shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(d).

"NET LOSS" means, for any taxable year, the excess, if any, of the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included in the calculation of Net Loss shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(d).

"NET TERMINATION GAIN" means, for any taxable year, the sum, if positive, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Gain shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"NET TERMINATION LOSS" means, for any taxable year, the sum, if negative, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Loss shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"NONRECOURSE BUILT-IN GAIN" means with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to Sections 6.2(b)(i)(A), 6.2(b)(ii)(A) and 6.2(b)(iii) if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

"NONRECOURSE DEDUCTIONS" means any and all items of loss, deduction or expenditure (including, without limitation, any expenditure described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(b), are attributable to a Nonrecourse Liability.

"NONRECOURSE LIABILITY" has the meaning set forth in Treasury Regulation Section 1.752-1(a)(2).

"OMNIBUS AGREEMENT" has the meaning assigned to such term in the MLP Agreement.

"OPINION OF COUNSEL" means a written opinion of counsel (which may be regular counsel to the Partnership or the General Partner or any of its Affiliates) acceptable to the General Partner in its reasonable discretion.

"ORGANIZATIONAL LIMITED PARTNER" means Todd Walker in his capacity as the organizational limited partner of the Partnership pursuant to this Agreement.

"PARTNER NONRECOURSE DEBT" has the meaning set forth in Treasury Regulation Section 1.704-2(b)(4).

"PARTNER NONRECOURSE DEBT MINIMUM GAIN" has the meaning set forth in Treasury Regulation Section 1.704-2(i)(2).

"PARTNER NONRECOURSE DEDUCTIONS" means any and all items of loss, deduction or expenditure (including, without limitation, any expenditure described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(i), are attributable to a Partner Nonrecourse Debt.

"PARTNERS" means the General Partner and the Limited Partners.

"PARTNERSHIP" means Shamrock Logistics Operations, L.P., a Delaware limited partnership, and any successors thereto.

"PARTNERSHIP GROUP" means the Partnership and any Subsidiary of any such entity, treated as a single consolidated entity.

"PARTNERSHIP INTEREST" means an ownership interest of a Partner in the Partnership, which shall include the General Partner Interest and the Limited Partner Interests.

"PARTNERSHIP MINIMUM GAIN" means that amount determined in accordance with the principles of Treasury Regulation Section 1.704-2(d).

"PERCENTAGE INTEREST" means the percentage interest in the Partnership held by each Partner upon completion of the transactions in Section 5.2 and shall mean, (a) as to the General Partner, 1.0101%, and (b) as to the Limited Partner, 98.9899%.

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

"PRIOR AGREEMENT" is defined in the recitals.

"PRO RATA" means, when modifying Partners and Assignees, apportioned among all Partners and Assignees in accordance with their relative Percentage Interests.

"QUARTER" means, unless the context requires otherwise, a fiscal quarter of the Partnership.

"RECAPTURE INCOME" means any gain recognized by the Partnership (computed without regard to any adjustment required by Section 734 or Section 743 of the Code) upon the disposition of any property or asset of the Partnership, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or asset.

"REGISTRATION STATEMENT" means the Registration Statement on Form S-1 (Registration No. 333-43668) as it has been or as it may be amended or supplemented from time to time, filed by the MLP with the Commission under the Securities Act to register the offering and sale of the Common Units in the Initial Offering.

"REQUIRED ALLOCATIONS" means (a) any limitation imposed on any allocation of Net Losses or Net Termination Losses under Section 6.1(b) or 6.1(c)(ii) and (b) any allocation of an item of income, gain, loss or deduction pursuant to Section 6.1(d)(i), 6.1(d)(ii), 6.1(d)(iv), 6.1(d)(vii) or 6.1(d)(ix).

"RESIDUAL GAIN" OR "RESIDUAL LOSS" means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 6.2(b)(i)(A) or 6.2(b)(ii)(A), respectively, to eliminate Book-Tax Disparities.

"RESTRICTED BUSINESS" has the meaning assigned to such term in the Omnibus Agreement.

"SECURITIES ACT" means the Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute.

"SERVICES AGREEMENT" has the meaning assigned to such term in the MLP Agreement.

"SHAMROCK GP" has the meaning assigned to such term in the recitals.

"SKELLY-BELVIEU" has the meaning assigned to such term in Section 2.4.

"SKELLY-BELVIEU AGREEMENT" means the limited liability company operating agreement of Skelly-Belvieu Pipeline Company, LLC, as it may be amended, supplemented or restated from time to time.

"SPECIAL APPROVAL" has the meaning assigned to such term in the MLP Agreement.

"SUBORDINATED UNIT" has the meaning assigned to such term in the MLP Agreement.

"SUBORDINATION PERIOD" has the meaning assigned to such term in the MLP Agreement.

"SUBSIDIARY" means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, or (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

"SUBSTITUTED LIMITED PARTNER" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 10.2 in place of and with all the rights of a Limited Partner and who is shown as a Limited Partner on the books and records of the Partnership.

"SURVIVING BUSINESS ENTITY" has the meaning assigned to such term in Section 14.2(b).

"TRANSFER" has the meaning assigned to such term in Section 4.1(a).

"UDS LOGISTICS" has the meaning assigned to such term in Section 5.2(b).

"UNDERWRITER" means each Person named as an underwriter in Schedule I to the Underwriting Agreement who purchases Common Units pursuant thereto.

"UNDERWRITING AGREEMENT" means the Underwriting Agreement dated April 9, 2001 among the Underwriters, the MLP, the Partnership and certain other parties, providing for the purchase of Common Units by such Underwriters.

"UNIT" has the meaning assigned to such term in the MLP Agreement.

"UNIT MAJORITY" has the meaning assigned to such term in the MLP Agreement.

"UNREALIZED GAIN" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date (as determined under Section 5.5(d)) over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date).

"UNREALIZED LOSS" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date) over (b) the fair market value of such property as of such date (as determined under Section 5.5(d)).

"U.S. GAAP" means United States Generally Accepted Accounting Principles consistently applied.

"WITHDRAWAL OPINION OF COUNSEL" has the meaning assigned to such term in Section 11.1(b).

"WORKING CAPITAL BORROWINGS" means borrowings used solely for working capital purposes or to pay distribution to Partners made pursuant to a credit facility or other arrangement requiring all such borrowings thereunder to be reduced to a relatively small amount each year for an economically meaningful period of time.

SECTION 1.2 CONSTRUCTION.

Unless the context requires otherwise: (a) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (b) references to Articles and Sections

refer to Articles and Sections of this Agreement; and (c) the term "include" or "includes" means includes, without limitation, and "including" means including, without limitation.

ARTICLE II
ORGANIZATION

SECTION 2.1 FORMATION.

The General Partner and the Organizational Limited Partner have previously formed the Partnership as a limited partnership pursuant to the provisions of the Delaware Act and hereby amend and restate the First Amended Agreement in its entirety. This second amendment and restatement shall become

effective on the date of this Agreement. Except as expressly provided to the contrary in this Agreement, the rights, duties (including fiduciary duties), liabilities and obligations of the Partners and the administration, dissolution and termination of the Partnership shall be governed by the Delaware Act. All Partnership Interests shall constitute personal property of the owner thereof for all purposes and a Partner has no interest in specific Partnership property.

SECTION 2.2 NAME.

The name of the Partnership shall be "SHAMROCK LOGISTICS OPERATIONS, L.P." The Partnership's business may be conducted under any other name or names deemed necessary or appropriate by the General Partner in its sole discretion, including the name of the General Partner. The words "Limited Partnership," "L.P." or "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purpose of complying with the laws of any jurisdiction that so requires. The General Partner in its discretion may change the name of the Partnership at any time and from time to time and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

SECTION 2.3 REGISTERED OFFICE; REGISTERED AGENT; PRINCIPAL OFFICE; OTHER OFFICES.

Unless and until changed by the General Partner, the registered office of the Partnership in the State of Delaware shall be located at 1209 Orange Street, Wilmington, Delaware 19801, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be The Corporation Trust Company. The principal office of the Partnership shall be located at 6000 North Loop 1604 West, San Antonio, Texas 78249 or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems necessary or appropriate. The address of the General Partner shall be 6000 North Loop 1604 West, San Antonio, Texas 78249 or such other place as the General Partner may from time to time designate by notice to the Limited Partners.

SECTION 2.4 PURPOSE AND BUSINESS.

The purpose and nature of the business to be conducted by the Partnership shall be to (a) acquire, manage, operate, lease, sell and otherwise deal with the assets or properties contributed to the Partnership by the Partners or hereafter acquired by the Partnership, (b) serve as a non-managing member of Skelly-Belvieu Pipeline Company, LLC ("SKELLEY-BELVIEU"), a Delaware limited liability company, and, in connection therewith, to exercise all the rights and powers conferred upon the Partnership as a non-managing member of Skelley-Belvieu pursuant to the Skelly-Belvieu Agreement, (c) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in any type of business or activity engaged in by Skelly-Belvieu and its Subsidiaries prior to the Closing Date and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity, (d) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by the General Partner and which lawfully may be conducted by a limited partnership organized pursuant to the Delaware Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity, and (e) do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans to a Group Member, the MLP or any Subsidiary of the MLP; PROVIDED, HOWEVER, in the case of (c) and (d) above, that the General Partner reasonably determines, as of the date of the acquisition or commencement of such activity, that such activity (i) generates "QUALIFYING INCOME" (as such term is defined pursuant to Section 7704 of the Code) or (ii) enhances the operations of an activity of the Partnership that generates qualifying income. The General Partner has no obligation or duty to the Partnership, the Limited Partners, or the Assignees to propose or approve, and in its discretion may decline to propose or approve, the conduct by the Partnership of any business.

SECTION 2.5 POWERS.

The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 2.4 and for the protection and benefit of the Partnership.

SECTION 2.6 POWER OF ATTORNEY.

(a) Each Partner and each Assignee hereby constitutes and appoints the General Partner and, if a Liquidator shall have been selected pursuant to Section 12.3, the Liquidator (and any successor to the Liquidator by

merger, transfer, assignment, election or otherwise) and each of their authorized officers and attorneys-in-fact, as the case may be, with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including this Agreement and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) that the General Partner or the Liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (B) all certificates, documents and other instruments that the General Partner or the Liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including conveyances and a certificate of cancellation) that the General Partner or the Liquidator deems necessary or appropriate to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article IV, X, XI or XII; (E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Partnership Interests issued pursuant hereto; and (F) all certificates, documents and other instruments (including agreements and a certificate of merger) relating to a merger or consolidation of the Partnership pursuant to Article XIV; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments necessary or appropriate, in the discretion of the General Partner or the Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or is necessary or appropriate, in the discretion of the General Partner or the Liquidator, to effectuate the terms or intent of this Agreement; PROVIDED, that when required by any provision of this Agreement that establishes a percentage of the Limited Partners or of the Limited Partners of any class or series required to take any action, the General Partner and the Liquidator may exercise the power of attorney made in this Section 2.6(a)(ii) only after the necessary vote, consent or approval of the Limited Partners or of the Limited Partners of such class or series, as applicable.

Nothing contained in this Section 2.6(a) shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article XIII or as may be otherwise expressly provided for in this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and, to the maximum extent permitted by law, not be affected by the subsequent death, incompetency, disability, incapacity, dissolution,

bankruptcy or termination of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Interest and shall extend to such Limited Partner's or Assignee's successors and assigns. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee, to the maximum extent permitted by law, hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within 15 days after receipt of the request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator deems necessary to effectuate this Agreement and the purposes of the Partnership.

SECTION 2.7 TERM.

The term of the Partnership commenced upon the filing of the Certificate

of Limited Partnership in accordance with the Delaware Act and shall have a perpetual existence unless dissolved in accordance with the provisions of Article XII. The existence of the Partnership as a separate legal entity shall continue until the cancellation of the Certificate of Limited Partnership as provided in the Delaware Act.

SECTION 2.8 TITLE TO PARTNERSHIP ASSETS.

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner or Assignee, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner, one or more of its Affiliates or one or more nominees, as the General Partner may determine. The General Partner hereby declares and warrants that any Partnership assets for which record title is held in the name of the General Partner or one or more of its Affiliates or one or more nominees shall be held by the General Partner or such Affiliate or nominee for the use and benefit of the Partnership in accordance with the provisions of this Agreement; PROVIDED, HOWEVER, that the General Partner shall use reasonable efforts to cause record title to such assets (other than those assets in respect of which the General Partner determines that the expense and difficulty of conveyancing makes transfer of record title to the Partnership impracticable) to be vested in the Partnership as soon as reasonably practicable; PROVIDED, FURTHER, that, prior to the withdrawal or removal of the General Partner or as soon thereafter as practicable, the General Partner shall use reasonable efforts to effect the transfer of record title to the Partnership and, prior to any such transfer, will provide for the use of such assets in a manner satisfactory to the General Partner. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which record title to such Partnership assets is held.

ARTICLE III
RIGHTS OF LIMITED PARTNERS

SECTION 3.1 LIMITATION OF LIABILITY.

The Limited Partners and the Assignees shall have no liability under this Agreement except as expressly provided in this Agreement or in the Delaware Act.

SECTION 3.2 MANAGEMENT OF BUSINESS.

No Limited Partner or Assignee, in its capacity as such, shall participate in the operation, management or control (within the meaning of the Delaware Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. Any action taken by any Affiliate of the General Partner or any officer, director, employee, member, general partner, agent or trustee of the General Partner or any of its Affiliates, or any officer, director, employee, member, general partner, agent or trustee of a Group Member, in its capacity as such, shall not be deemed to be participation in the control of the business of the Partnership by a limited partner of the Partnership (within the meaning of Section 17-303(a) of the Delaware Act) and shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

SECTION 3.3 OUTSIDE ACTIVITIES OF THE LIMITED PARTNERS.

Subject to the provisions of Section 7.5 and the Omnibus Agreement, which shall continue to be applicable to the Persons referred to therein, regardless of whether such Persons shall also be Limited Partners or Assignees, any Limited Partner or Assignee shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership Group. Neither the Partnership nor any of the other Partners or Assignees shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee.

SECTION 3.4 RIGHTS OF LIMITED PARTNERS.

(a) In addition to other rights provided by this Agreement or by applicable law, and except as limited by Section 3.4(b), each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon reasonable written demand and at such Limited Partner's own expense:

(i) to obtain true and full information regarding the status of the business and financial condition of the Partnership;

(ii) promptly after becoming available, to obtain a copy of the Partnership's federal, state and local income tax returns for each year;

(iii) to have furnished to him a current list of the name and last known business, residence or mailing address of each Partner;

(iv) to have furnished to him a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement, the Certificate of Limited Partnership and all amendments thereto have been executed;

(v) to obtain true and full information regarding the amount of cash and a description and statement of the Net Agreed Value of any other Capital Contribution by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner; and

(vi) to obtain such other information regarding the affairs of the Partnership as is just and reasonable.

(b) The General Partner may keep confidential from the Limited Partners and Assignees, for such period of time as the General Partner deems reasonable, (i) any information that the General Partner reasonably believes to be in the nature of trade secrets or (ii) other information the disclosure of which the General Partner in good faith believes (A) is not in the best interests of the MLP or the Partnership Group, (B) could damage the MLP or the Partnership Group or (C) that any Group Member is required by law or by agreement with any third party to keep confidential (other than agreements with Affiliates of the Partnership the primary purpose of which is to circumvent the obligations set forth in this Section 3.4).

ARTICLE IV
TRANSFERS OF PARTNERSHIP INTERESTS

SECTION 4.1 TRANSFER GENERALLY.

(a) The term "transfer," when used in this Agreement with respect to a Partnership Interest, shall be deemed to refer to a transaction by which the General Partner assigns its General Partner Interest to another Person who becomes the General Partner (or an Assignee) or by which the holder of a Limited Partner Interest assigns such Limited Partner Interest to another Person who becomes a Limited Partner (or an Assignee), and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise.

(b) No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article IV. Any transfer or purported

transfer of a Partnership Interest not made in accordance with this Article IV shall be null and void.

(c) Nothing contained in this Agreement shall be construed to prevent (i) a disposition by any limited partner of the General Partner of any or all of the issued and outstanding limited partner interests of the General Partner or (ii) a disposition by any general partner of the General Partner of any or all of the issued and outstanding capital stock or other equity interests of such general partner.

SECTION 4.2 TRANSFER OF GENERAL PARTNER'S PARTNERSHIP INTEREST.

If a General Partner transfers its interest as a general partner of the MLP to any Person in accordance with the provisions of the MLP Agreement, such General Partner shall contemporaneously therewith transfer all, but not less than all, of its General Partner Interest herein to such Person, and the Limited Partners and Assignees, if any, hereby expressly consent to such transfer. Except as set forth in the immediately preceding sentence and in Section 5.2, a General Partner may not transfer all or any part of its Partnership Interest as a General Partner.

SECTION 4.3 TRANSFER OF A LIMITED PARTNER'S PARTNERSHIP INTEREST.

A Limited Partner may transfer all, but not less than all, of its Partnership Interest as a Limited Partner in connection with the merger, consolidation or other combination of such Limited Partner with or into any other Person or the transfer by such Limited Partner of all or substantially all

of its assets to another Person, and following any such transfer such Person may become a Substituted Limited Partner pursuant to Article X. Except as set forth in the immediately preceding sentence and in Section 5.2, or in connection with any pledge of (or any related foreclosure on) a Partnership Interest as a Limited Partner solely for the purpose of securing, directly or indirectly, indebtedness of the Partnership or the MLP, and except for the transfers contemplated by Sections 5.2 and 10.2, a Limited Partner may not transfer all or any part of its Partnership Interest or withdraw from the Partnership.

SECTION 4.4 RESTRICTIONS ON TRANSFERS.

(a) Notwithstanding the other provisions of this Article IV, no transfer of any Partnership Interest shall be made if such transfer would (i) violate the then applicable federal or state securities laws or rules and regulations of the Commission, any state securities commission or any other governmental authority with jurisdiction over such transfer, (ii) terminate the existence or qualification of the Partnership or the MLP under the laws of the jurisdiction of its formation or (iii) cause the Partnership or the MLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed).

(b) The General Partner may impose restrictions on the transfer of Partnership Interests if a subsequent Opinion of Counsel determines that such restrictions are necessary to avoid a significant risk of the Partnership or the MLP becoming taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes. The restrictions may be imposed by making such amendments to this Agreement as the General Partner may determine to be necessary or appropriate to impose such restrictions.

ARTICLE V
CAPITAL CONTRIBUTIONS AND ISSUANCE OF PARTNERSHIP INTERESTS

SECTION 5.1 INITIAL CONTRIBUTIONS.

In connection with the formation of the Partnership under the Delaware Act, Shamrock GP, the former general partner, made an initial Capital Contribution to the Partnership in the amount of $10.00, for an interest in the Partnership and was admitted as the General Partner of the Partnership, and the Organizational Limited Partner made an initial Capital Contribution to the Partnership in the amount of $990.00 for an interest in the Partnership and has been admitted as a Limited Partner of the Partnership. On August 10, 2000, the Certificate of Limited Partnership of the Partnership was amended to reflect the substitution of the General Partner as general partner of the Partnership and the withdrawal of Shamrock GP. As of the Closing Date, the interest of the Organizational Limited Partner shall be redeemed as provided in the Contribution Agreement; the initial Capital Contributions of each Partner shall thereupon be refunded; and the Organizational Limited Partner shall cease to be a Limited Partner of the Partnership. Ninety-nine percent of any interest or other profit that may have resulted from the investment or other use of such initial Capital Contributions shall be allocated and distributed to the Organizational Limited Partner, and the balance thereof shall be allocated and distributed to the General Partner.

SECTION 5.2 CONTRIBUTIONS PURSUANT TO THE CONTRIBUTION AGREEMENT.

(a) On the Closing Date and pursuant to the Contribution Agreement, DSRMC will contribute a portion of its limited partner interests in the Partnership to the General Partner sufficient to result in the General Partner owning a 1.0101% interest in the Partnership and 1% interest in the MLP. Such transfers will be accomplished by DSRMC transferring as capital contributions (1) such limited partner interests in the Partnership to Shamrock GP as are necessary so that Shamrock GP will have a 0.1% interest in the General Partner and (2) such limited partner interests in the Partnership to UDS Logistics, LLC, a Delaware limited liability company ("UDS LOGISTICS") as are necessary so that UDS Logistics will have a 99.99% interest in the General Partner.

(b) On the Closing Date and pursuant to the Contribution Agreement, Shamrock GP and UDS Logistics will contribute limited partner interests in the Partnership to the General Partner as capital contributions. Such limited partner interests owned by the General

Partner will be converted to general partner interests so that the General Partner has a 1.0101% general partner interest in the Partnership.

(c) On the Closing Date and pursuant to the Contribution Agreement, DSRMC and Sigmor Corporation will contribute limited partner interests in the Partnership to UDS Logistics in exchange for member interests.

(d) On the Closing Date and pursuant to the Contribution Agreement, the General Partner will contribute limited partner interests in the Partnership to the MLP in exchange for a 1% general partner interest in the MLP.

(e) On the Closing Date and pursuant to the Contribution Agreement, UDS Logistics will contribute limited partner interests in the Partnership to the MLP in exchange for Common Units and Subordinated Units.

(f) On the Closing Date and pursuant to the Contribution Agreement, the Partnership will borrow new third party debt ("NEW DEBT"). As a result of the preceding transactions, the General Partner will then have a 1.0101% general partner interest in the Partnership and Shamrock GP will then have a 0.1% general partner interest in the General Partner.

(g) On the Closing Date and pursuant to the Contribution Agreement, the MLP shall offer Common Units to the public in the Initial Offering.

(h) On the Closing Date and pursuant to the Contribution Agreement, the MLP will contribute the cash received from the Initial Offering of Common Units as described in (g) above, to the Partnership in exchange for a Limited Partner Interest.

(i) On the Closing Date and pursuant to the Contribution Agreement, the Partnership will (a) pay certain expenses related to the transactions described in the Registration Statement, (b) repay working capital loan, (c) reimburse the General Partner and others for capital expenditures and (d) pay qualified debt assumed by the Partnership in certain of the mergers and asset conveyances, as described in the Registration Statement.

(j) Following the foregoing transactions, the General Partner shall hold a 1.0101% Partnership Interest as General Partner, and the MLP shall hold a 98.9899% Partnership Interest as a Limited Partner.

SECTION 5.3 ADDITIONAL CAPITAL CONTRIBUTIONS.

With the consent of the General Partner, any Limited Partner may, but shall not be obligated to, make additional Capital Contributions to the Partnership. Contemporaneously with the making of any Capital Contributions by a Limited Partner, in addition to those provided in

Sections 5.1 and 5.2, the General Partner shall be obligated to make an additional Capital Contribution to the Partnership in an amounts equal to 1.0101 divided by 98.9899 times the amount of the additional Capital Contribution then made by such Limited Partner. Except as set forth in the immediately preceding sentence and in Article XII, the General Partner shall not be obligated to make any additional Capital Contributions to the Partnership.

SECTION 5.4 INTEREST AND WITHDRAWAL.

No interest shall be paid by the Partnership on Capital Contributions. No Partner or Assignee shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent, if any, that distributions made pursuant to this Agreement or upon termination of the Partnership may be considered as such by law and then only to the extent provided for in this Agreement. Except to the extent expressly provided in this Agreement, no Partner or Assignee shall have priority over any other Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions. Any such return shall be a compromise to which all Partners and Assignees agree within the meaning of Section 17-502(b) of the Delaware Act.

SECTION 5.5 CAPITAL ACCOUNTS.

(a) The Partnership shall maintain for each Partner (or a beneficial owner of Partnership Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion) owning a Partnership Interest a separate Capital Account with respect to such Partnership Interest in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions made to the Partnership with respect to such Partnership Interest pursuant to this Agreement and (ii) all items of Partnership income and gain (including, without limitation, income and gain exempt from tax) computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1, and decreased by (x) the amount of cash or Net Agreed Value of all actual and deemed distributions of cash or property made with respect to such

Partnership Interest pursuant to this Agreement and (y) all items of Partnership deduction and loss computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1.

(b) For purposes of computing the amount of any item of income, gain, loss or deduction which is to be allocated pursuant to Article VI and is to be reflected in the Partners' Capital Accounts, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes (including, without limitation, any method of depreciation, cost recovery or amortization used for that purpose), provided, that:

(i) Solely for purposes of this Section 5.5, the Partnership shall be treated as owning directly its proportionate share (as determined by the General Partner) of all property owned by any Subsidiary of the Partnership that is classified as a partnership for federal income tax purposes.

(ii) All fees and other expenses incurred by the Partnership to promote the sale of (or to sell) a Partnership Interest that can neither be deducted nor amortized under Section 709 of the Code, if any, shall, for purposes of Capital Account maintenance, be treated as an item of deduction at the time such fees and other expenses are incurred and shall be allocated among the Partners pursuant to Section 6.1.

(iii) Except as otherwise provided in Treasury Regulation Section 1.704-1(b)(2)(iv)(m), computation of all items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code which may be made by the Partnership and, as to those items described in Section 705(a)(1)(B) or 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment in the Capital Accounts shall be treated as an item of gain or loss.

(iv) Any income, gain or loss attributable to the taxable disposition of any Partnership property shall be determined as if the adjusted basis of such property as of such date of disposition were equal in amount to the Partnership's Carrying Value with respect to such property as of such date.

(v) In accordance with the requirements of Section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Partnership were equal to the Agreed Value of such property. Upon an adjustment pursuant to Section 5.5(d) to the Carrying Value of any Partnership property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined (A) as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment and (B) using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; PROVIDED, HOWEVER, that, if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization deductions shall be determined using any reasonable method that the General Partner may adopt.

(vi) If the Partnership's adjusted basis in a depreciable or cost recovery property is reduced for federal income tax purposes pursuant to Section 48(q)(1) or 48(q)(3) of the Code, the amount of such reduction shall, solely for purposes hereof, be deemed to be an additional depreciation or cost recovery deduction in the year such property is placed in service and shall be allocated among the Partners pursuant to Section 6.1. Any restoration of such basis pursuant to Section 48(q)(2) of the Code shall, to the extent possible, be allocated in the same manner to the Partners to whom such deemed deduction was allocated.

(c) A transferee of a Partnership Interest shall succeed to a

pro rata portion of the Capital Account of the transferor relating to the Partnership Interest so transferred.

(d) (i) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), on an issuance of additional Partnership Interests for cash or Contributed Property or the conversion of the General Partner's Partnership Interest to Common Units pursuant to Section 11.3(a), the Capital Accounts of all Partners and the Carrying Value of each Partnership property immediately prior to such issuance shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property immediately prior to such issuance and had been allocated to the Partners at such time pursuant to Section 6.1(c) in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to the issuance of additional Partnership Interests shall be determined by the General Partner using such reasonable method of valuation as it may adopt; PROVIDED, HOWEVER, that the General Partner, in arriving at such valuation, must take fully into account the fair market value of the Partnership Interests of all Partners at such time. The General Partner shall allocate such aggregate value among the assets of the Partnership (in such manner as it determines in its discretion to be reasonable) to arrive at a fair market value for individual properties.

(ii) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), immediately prior to any actual or deemed distribution to a Partner of any Partnership property (other than a distribution of cash that is not in redemption or retirement of a Partnership Interest), the Capital Accounts of all Partners and the Carrying Value of all Partnership property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value, and had been allocated to the Partners, at such time, pursuant to Section 6.1(c) in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss the aggregate

cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to a distribution shall (A) in the case of an actual distribution which is not made pursuant to Section 12.4 or in the case of a deemed distribution, be determined and allocated in the same manner as that provided in Section 5.5(d)(i) or (B) in the case of a liquidating distribution pursuant to Section 12.4, be determined and allocated by the Liquidator using such reasonable method of valuation as it may adopt.

SECTION 5.6 LOANS FROM PARTNERS.

Loans by a Partner to the Partnership shall not constitute Capital Contributions. If any Partner shall advance funds to the Partnership in excess of the amounts required hereunder to be contributed by it to the capital of the Partnership, the making of such excess advances shall not result in any increase in the amount of the Capital Account of such Partner. The amount of any such excess advances shall be a debt obligation of the Partnership to such Partner and shall be payable or collectible only out of the Partnership assets in accordance with the terms and conditions upon which such advances are made.

SECTION 5.7 LIMITED PREEMPTIVE RIGHTS.

Except as provided in Section 5.3, no Person shall have preemptive, preferential or other similar rights with respect to (a) additional Capital Contributions; (b) issuance or sale of any class or series of Partnership Interests, whether unissued, held in the treasury or hereafter created; (c) issuance of any obligations, evidences of indebtedness or other securities of the Partnership convertible into or exchangeable for, or carrying or accompanied by any rights to receive, purchase or subscribe to, any such Partnership Interests; (d) issuance of any right of subscription to or right to receive, or any warrant or option for the purchase of, any such Partnership Interests; or (e) issuance or sale of any other securities that may be issued or sold by the Partnership.

SECTION 5.8 FULLY PAID AND NON-ASSESSABLE NATURE OF PARTNERSHIP INTERESTS.

All Partnership Interests issued to Limited Partners pursuant to, and in accordance with the requirements of, this Article V shall be fully paid and non-assessable Partnership Interests, except as such non-assessability may be affected by Section 17-607 of the Delaware Act.

ARTICLE VI
ALLOCATIONS AND DISTRIBUTIONS

SECTION 6.1 ALLOCATIONS FOR CAPITAL ACCOUNT PURPOSES.

For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction

(computed in accordance with Section 5.5(b)) shall be allocated among the Partners in each taxable year (or portion thereof) as provided herein below.

(a) NET INCOME. After giving effect to the special allocations set forth in Section 6.1(d), Net Income for each taxable year and all items of income, gain, loss and deduction taken into account in computing Net Income for such taxable year shall be allocated among the Partners as follows:

(i) First, 100% to the General Partner until the aggregate Net Income allocated to the General Partner pursuant to this Section 6.1(a)(i) for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 6.1(b)(ii) for all previous taxable years;

(ii) Second, 1.0101% to the General Partner and 98.9899% to the Limited Partners, in proportion to their respective Percentage Interests.

(b) NET LOSSES. After giving effect to the special allocations set forth in Section 6.1(d), Net Losses for each taxable period and all items of income, gain, loss and deduction taken into account in computing Net Losses for such taxable period shall be allocated among the Partners as follows:

(i) First, 1.0101% to the General Partner and 98.9899% to the Limited Partners, in accordance with their respective Percentage Interests; PROVIDED, HOWEVER, that Net Losses shall not be allocated to a Limited Partner pursuant to this Section 6.1(b)(i) to the extent that such allocation would cause a Limited Partner to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in such Limited Partners's Adjusted Capital Account);

(ii) Second, the balance, if any, 100% to the General Partner.

(c) NET TERMINATION GAINS AND LOSSES. After giving effect to the special allocations set forth in Section 6.1(d), all items of income, gain, loss and deduction taken into account in computing Net Termination Gain or Net Termination Loss for such taxable period shall be allocated in the same manner as such Net Termination Gain or Net Termination Loss is allocated hereunder. All allocations under this Section 6.1(c) shall be made after Capital Account balances have been adjusted by all other allocations provided under this Section 6.1 and after all distributions of Available Cash provided under Section 6.4 have been made with respect to the taxable period ending on or before the Liquidation Date; PROVIDED, HOWEVER, that solely for purposes of this Section 6.1(c), Capital Accounts shall not be adjusted for distributions made pursuant to Section 12.4.

(i) If a Net Termination Gain is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Gain shall be allocated among the Partners in the following manner (and the Capital Accounts of the Partners shall be increased by the amount so allocated in each of the following subclauses, in the order listed, before an allocation is made pursuant to the next succeeding subclause):

(A) First, to each Partner having a deficit balance in its Capital Account, in the proportion that such deficit balance bears to the total deficit balances in the Capital Accounts of all Partners, until each such Partner has been allocated Net Termination Gain equal to any such deficit balance in its Capital Account; and

(B) Second, 1.0101% to the General Partner and 98.9899%

to the Limited Partners, in proportion to their respective Percentage Interests.

(ii) If a Net Termination Loss is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Loss shall be allocated among the Partners in the following manner:

(A) First, to the General Partner and the Limited Partners in proportion to, and to the extent of, the positive balances in their respective Capital Accounts; and

(B) Second, the balance, if any, 100% to the General Partner.

(d) SPECIAL ALLOCATIONS. Notwithstanding any other provision of this Section 6.1, the following special allocations shall be made for such taxable period:

(i) PARTNERSHIP MINIMUM GAIN CHARGEBACK. Notwithstanding any other provision of this Section 6.1, if there is a net decrease in Partnership Minimum Gain during any Partnership taxable period, each Partner shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(f)(6), 1.704-2(g)(2) and 1.704-2(j)(2)(i), or any successor provision. For purposes of this Section 6.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(d) with respect to such taxable period (other than an allocation pursuant to Sections 6.1(d)(v) and 6.1(d)(vi)). This Section 6.1(d)(i) is intended to comply with the Partnership Minimum Gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) CHARGEBACK OF PARTNER NONRECOURSE DEBT MINIMUM GAIN. Notwithstanding the other provisions of this Section 6.1 (other than Section 6.1(d)(i)),

except as provided in Treasury Regulation Section 1.704-2(i)(4), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any Partnership taxable period, any Partner with a share of Partner Nonrecourse Debt Minimum Gain at the beginning of such taxable period shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 6.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(d), other than Section 6.1(d)(i) and other than an allocation pursuant to Sections 6.1(d)(v) and 6.1(d)(vi), with respect to such taxable period. This Section 6.1(d)(ii) is intended to comply with the chargeback of items of income and gain requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(iii) QUALIFIED INCOME OFFSET. In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations promulgated under Section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible unless such deficit balance is otherwise eliminated pursuant to Section 6.1(d)(i) or (ii).

(iv) GROSS INCOME ALLOCATIONS. In the event any Partner has a deficit balance in its Capital Account at the end of any Partnership taxable period in excess of the sum of (A) the amount such Partner is required to restore pursuant to the provisions of this Agreement and (B) the amount such Partner is deemed obligated to restore pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), such Partner shall be specially allocated items of Partnership gross income and gain in the amount of such excess as quickly as possible; PROVIDED, that an allocation pursuant to this Section 6.1(d)(iv) shall be made only if and to the extent that such Partner would have a deficit balance in its Capital Account as adjusted after all other allocations provided for in this Section 6.1 have been tentatively made as if this Section 6.1(d)(iv) were not in this Agreement.

(v) NONRECOURSE DEDUCTIONS. Nonrecourse Deductions for any taxable period shall be allocated to the Partners in accordance with their respective Percentage Interests. If the General Partner determines in its good faith discretion that the Partnership's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Treasury Regulations promulgated under Section 704(b) of the Code, the General Partner is authorized, upon notice to the other Partners, to revise the prescribed ratio to the numerically closest ratio that does satisfy such requirements.

(vi) PARTNER NONRECOURSE DEDUCTIONS. Partner Nonrecourse Deductions for any taxable period shall be allocated 100% to the Partner that bears the Economic Risk of Loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulation Section 1.704-2(i). If more than one Partner bears the Economic Risk of Loss with respect to a Partner Nonrecourse Debt, such Partner Nonrecourse Deductions attributable thereto shall be allocated between or among such Partners in accordance with the ratios in which they share such Economic Risk of Loss.

(vii) NONRECOURSE LIABILITIES. For purposes of Treasury Regulation Section 1.752-3(a)(3), the Partners agree that Nonrecourse Liabilities of the Partnership in excess of the sum of (A) the amount of Partnership Minimum Gain and (B) the total amount of Nonrecourse Built-in Gain shall be allocated among the Partners in accordance with their respective Percentage Interests.

(viii) CODE SECTION 754 ADJUSTMENTS. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(c) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Treasury Regulations.

(ix) CURATIVE ALLOCATION.

(A) Notwithstanding any other provision of this Section 6.1, other than the Required Allocations, the Required Allocations shall be taken into account in making the Agreed Allocations so that, to the extent possible, the net amount of items of income, gain, loss and deduction allocated to each Partner pursuant to the Required Allocations and the Agreed Allocations, together, shall be equal to the net amount of such items that would have been allocated to each such Partner under the Agreed Allocations had the Required Allocations and the related Curative Allocation not otherwise been provided in this Section 6.1. Notwithstanding the preceding sentence, Required Allocations relating to (1) Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partnership Minimum Gain and (2) Partner Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partner Nonrecourse Debt Minimum Gain. Allocations pursuant to this Section 6.1(d)(ix)(A) shall only be made with respect to Required Allocations to the extent the General Partner reasonably determines that such allocations will otherwise be inconsistent with the economic agreement

among the Partners. Further, allocations pursuant to this Section 6.1(d)(ix)(A) shall be deferred with respect to allocations pursuant to clauses (1) and (2) hereof to the extent the General Partner reasonably determines that such allocations are likely to be offset by subsequent Required Allocations.

(B) The General Partner shall have reasonable discretion, with respect to each taxable period, to (1) apply the provisions of Section 6.1(d)(ix)(A) in whatever order is most likely to minimize the economic distortions that might otherwise result from the Required Allocations, and (2) divide all

allocations pursuant to Section 6.1(d)(ix)(A) among the Partners in a manner that is likely to minimize such economic distortions.

SECTION 6.2 ALLOCATIONS FOR TAX PURPOSES.

(a) Except as otherwise provided herein, for federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Partners in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Section 6.1.

(b) In an attempt to eliminate Book-Tax Disparities attributable to a Contributed Property or Adjusted Property, items of income, gain, loss, depreciation, amortization and cost recovery deductions shall be allocated for federal income tax purposes among the Partners as follows:

(i) (A) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Partners in the manner provided under Section 704(c) of the Code that takes into account the variation between the Agreed Value of such property and its adjusted basis at the time of contribution; and (B) any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(ii) (A) In the case of an Adjusted Property, such items shall (1) first, be allocated among the Partners in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 5.5(d)(i) or 5.5(d)(ii), and (2) second, in the event such property was originally a Contributed Property, be allocated among the Partners in a manner consistent with Section 6.2(b)(i)(A); and (B) any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(iii) The General Partner shall apply the principles of Treasury Regulation Section 1.704-3(d) to eliminate Book-Tax Disparities.

(c) For the proper administration of the Partnership and for the preservation of uniformity of the Units or other limited partner interests of the MLP (or any class or classes thereof), the General Partner shall have sole discretion to (i) adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; (ii) make special allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions; and (iii) amend the provisions of this Agreement as appropriate (x) to reflect the proposal or promulgation of Treasury Regulations under Section 704(b) or Section 704(c) of the Code or (y) otherwise to preserve or achieve uniformity of the Units or other limited partner interests of the MLP (or any class or classes thereof). The General Partner may adopt such conventions, make such allocations and make such amendments to this Agreement as provided in this Section 6.2(c) only if such conventions, allocations or amendments would not have a material adverse effect on the Partners, the holders of any class or classes of Units or other limited partner interests of the MLP issued and outstanding or the Partnership and if such allocations are consistent with the principles of Section 704 of the Code.

(d) The General Partner in its discretion may determine to depreciate or amortize the portion of an adjustment under Section 743(b) of the Code attributable to unrealized appreciation in any Adjusted Property (to the extent of the unamortized Book-Tax Disparity) using a predetermined rate derived from the depreciation or amortization method and useful life applied to the Partnership's common basis of such property, despite any inconsistency of such approach with Treasury Regulation Section 1.167(c)-l(a)(6) or any successor regulations thereto. If the General Partner determines that such reporting position cannot reasonably be taken, the General Partner may adopt depreciation and amortization conventions under which all purchasers acquiring limited partner interests of the MLP in the same month would receive depreciation and amortization deductions, based upon the same applicable rate as if they had purchased a direct interest in the Partnership's property. If the General Partner chooses not to utilize such aggregate method, the General Partner may use any other reasonable depreciation and amortization conventions to preserve the uniformity of the intrinsic tax characteristics of any limited partner interests of the MLP that would not have a material adverse effect on the Partners or the holders of any class or classes of limited partner interests of the MLP.

(e) Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this

Section 6.2, be characterized as Recapture Income in the same proportions and to the same extent as such Partners (or their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

(f) All items of income, gain, loss, deduction and credit recognized by the Partnership for federal income tax purposes and allocated to the Partners in accordance with the

provisions hereof shall be determined without regard to any election under Section 754 of the Code which may be made by the Partnership; PROVIDED, HOWEVER, that such allocations, once made, shall be adjusted as necessary or appropriate to take into account those adjustments permitted or required by Sections 734 and 743 of the Code.

(g) The General Partner may adopt such methods of allocation of income, gain, loss or deduction between a transferor and a transferee of a Partnership Interest as it determines necessary, to the extent permitted or required by Section 706 of the Code and the regulations or rulings promulgated thereunder.

(h) Allocations that would otherwise be made to a Partner under the provisions of this Article VI shall instead be made to the beneficial owner of Partnership Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion.

SECTION 6.3 DISTRIBUTIONS.

(a) Within 45 days following the end of (i) the period beginning on the Closing Date and ending on June 30, 2001 and (ii) each Quarter commencing with the Quarter beginning on July 1, 2001, an amount equal to 100% of Available Cash with respect to such Quarter shall, subject to Section 17-607 of the Delaware Act, be distributed in accordance with this Article VI by the Partnership to the Partners in accordance with their respective Percentage Interests. The immediately preceding sentence shall not require any distribution of cash if and to the extent such distribution would be prohibited by applicable law or by any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Partnership is a party or by which it is bound or its assets are subject. All distributions required to be made under this Agreement shall be made subject to Section 17-607 of the Delaware Act.

(b) In the event of the dissolution and liquidation of the Partnership, all amounts received during or after the Quarter in which the Liquidation Date occurs, other than from borrowings described in (a)(ii) of the definition of Available Cash, shall be applied and distributed solely in accordance with, and subject to the terms and conditions of, Section 12.4.

(c) The General Partner shall have the discretion to treat taxes paid by the Partnership on behalf of, or amounts withheld with respect to, all or less than all of the Partners, as a distribution of Available Cash to such Partners.

ARTICLE VII
MANAGEMENT AND OPERATION OF BUSINESS

SECTION 7.1 MANAGEMENT.

(a) The General Partner shall conduct, direct and manage all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the General Partner, and neither the Limited Partner nor Assignee shall have any management power over the business and affairs of the Partnership. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Section 7.3, shall have full power and authority to do all things and on such terms as it, in its sole discretion, may deem necessary or appropriate to conduct the business of the Partnership, to exercise all powers set forth in Section 2.5 and to effectuate the purposes set forth in Section 2.4, including the following:

(i) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for,

indebtedness and other liabilities, the issuance of evidences of indebtedness, including indebtedness that is convertible into a Partnership Interest, and the incurring of any other obligations;

(ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(iii) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the Partnership with or into another Person (the matters described in this clause (iii) being subject, however, to any prior approval that may be required by Section 7.3);

(iv) the use of the assets of the Partnership (including cash on hand) for any purpose consistent with the terms of this Agreement, including the financing of the conduct of the operations of the Partnership Group, subject to Section 7.6, the lending of funds to other Persons (including the MLP and any member of the Partnership Group), the repayment of obligations of the MLP or any member of the Partnership Group and the making of capital contributions to any member of the Partnership Group;

(v) the negotiation, execution and performance of any contracts, conveyances or other instruments (including instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership, with the other party to the contract to have no recourse against the General Partner or its assets other than its interest in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case);

(vi) the distribution of Partnership cash;

(vii) the selection and dismissal of employees (including employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

(viii) the maintenance of such insurance for the benefit of the Partnership Group and the Partners as it deems necessary or appropriate;

(ix) the formation of, or acquisition of an interest in, and the contribution of property and the making of loans to, any further limited or general partnerships, joint ventures, corporations or other relationships subject to the restrictions set forth in Section 2.4;

(x) the control of any matters affecting the rights and obligations of the Partnership, including the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation; and

(xi) the indemnification of any Person against liabilities and contingencies to the extent permitted by law.

(b) Notwithstanding any other provision of this Agreement, the MLP Agreement, the Delaware Act or any applicable law, rule or regulation, each of the Partners and Assignees and each other Person who may acquire an interest in the Partnership hereby (i) approves, ratifies and confirms the execution, delivery and performance by the parties thereto of the Partnership Agreement, the MLP Agreement, the Underwriting Agreement, the Bank Credit Agreement, the Omnibus Agreement, the Contribution Agreement and the other agreements and documents described in or filed as exhibits to the Registration Statement that are related to the transactions contemplated by the Registration Statement; (ii) agrees that the General Partner (on its own or through any officer of the Partnership) is authorized to execute, deliver and perform the agreements referred to in clause (i) of this sentence and the other agreements, acts, transactions and matters described in or contemplated by the Registration Statement on behalf of the Partnership without any further act, approval or vote of the Partners or the Assignees or the other Persons who may acquire an interest in the Partnership; and (iii) agrees that the execution, delivery or performance by the General Partner, the MLP, any Group Member or any Affiliate of any of them, of this Agreement or any agreement authorized or permitted under this Agreement (including the exercise by the General Partner or any Affiliate of the General Partner of the rights accorded pursuant to Article XV), shall not constitute a breach by the General Partner of any duty that it may owe the Partnership or the Limited Partners or any other Persons under this Agreement (or any other agreements) or of any duty stated or implied by law or equity.

SECTION 7.2 CERTIFICATE OF LIMITED PARTNERSHIP.

The General Partner has caused the Certificate of Limited Partnership and the Certificate of Amendment to the Certificate of Limited Partnership to be filed with the Secretary of State of the State of Delaware as required by the Delaware Act and shall use all reasonable efforts to cause to be filed such other certificates or documents as may be determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware or any other state in which the Partnership may elect to do business or own property. To the extent that such action is determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate of Limited Partnership and do all things to maintain the Partnership as a limited partnership (or a partnership or other entity in which the limited partners have limited liability) under the laws of the State of Delaware or of any other state in which the Partnership may elect to do business or own property. Subject to the terms of Section 3.4(a), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership, any qualification document or any amendment thereto to any Limited Partner or Assignee.

SECTION 7.3 RESTRICTIONS ON GENERAL PARTNER'S AUTHORITY.

(a) The General Partner may not, without written approval of the specific act by the Limited Partners or by other written instrument executed and delivered by the Limited Partners subsequent to the date of this Agreement, take any action in contravention of this Agreement, including, except as otherwise provided in this Agreement, (i) committing any act that would make it impossible to carry on the ordinary business of the Partnership; (ii) possessing Partnership property, or assigning any rights in specific Partnership property, for other than a Partnership purpose; (iii) admitting a Person as a Partner; (iv) amending this Agreement in any manner or (v) transferring its General Partner Interest.

(b) Except as provided in Articles XII and XIV, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions (including by way of merger, consolidation or other combination) or approve on behalf of the Partnership the sale, exchange or other disposition of all or substantially all of the assets of the Partnership, without the approval of the Limited Partners; PROVIDED, HOWEVER, that this provision shall not preclude or limit the General Partner's ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Partnership and shall not apply to any forced sale of any or all of the assets of the Partnership pursuant to the foreclosure of, or other realization upon, any such encumbrance. Without the approval of at least a Unit Majority, the General Partner shall not, on behalf of the MLP, (i) consent to any amendment to this Agreement or, except as expressly permitted by Section 7.9(d) of the MLP Agreement, take any action permitted to be taken by a Partner, in either case, that would have a material adverse effect on the MLP as a Partner or the

holders of Common Units (other than the General Partner and its Affiliates) or (ii) except as permitted under Sections 4.6, 11.1, 11.2 or 11.3 of the MLP Agreement, elect or cause the MLP to elect a successor general partner of the Partnership.

SECTION 7.4 REIMBURSEMENT OF THE GENERAL PARTNER.

(a) Except as provided in this Section 7.4 and elsewhere in this Agreement or in the MLP Agreement, the General Partner shall not be compensated for its services as General Partner, general partner of the MLP or as a general partner or managing member of any Group Member.

(b) Subject to the Services Agreement, the General Partner shall be reimbursed on a monthly basis, or such other reasonable basis as the General Partner may determine in its sole discretion, for (i) all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership (including salary, bonus, incentive compensation and other amounts paid to any Person including Affiliates of the General Partner to perform services for the Partnership or for the General Partner in the discharge of its duties to the Partnership), and (ii) all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by the General Partner in connection with operating the Partnership's business (including expenses

allocated to the General Partner by its Affiliates). The General Partner shall determine the expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Reimbursements pursuant to this Section 7.4 shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 7.7.

(c) The General Partner, in its sole discretion and without the approval of the Limited Partners (who shall have no right to vote in respect thereof), may propose and adopt on behalf of the Partnership employee benefit plans, employee programs and employee practices, or cause the Partnership to issue Partnership Interests, in connection with, pursuant to any employee benefit plan, employee program or employee practice maintained or sponsored by the General Partner or any of its Affiliates, in each case for the benefit of employees of the General Partner, any Group Member or any Affiliate, or any of them, in respect of services performed, directly or indirectly, for the benefit of the Partnership Group. Expenses incurred by the General Partner in connection with any such plans, programs and practices shall be reimbursed in accordance with Section 7.4(b). Any and all obligations of the General Partner under any employee benefit plans, employee programs or employee practices adopted by the General Partner as permitted by this Section 7.4(c) shall constitute obligations of the General Partner hereunder and shall be assumed by any successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's General Partner Interest pursuant to Section 4.2.

SECTION 7.5 OUTSIDE ACTIVITIES.

(a) After the Closing Date, the General Partner, for so long as it is a General Partner of the Partnership (i) agrees that its sole business will be to act as a general partner of the Partnership, a general partner of the MLP, and a general partner or managing member of any other partnership or limited liability company of which the Partnership or the MLP is, directly or indirectly, a partner or member, as the case may be, and to undertake activities that are ancillary or related thereto (including being a limited partner in the MLP), (ii) shall not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to (A) its performance as general partner of the Partnership, the MLP or one or more Group Members or as described in or contemplated by the Registration Statement or (B) the acquiring, owning or disposing of debt or equity securities in any Group Member and (iii) except to the extent permitted in the Omnibus Agreement, shall not, and shall cause its Affiliates not to, engage in any Restricted Business.

(b) The Omnibus Agreement, to which the Partnership is a party, sets forth certain restrictions on the ability of Ultramar Diamond Shamrock and its Affiliates to engage in Restricted Businesses.

(c) Except as specifically restricted by Section 7.5(a) and the Omnibus Agreement, each Indemnitee (other than the General Partner) shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by the MLP or any Group Member, independently or with others, including business interests and activities in direct competition with the business and activities of the MLP or any Group Member, and none of the same shall constitute a breach of this Agreement or any duty express or implied by law to the MLP or any Group Member or any Partner or Assignee. Neither the MLP nor any Group Member, any Limited Partner, nor any other Person shall have any rights by virtue of this Agreement, the MLP Agreement or the partnership relationship established hereby or thereby in any business ventures of any Indemnitee.

(d) Subject to the terms of Section 7.5(a), Section 7.5(b), Section 7.5(c) and the Omnibus Agreement, but otherwise notwithstanding anything to the contrary in this Agreement, (i) the engaging in competitive activities by any Indemnitees (other than the General Partner) in accordance with the provisions of this Section 7.5 is hereby approved by the Partnership and all Partners, (ii) it shall be deemed not to be a breach of the General Partner's fiduciary duty or any other obligation of any type whatsoever of the General Partner for the Indemnitees (other than the General Partner) to engage in such business interests and activities in preference to or to the exclusion of the Partnership and (iii) except as set forth in the Omnibus Agreement, the General Partner and the Indemnities shall have no obligation to present business opportunities to the Partnership.

(e) The General Partner and any of its Affiliates may acquire Units or other MLP Securities in addition to those acquired on the Closing Date

and, except as otherwise provided in this Agreement, shall be entitled to exercise all rights relating to such Units or MLP Securities.

(f) The term "Affiliates" when used in Section 7.5(a) and Section 7.5(e) with respect to the General Partner shall not include any Group Member or any Subsidiary of the MLP or any Group Member.

(g) Anything in this Agreement to the contrary notwithstanding, to the extent that provisions of Sections 7.7, 7.8, 7.9, 7.10 or other Sections of this Agreement purport or are interpreted to have the effect of restricting the fiduciary duties that might otherwise, as a result of Delaware or other applicable law, be owed by the General Partner to the Partnership and its Limited Partners, or to constitute a waiver or consent by the Limited Partners to any such restriction, such provisions shall be inapplicable and have no effect in determining whether the General Partner has complied with its fiduciary duties in connection with determinations made by it under this Section 7.5.

SECTION 7.6 LOANS FROM THE GENERAL PARTNER; LOANS OR CONTRIBUTIONS FROM THE PARTNERSHIP; CONTRACTS WITH AFFILIATES; CERTAIN RESTRICTIONS ON THE GENERAL PARTNER.

(a) The General Partner or any of its Affiliates may lend to the MLP or any Group Member, and the MLP or any Group Member may borrow from the General Partner or any of its Affiliates, funds needed or desired by the MLP or the Group Member for such periods of time and in such amounts as the General Partner may determine; PROVIDED, HOWEVER, that in any such case the lending party may not charge the borrowing party interest at a rate greater than the rate that would be charged the borrowing party or impose terms less favorable to the borrowing party than would be charged or imposed on the borrowing party by unrelated lenders on comparable loans made on an arm's-length basis (without reference to the lending party's financial abilities or guarantees). The borrowing party shall reimburse the lending party for any costs (other than any additional interest costs) incurred by the lending party in connection with the borrowing of such funds. For purposes of this Section 7.6(a) and Section 7.6(b), the term "Group Member" shall include any Affiliate of a Group Member that is controlled by the Group Member. No Group Member may lend funds to the General Partner or any of its Affiliates (other than the MLP, a Subsidiary of the MLP or a Subsidiary of another Group Member).

(b) The Partnership may lend or contribute to any Group Member, and any Group Member may borrow from the Partnership, funds on terms and conditions established in the sole discretion of the General Partner; PROVIDED, HOWEVER, that the Partnership may not charge the Group Member interest at a rate less than the rate that would be charged to the Group Member (without reference to the General Partner's financial abilities or guarantees) by unrelated lenders on comparable loans. The foregoing authority shall be exercised by the General Partner in

its sole discretion and shall not create any right or benefit in favor of any Group Member or any other Person.

(c) The General Partner may itself, or may enter into an agreement with any of its Affiliates to, render services to a Group Member or to the General Partner in the discharge of its duties as general partner of the Partnership. Any services rendered to a Group Member by the General Partner or any of its Affiliates shall be on terms that are fair and reasonable to the Partnership; PROVIDED, HOWEVER, that the requirements of this Section 7.6(c) shall be deemed satisfied as to (i) any transaction approved by Special Approval, (ii) any transaction, the terms of which are no less favorable to the Partnership Group than those generally being provided to or available from unrelated third parties or (iii) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership Group), is equitable to the Partnership Group. The provisions of Section 7.4 shall apply to the rendering of services described in this Section 7.6(c).

(d) The Partnership Group may transfer assets to joint ventures, other partnerships, corporations, limited liability companies or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions as are consistent with this Agreement and applicable law.

(e) Neither the General Partner nor any of its Affiliates shall sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, except pursuant to transactions that are fair and reasonable to the Partnership; PROVIDED, HOWEVER, that the requirements of this Section 7.6(e) shall be deemed to be satisfied as to (i) the transactions effected pursuant to Sections 5.2 and 5.3, the Contribution Agreement and any other transactions described in or contemplated by the

Registration Statement, (ii) any transaction approved by Special Approval, (iii) any transaction, the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties, or (iv) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership), is equitable to the Partnership.

(f) The General Partner and its Affiliates will have no obligation to permit any Group Member to use any facilities or assets of the General Partner and its Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such use, nor shall there be any obligation on the part of the General Partner or its Affiliates to enter into such contracts.

(g) Without limitation of Sections 7.6(a) through 7.6(f), and notwithstanding anything to the contrary in this Agreement, the existence of the conflicts of interest described in the Registration Statement are hereby approved by all Partners.

SECTION 7.7 INDEMNIFICATION.

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the Partnership from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee; PROVIDED, that in each case the Indemnitee acted in good faith and in a manner that such Indemnitee reasonably believed to be in, or (in the case of a Person other than the General Partner) not opposed to, the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful; PROVIDED, FURTHER, no indemnification pursuant to this Section 7.7 shall be available to the General Partner with respect to its obligations incurred pursuant to the Underwriting Agreement or the Contribution Agreement (other than obligations incurred by the General Partner on behalf of the MLP or the Partnership). The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of NOLO CONTENDERE, or its equivalent, shall not create a presumption that the Indemnitee acted in a manner contrary to that specified above. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, it being agreed that the General Partner shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate such indemnification.

(b) To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 7.7(a) in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of any undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 7.7.

(c) The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity (including any capacity under the Underwriting Agreement and the Bank Credit Agreement), and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

(d) The Partnership may purchase and maintain (or reimburse the General Partner or its Affiliates for the cost of) insurance, on behalf of the General Partner, its Affiliates and such other Persons as the General Partner shall determine, against any liability that may be

asserted against or expense that may be incurred by such Person in connection with the Partnership's activities or such Person's activities on behalf of the Partnership, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 7.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 7.7(a); and action taken or omitted by it with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is in, or not opposed to, the best interests of the Partnership.

(f) In no event may an Indemnitee subject the Limited Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 7.7 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Partnership, nor the obligations of the Partnership to indemnify any such Indemnitee under and in accordance with the provisions of this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

SECTION 7.8 LIABILITY OF INDEMNITEES.

(a) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnitee shall be liable for monetary damages to the Partnership, the Limited Partners, the Assignees or any other Persons who have acquired interests in the Partnership, Units or other MLP Securities, for losses sustained or liabilities incurred as a result of any act or omission if such Indemnitee acted in good faith.

(b) Subject to its obligations and duties as General Partner set forth in Section 7.1(a), the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

(c) To the extent that, at law or in equity, an Indemnitee has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to the Limited Partners, the General Partner and any other Indemnitee acting in connection with the Partnership's business or affairs shall not be liable to the Partnership or to any Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or otherwise modify the duties and liabilities of an Indemnitee otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such Indemnitee.

(d) Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability to the Partnership, the Limited Partners, the General Partner, and the Partnership's and General Partner's directors, officers and employees under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

SECTION 7.9 RESOLUTION OF CONFLICTS OF INTEREST.

(a) Unless otherwise expressly provided in this Agreement or the MLP Agreement, whenever a potential conflict of interest exists or arises between the General Partner or any of its Affiliates, on the one hand, and the Partnership, the MLP, any Partner or any Assignee, on the other, any resolution or course of action by the General Partner or its Affiliates in respect of such conflict of interest shall be permitted and deemed approved by all Partners, and shall not constitute a breach of this Agreement of the MLP Agreement, of any

agreement contemplated herein or therein, or of any duty stated or implied by law or equity, if the resolution or course of action is, or by operation of this Agreement is deemed to be, fair and reasonable to the Partnership. The General Partner shall be authorized but not required in connection with its resolution of such conflict of interest to seek Special Approval of such resolution. Any conflict of interest and any resolution of such conflict of interest shall be conclusively deemed fair and reasonable to the Partnership if such conflict of interest or resolution is (i) approved by Special Approval, (ii) on terms no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or (iii) fair to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership). The General Partner may also adopt a resolution or course of action that has not received Special Approval. The General Partner (including the Conflicts Committee in connection with Special Approval) shall be authorized in connection with its determination of what is "fair and reasonable" to the Partnership and in

connection with its resolution of any conflict of interest to consider (A) the relative interests of any party to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interest; (B) any customary or accepted industry practices and any customary or historical dealings with a particular Person; (C) any applicable generally accepted accounting practices or principles; and (D) such additional factors as the General Partner (including the Conflicts Committee) determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances. Nothing contained in this Agreement, however, is intended to nor shall it be construed to require the General Partner (including the Conflicts Committee) to consider the interests of any Person other than the Partnership. In the absence of bad faith by the General Partner, the resolution, action or terms so made, taken or provided by the General Partner with respect to such matter shall not constitute a breach of this Agreement or any other agreement contemplated herein or a breach of any standard of care or duty imposed herein or therein or, to the extent permitted by law, under the Delaware Act or any other law, rule or regulation.

(b) Whenever this Agreement or any other agreement contemplated hereby provides that the General Partner or any of its Affiliates is permitted or required to make a decision (i) in its "sole discretion" or "discretion," that it deems "necessary or appropriate" or "necessary or advisable" or under a grant of similar authority or latitude, except as otherwise provided herein, the General Partner or such Affiliate shall be entitled to consider only such interests and factors as it desires and shall have no duty or obligation to give any consideration to any interest of, or factors affecting, the Partnership, the MLP, any Limited Partner or any Assignee, (ii) it may make such decision in its sole discretion (regardless of whether there is a reference to "sole discretion" or "discretion") unless another express standard is provided for, or (iii) in "good faith" or under another express standard, the General Partner or such Affiliate shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement, the MLP Agreement, or any other agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation. In addition, any actions taken by the General Partner or such Affiliate consistent with the standards of "reasonable discretion" set forth in the definition of Available Cash shall not constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners. The General Partner shall have no duty, express or implied, to sell or otherwise dispose of any asset of the Partnership Group other than in the ordinary course of business. No borrowing by any Group Member or the approval thereof by the General Partner shall be deemed to constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners by reason of the fact that the purpose or effect of such borrowing is directly or indirectly to (A) enable distributions to the General Partner or its Affiliates to exceed 1.0101% of the total amount distributed to all Partners or (B) hasten the expiration of the Subordination Period or the conversion of any Subordinated Units into Common Units.

(c) Whenever a particular transaction, arrangement or resolution of a conflict of interest is required under this Agreement to be "fair and reasonable" to any Person, the fair and reasonable nature of such transaction, arrangement or resolution shall be considered in the context of all similar or related transactions.

(d) The Limited Partner hereby authorizes the General Partner, on behalf of the Partnership as a partner or member of a Group Member, to approve of actions by the general partner of such Group Member similar to those

actions permitted to be taken by the General Partner pursuant to this Section 7.9.

SECTION 7.10 OTHER MATTERS CONCERNING THE GENERAL PARTNER.

(a) The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion (including an Opinion of Counsel) of such Persons as to matters that the General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

(c) The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers, a duly appointed attorney or attorneys-in-fact or the duly authorized officers of the Partnership.

(d) Any standard of care and duty imposed by this Agreement or under the Delaware Act or any applicable law, rule or regulation shall be modified, waived or limited, to the extent permitted by law, as required to permit the General Partner to act under this Agreement or any other agreement contemplated by this Agreement and to make any decision pursuant to the authority prescribed in this Agreement, so long as such action is reasonably believed by the General Partner to be in, or not inconsistent with, the best interests of the Partnership.

SECTION 7.11 RELIANCE BY THIRD PARTIES.

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner and any officer of Shamrock GP authorized by Shamrock GP to act on behalf of and in the name of the Partnership has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any authorized contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner or any such officer as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner or any such officer in connection

with any such dealing. In no event shall any Person dealing with the General Partner or any such officer or its representatives be obligated to ascertain that the terms of the Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or any such officer or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (b) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (c) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

ARTICLE VIII
BOOKS, RECORDS, ACCOUNTING AND REPORTS

SECTION 8.1 RECORDS AND ACCOUNTING.

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including all books and records necessary to provide to the Limited Partners any information required to be provided pursuant to Section 3.4(a). Any books and records maintained by or on behalf of the Partnership in the regular course of its business, including books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard drives, punch cards, magnetic tape, photographs, micrographics or any other information storage device; PROVIDED, that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP.

SECTION 8.2 FISCAL YEAR.

The fiscal year of the Partnership shall be a fiscal year ending December 31.

ARTICLE IX
TAX MATTERS

SECTION 9.1 TAX RETURNS AND INFORMATION.

The Partnership shall timely file all returns of the Partnership that are required for federal, state and local income tax purposes on the basis of the accrual method and a taxable year ending on December 31. The tax information reasonably required by the Partners for federal and state income tax reporting purposes with respect to a taxable year shall be furnished to them within 90 days of the close of the calendar year in which the Partnership's taxable year ends. The

classification, realization and recognition of income, gain, losses and deductions and other items shall be on the accrual method of accounting for federal income tax purposes.

SECTION 9.2 TAX ELECTIONS.

(a) The Partnership shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder, subject to the reservation of the right to seek to revoke any such election upon the General Partner's determination that such revocation is in the best interests of the Limited Partners.

(b) The Partnership shall elect to deduct expenses incurred in organizing the Partnership ratably over a sixty-month period as provided in Section 709 of the Code.

(c) Except as otherwise provided herein, the General Partner shall determine whether the Partnership should make any other elections permitted by the Code.

SECTION 9.3 TAX CONTROVERSIES.

Subject to the provisions hereof, the General Partner is designated as the Tax Matters Partner (as defined in the Code) and is authorized and required to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. Each Partner agrees to cooperate with the General Partner and to do or refrain from doing any or all things reasonably required by the General Partner to conduct such proceedings.

SECTION 9.4 WITHHOLDING.

Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines in its discretion to be necessary or appropriate to cause the Partnership to comply with any withholding requirements established under the Code or any other federal, state or local law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required or elects to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner or Assignee (including, without limitation, by reason of Section 1446 of the Code), the amount withheld may at the discretion of the General Partner be treated by the Partnership as a distribution of cash pursuant to Section 6.3 in the amount of such withholding from such Partner.

ARTICLE X
ADMISSION OF PARTNERS

SECTION 10.1 ADMISSION OF GENERAL PARTNER.

Upon the consummation of the transfers and conveyances described in Section 5.2, the General Partner shall be admitted as a General Partner, and the General Partner shall be the only general partner of the Partnership and the MLP shall be the sole limited partner of the Partnership.

SECTION 10.2 ADMISSION OF SUBSTITUTED LIMITED PARTNER.

By transfer of a Limited Partner Interest in accordance with Article IV, the transferor shall be deemed to have given the transferee the right to seek admission as a Substituted Limited Partner subject to the conditions of, and in the manner permitted under, this Agreement. A transferor of a Limited Partner Interest shall, however, only have the authority to convey to a purchaser or other transferee (a) the right to negotiate such Limited Partner Interest to a purchaser or other transferee and (b) the right to request admission as a Substituted Limited Partner to such purchaser or other transferee in respect of the transferred Limited Partner Interests. Each transferee of a Limited Partner Interest shall be an Assignee and be deemed to have applied to become a Substituted Limited Partner with respect to the Limited Partner Interests so transferred to such Person. Such Assignee shall become a Substituted Limited Partner (x) at such time as the General Partner consents thereto, which consent may be given or withheld in the General Partner's discretion, and (y) when any such admission is shown on the books and records of the Partnership. If such consent is withheld, such transferee shall remain an Assignee. An Assignee shall have an interest in the Partnership equivalent to that of a Limited Partner with respect to allocations and distributions, including liquidating distributions, of the Partnership. With respect to voting rights attributable to Limited Partner Interests that are held by Assignees, the General Partner shall be deemed to be the Limited Partner with respect thereto and shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, vote such Limited Partner Interests at the written direction of the Assignee. If no such written direction is received, such Partnership Interests will not be voted. An Assignee shall have no other rights of a Limited Partner.

SECTION 10.3 ADMISSION OF ADDITIONAL LIMITED PARTNERS.

(a) A Person (other than the General Partner, the MLP or a Substituted Limited Partner) who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including the power of attorney granted in Section 2.6, and (ii) such other documents or instruments as may be required in the

discretion of the General Partner to effect such Person's admission as an Additional Limited Partner.

(b) Notwithstanding anything to the contrary in this Section 10.3, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded as such in the books and records of the Partnership, following the consent of the General Partner to such admission.

SECTION 10.4 ADMISSION OF SUCCESSOR OR TRANSFEREE GENERAL PARTNER.

A successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner Interest pursuant to Section 4.2 who is proposed to be admitted as a successor General Partner shall, subject to compliance with the terms of Section 11.3, if applicable, be admitted to the Partnership as the General Partner effective immediately prior to the withdrawal or removal of the predecessor or transferring General Partner pursuant to Section 11.1 or 11.2 or the transfer of the General Partner Interest pursuant to Section 4.2, PROVIDED, HOWEVER, that no such successor shall be admitted to the Partnership until compliance with the terms of Section 4.2 has occurred and such successor has executed and delivered such other documents or instruments as may be required to effect such admission. Any such successor shall, subject to the terms hereof, carry on the business of the members of the Partnership Group without dissolution.

SECTION 10.5 AMENDMENT OF AGREEMENT AND CERTIFICATE OF LIMITED PARTNERSHIP.

To effect the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Delaware Act to amend the records of the Partnership to reflect such admission and, if necessary, to prepare as soon as practicable an amendment to this Agreement and, if required by law, the General Partner shall prepare and file an amendment to the Certificate of Limited Partnership, and the General Partner may for this purpose, among others, exercise the power of attorney granted pursuant to Section 2.6.

ARTICLE XI
WITHDRAWAL OR REMOVAL OF PARTNERS

SECTION 11.1 WITHDRAWAL OF THE GENERAL PARTNER.

(a) The General Partner shall be deemed to have withdrawn from the Partnership upon the occurrence of any one of the following events (each such event herein referred to as an "Event of Withdrawal"):

(i) The General Partner voluntarily withdraws from the Partnership by giving written notice to the other Partners;

(ii) The General Partner transfers all of its rights as General Partner pursuant to Section 4.2;

(iii) The General Partner is removed pursuant to Section 11.2;

(iv) The General Partner withdraws from, or is removed as the General Partner of, the MLP;

(v) The General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition for relief under Chapter 7 of the United States Bankruptcy Code; (C) files a petition or answer seeking for itself a liquidation, dissolution or similar relief (but not a reorganization) under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A)-(C) of this Section 11.1(a)(v); or (E) seeks, consents to or acquiesces in the appointment of a trustee (but not a debtor in possession), receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(vi) A final and non-appealable order of relief under Chapter 7 of the United States Bankruptcy Code is entered by a court with appropriate jurisdiction pursuant to a voluntary or involuntary petition by or against the General Partner; or

(vii) (A) if the General Partner is a corporation, a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation; (B) if the General Partner is a partnership or limited liability company, the dissolution and commencement of winding up of the General Partner; (C) if the General Partner is acting in such capacity by virtue of being a trustee of a trust, the termination of the trust; (D) if the General Partner is a natural person, his death or adjudication of incompetency; and (E) otherwise in the event of the termination of the General Partner.

If an Event of Withdrawal specified in Section 11.1(a)(iv)(with respect to withdrawal), (v), (vi) or (vii)(A), (B), (C) or (E) occurs, the withdrawing General Partner shall give notice to the Limited Partners within 30 days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 11.1 shall result in the withdrawal of the General Partner from the Partnership.

(b) Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall not constitute a breach of this Agreement under the

following circumstances: (i) at any time during the period beginning on the Closing Date and ending at 12:00 midnight, Eastern Standard Time, on March 31, 2011, the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners; PROVIDED, that prior to the effective date of such withdrawal, the withdrawal is approved by the Limited Partners and the General Partner delivers to the Partnership an Opinion of Counsel ("WITHDRAWAL OPINION OF COUNSEL") that such withdrawal (following the selection of the successor General Partner) would not result in the loss of the limited liability of any Limited Partner, of the limited partners of the MLP or cause the Partnership or the MLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such); (ii) at any time after 12:00 midnight, Eastern Standard Time, on March 31, 2011, the General Partner voluntarily withdraws by giving at least 90 days' advance notice to the Limited Partners, such withdrawal to take effect on the date specified in such notice; (iii) at any time that the General Partner ceases to be the General Partner pursuant to Section 11.1(a)(ii), (iii) or (iv). If the General Partner gives a notice of withdrawal pursuant to Section 11.1(a)(i) hereof or Section 11.1(a)(i) of the MLP Agreement, the Limited Partners may, prior to the effective date of such withdrawal, elect a successor General Partner; PROVIDED,

HOWEVER, that such successor shall be the same person, if any, that is elected by the limited partners of the MLP pursuant to Section 11.1 of the MLP Agreement as the successor to the general partner of the MLP. If, prior to the effective date of the General Partner's withdrawal, a successor is not selected by the Limited Partners as provided herein or the Partnership does not receive a Withdrawal Opinion of Counsel, the Partnership shall be dissolved in accordance with Section 12.1. Any successor General Partner elected in accordance with the terms of this Section 11.1 shall be subject to the provisions of Section 10.3.

SECTION 11.2 REMOVAL OF THE GENERAL PARTNER.

The General Partner shall be removed if the General Partner is removed as the general partner of the MLP pursuant to Section 11.2 of the MLP Agreement. Such removal shall be effective concurrently with the effectiveness of the removal of the General Partner as the general partner of the MLP pursuant to the terms of the MLP Agreement. If a successor general partner for the MLP is elected in connection with the removal of the General Partner, such successor general partner for the MLP shall, upon admission pursuant to Article X, automatically become the successor General Partner of the Partnership. The admission of any such successor General Partner to the Partnership shall be subject to the provisions of Section 10.4.

SECTION 11.3 INTEREST OF DEPARTING PARTNER.

(a) The Partnership Interest of the Departing Partner departing as a result of withdrawal or removal pursuant to Section 11.1 or 11.2 shall (unless it is otherwise required to be converted into Common Units pursuant to Section 11.3(b) of the MLP Agreement) be purchased by the successor to the Departing Partner for cash in the manner specified in the MLP Agreement. Such purchase (or conversion into Common Units, as applicable) shall be a condition to the admission to the Partnership of the successor as the General Partner. Any

successor General Partner shall indemnify the Departing Partner as to all debts and liabilities of the Partnership arising on or after the effective date of the withdrawal or removal of the Departing Partner.

(b) The Departing Partner shall be entitled to receive all reimbursements due such Departing Partner pursuant to Section 7.4, including any employee-related liabilities (including severance liabilities), incurred in connection with the termination of any employees employed by such Departing Partner for the benefit of the Partnership.

SECTION 11.4 WITHDRAWAL OF A LIMITED PARTNER.

Without the prior written consent of the General Partner, which may be granted or withheld in its sole discretion, and except as provided in Section 10.1, no Limited Partner shall have the right to withdraw from the Partnership.

ARTICLE XII
DISSOLUTION AND LIQUIDATION

SECTION 12.1 DISSOLUTION.

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the removal or withdrawal of the General Partner, if a successor General Partner is elected pursuant to Section 11.1 or 11.2, the Partnership shall not be dissolved and such successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and (subject to Section 12.2) its affairs shall be wound up, upon:

(a) the expiration of its term as provided in Section 2.7;

(b) an Event of Withdrawal of the General Partner as provided in Section 11.1(a) (other than Section 11.1(a)(ii)), unless a successor is elected and an Opinion of Counsel is received as provided in Section 11.1(b) or 11.2 and such successor is admitted to the Partnership pursuant to Section 10.4;

(c) an election to dissolve the Partnership by the General Partner that is approved by all of the Limited Partners;

(d) the entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Delaware Act;

(e) the sale of all or substantially all of the assets and properties of the Partnership Group; or

(f) the dissolution of the MLP.

SECTION 12.2 CONTINUATION OF THE BUSINESS OF THE PARTNERSHIP AFTER DISSOLUTION.

Upon (a) dissolution of the Partnership following an Event of Withdrawal caused by the withdrawal or removal of the General Partner as provided in Section 11.1(a)(i) or (iii) and the failure of the Partners to select a successor to such Departing Partner pursuant to Section 11.1 or 11.2, then within 90 days thereafter, or (b) dissolution of the Partnership upon an event constituting an Event of Withdrawal as defined in Section 11.1(a)(iv), (v) or (vi) of the MLP Agreement, then, to the maximum extent permitted by law, within 180 days thereafter, all of the Limited Partners may elect to reconstitute the Partnership and continue its business on the same terms and conditions set forth in this Agreement by forming a new limited partnership on terms identical to those set forth in this Agreement and having as a general partner a Person approved by a majority in interest of the Limited Partners. In addition, upon dissolution of the Partnership pursuant to Section 12.1(f), if the MLP is reconstituted pursuant to Section 12.2 of the MLP Agreement, the reconstituted MLP may, within 180 days after such event of dissolution, acting alone, regardless of whether there are any other Limited Partners, elect to reconstitute the Partnership in accordance with the immediately preceding sentence. Upon any such election by the Limited Partners or the MLP, as the case may be, all Partners shall be bound thereby and shall be deemed to have approved same. Unless such an election is made within the applicable time period as set forth above, the Partnership shall conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(a) the reconstituted Partnership shall continue unless dissolved in accordance with this Article XII;

(b) if the successor General Partner is not the former General Partner, then the interest of the former General Partner shall be purchased by the successor General Partner or converted into Common Units as provided in the MLP Agreement; and

(c) all necessary steps shall be taken to cancel this Agreement and the Certificate of Limited Partnership and to enter into and, as necessary, to file, a new partnership agreement and certificate of limited partnership, and the successor General Partner may for this purpose exercise the power of attorney granted the General Partner pursuant to Section 2.6; PROVIDED, that the right to approve a successor General Partner and to reconstitute and to continue the business of the Partnership shall not exist and may not be exercised unless the Partnership has received an Opinion of Counsel that (x) the exercise of the right would not result in the loss of limited liability of the Limited Partners or any limited partner of the MLP and (y) neither the Partnership, the reconstituted limited partnership, nor the MLP would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of such right to continue.

SECTION 12.3 LIQUIDATOR.

Upon dissolution of the Partnership, unless the Partnership is continued under an election to reconstitute and continue the Partnership pursuant to Section 12.2, the General Partner shall select one or more Persons to act as Liquidator. The Liquidator (if other than the General Partner) shall be entitled to receive such compensation for its services as may be approved by a majority of the Limited Partners. The Liquidator (if other than the General Partner) shall agree not to resign at any time without 15 days' prior notice and may be removed at any time, with or without cause, by notice of removal approved by a majority in interest of the Limited Partners. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be approved by at least a majority in interest of the Limited Partners. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XII, the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 7.3(b)) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding up and liquidation of the Partnership as provided for herein.

SECTION 12.4 LIQUIDATION.

The Liquidator shall proceed to dispose of the assets of the Partnership, discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as the Liquidator determines to be in the best interest of the Partners, subject to Section 17-804 of the Delaware Act and the following:

(a) DISPOSITION OF ASSETS. The assets may be disposed of by public or private sale or by distribution in kind to one or more Partners on such terms as the Liquidator and such Partner or Partners may agree. If any property is distributed in kind, the Partner receiving the property shall be deemed for purposes of Section 12.4(c) to have received cash equal to its fair market value; and contemporaneously therewith, appropriate cash distributions must be made to the other Partners. The Liquidator may, in its absolute discretion, defer liquidation or distribution of the Partnership's assets for a reasonable time if it determines that an immediate sale or distribution of all or some of the Partnership's assets would be impractical or would cause undue loss to the Partners. The Liquidator may, in its absolute discretion, distribute the Partnership's assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the Partners.

(b) DISCHARGE OF LIABILITIES. Liabilities of the Partnership include amounts owed to the Liquidator as compensation for serving in such capacity (subject to the terms of Section 12.3) and amounts owed to Partners otherwise than in respect of their distribution rights under Article VI. With respect to any liability that is contingent, conditional or unmatured or is otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment. When paid, any unused portion of the reserve shall be distributed as additional liquidation proceeds.

(c) LIQUIDATION DISTRIBUTIONS. All property and all cash in excess of that required to discharge liabilities as provided in Section 12.4(b) shall be distributed to the Partners in accordance with, and to the extent of, the positive balances in their respective Capital Accounts, as determined after taking into account all Capital Account adjustments (other than those made by reason of distributions pursuant to this Section 12.4(c)) for the taxable year of the Partnership during which the liquidation of the Partnership occurs (with such date of occurrence being determined pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(g)), and such distribution shall be made by the end of such taxable year (or, if later, within 90 days after said date of such occurrence).

SECTION 12.5 CANCELLATION OF CERTIFICATE OF LIMITED PARTNERSHIP.

Upon the completion of the distribution of Partnership cash and property as provided in Section 12.4 in connection with the liquidation of the Partnership, the Partnership shall be terminated and the Certificate of Limited Partnership, and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware, shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

SECTION 12.6 RETURN OF CONTRIBUTIONS.

No General Partner shall be personally liable for, and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate, the return of the Capital Contributions of the Limited Partners, or any portion thereof, it being expressly understood that any such return shall be made solely from Partnership assets.

SECTION 12.7 WAIVER OF PARTITION.

To the maximum extent permitted by law, each Partner hereby waives any right to partition of the Partnership property.

SECTION 12.8 CAPITAL ACCOUNT RESTORATION.

No Limited Partner shall have any obligation to restore any negative balance in its Capital Account upon liquidation of the Partnership. Each General Partner shall be obligated to restore

any negative balance in its Capital Account upon liquidation of its interest in the Partnership by the end of the taxable year of the Partnership during which such liquidation occurs, or, if later, within 90 days after the date of such

liquidation.

ARTICLE XIII
AMENDMENT OF PARTNERSHIP AGREEMENT

SECTION 13.1 AMENDMENT TO BE ADOPTED SOLELY BY THE GENERAL PARTNER.

Each Partner agrees that the General Partner, without the approval of any Partner or Assignee, may amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered agent of the Partnership or the registered office of the Partnership;

(b) admission, substitution, withdrawal or removal of Partners in accordance with this Agreement;

(c) a change that, in the sole discretion of the General Partner, is necessary or advisable to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state or to ensure that no Group Member will be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change that, in the discretion of the General Partner, (i) does not adversely affect the Limited Partners (including any particular class of Partnership Interests as compared to other classes of Partnership Interests) in any material respect, (ii) is necessary or advisable to (A) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute (including the Delaware Act) or (B) facilitate the trading of limited partner interests of the MLP (including the division of any class or classes of outstanding limited partner interests of the MLP into different classes to facilitate uniformity of tax consequences within such classes of limited partner interests of the MLP) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which such limited partner interests are or will be listed for trading, compliance with any of which the General Partner determines in its discretion to be in the best interests of the MLP and the limited partners of the MLP, (iii) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement or (iv) is required to conform the provisions of this Agreement with the provisions of the MLP Agreement as the provisions of the MLP Agreement may be amended, supplemented or restated from time to time;

(e) a change in the fiscal year or taxable year of the Partnership and any changes that, in the discretion of the General Partner, are necessary or advisable as a result of a change in the fiscal year or taxable year of the Partnership including, if the General Partner shall so determine, a change in the definition of "Quarter" and the dates on which distributions are to be made by the Partnership;

(f) an amendment that is necessary, in the Opinion of Counsel, to prevent the Partnership, or the General Partner or its general partner's directors, officers, trustees or agents from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(g) any amendment expressly permitted in this Agreement to be made by the General Partner acting alone;

(h) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with Section 14.3;

(i) an amendment that, in the discretion of the General Partner, is necessary or advisable to reflect, account for and deal with appropriately the formation by the Partnership of, or investment by the Partnership in, any corporation, partnership, joint venture, limited liability company or other entity, in connection with the conduct by the Partnership of activities permitted by the terms of Section 2.4;

(j) a merger or conveyance pursuant to Section 14.3(d); or

(k) any other amendments substantially similar to the foregoing.

SECTION 13.2 AMENDMENT PROCEDURES.

Except with respect to amendments of the type described in Section 13.1, all amendments to this Agreement shall be made in accordance with the following requirements: Amendments to this Agreement may be proposed only by or with the consent of the General Partner, which consent may be given or withheld in its sole discretion. A proposed amendment shall be effective upon its approval by the Limited Partner.

ARTICLE XIV
MERGER

SECTION 14.1 AUTHORITY.

The Partnership may merge or consolidate with one or more corporations, limited liability companies, business trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a general partnership or limited partnership, formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("MERGER AGREEMENT") in accordance with this Article XIV.

SECTION 14.2 PROCEDURE FOR MERGER OR CONSOLIDATION.

Merger or consolidation of the Partnership pursuant to this Article XIV requires the prior approval of the General Partner. If the General Partner shall determine, in the exercise of its discretion, to consent to the merger or consolidation, the General Partner shall approve the Merger Agreement, which shall set forth:

(a) The names and jurisdictions of formation or organization of each of the business entities proposing to merge or consolidate;

(b) The name and jurisdiction of formation or organization of the business entity that is to survive the proposed merger or consolidation (the "SURVIVING BUSINESS ENTITY");

(c) The terms and conditions of the proposed merger or consolidation;

(d) The manner and basis of exchanging or converting the equity securities of each constituent business entity for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity; and (i) if any general or limited partner interests, securities or rights of any constituent business entity are not to be exchanged or converted solely for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity, the cash, property or general or limited partner interests, rights, securities or obligations of any limited partnership, corporation, trust or other entity (other than the Surviving Business Entity) which the holders of such general or limited partner interests, securities or rights are to receive in exchange for, or upon conversion of their general or limited partner interests, securities or rights, and (ii) in the case of securities represented by certificates, upon the surrender of such certificates, which cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity or any general or limited partnership, corporation, trust or other entity (other than the Surviving Business Entity), or evidences thereof, are to be delivered;

(e) A statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger or consolidation;

(f) The effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 14.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of the certificate of merger, the effective time shall be fixed no later than the time of the filing of the certificate of merger and stated therein); and

(g) Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or appropriate by the General Partner.

SECTION 14.3 APPROVAL BY LIMITED PARTNERS OF MERGER OR CONSOLIDATION.

(a) Except as provided in Section 14.3(d), the General Partner, upon its approval of the Merger Agreement, shall direct that the Merger Agreement be submitted to a vote of the Limited Partners, whether at a special meeting or by written consent, in either case in accordance with the requirements of Article XIII. A copy or a summary of the Merger Agreement shall be included in or enclosed with the notice of a special meeting or the written consent.

(b) Except as provided in Section 14.3(d), the Merger Agreement shall be approved upon receiving the affirmative vote or consent of the Limited Partners.

(c) Except as provided in Section 14.3(d), after such approval by vote or consent of the Limited Partners, and at any time prior to the filing of the certificate of merger pursuant to Section 14.4, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

(d) Notwithstanding anything else contained in this Article XIV or in this Agreement, the General Partner is permitted, in its discretion, without Limited Partner approval, to merge the Partnership or any Group Member into, or convey all of the Partnership's assets to, another limited liability entity which shall be newly formed and shall have no assets, liabilities or operations at the time of such Merger other than those it receives from the Partnership or other Group Member if (i) the General Partner has received an Opinion of Counsel that the merger or conveyance, as the case may be, would not result in the loss of the limited liability of any Limited Partner, any limited partner in the MLP or cause the Partnership or the MLP or the to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such), (ii) the sole purpose of such merger or conveyance is to effect a mere change in the legal form of the Partnership into another limited

liability entity and (iii) the governing instruments of the new entity provide the Limited Partners and the General Partner with the same rights and obligations as are herein contained.

SECTION 14.4 CERTIFICATE OF MERGER.

Upon the required approval by the General Partner and the Limited Partners of a Merger Agreement, a certificate of merger shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Delaware Act.

SECTION 14.5 EFFECT OF MERGER.

(a) At the effective time of the certificate of merger:

(i) all of the rights, privileges and powers of each of the business entities that has merged or consolidated, and all property, real, personal and mixed, and all debts due to any of those business entities and all other things and causes of action belonging to each of those business entities, shall be vested in the Surviving Business Entity and after the merger or consolidation shall be the property of the Surviving Business Entity to the extent they were of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and is not in any way impaired because of the merger or consolidation;

(iii) all rights of creditors and all liens on or security interests in property of any of those constituent business entities shall be preserved unimpaired; and

(iv) all debts, liabilities and duties of those constituent business entities shall attach to the Surviving Business Entity and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it.

(b) A merger or consolidation effected pursuant to this Article shall not be deemed to result in a transfer or assignment of assets or liabilities from one entity to another.

ARTICLE XV
GENERAL PROVISIONS

SECTION 15.1 ADDRESSES AND NOTICES.

Any notice, demand, request, report or proxy materials required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner at the address described below. Any notice to the

Partnership shall be deemed given if received by the General Partner at the principal office of the Partnership designated pursuant to Section 2.3. The General Partner may rely and shall be protected in relying on any notice or other document from a Partner, Assignee or other Person if believed by it to be genuine.

SECTION 15.2 FURTHER ACTION.

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

SECTION 15.3 BINDING EFFECT.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

SECTION 15.4 INTEGRATION.

This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

SECTION 15.5 CREDITORS.

None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

SECTION 15.6 WAIVER.

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

SECTION 15.7 COUNTERPARTS.

This Agreement may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto, independently of the signature of any other party.

SECTION 15.8 APPLICABLE LAW.

This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

SECTION 15.9 INVALIDITY OF PROVISIONS.

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

SECTION 15.10 CONSENT OF PARTNERS.

Each Partner hereby expressly consents and agrees that, whenever in this Agreement it is specified that an action may be taken upon the affirmative vote or consent of less than all of the Partners, such action may be so taken upon the concurrence of less than all of the Partners and each Partner shall be bound by the results of such action.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

GENERAL PARTNER:

RIVERWALK LOGISTICS, L.P.

By: Shamrock Logistics GP, LLC
its general partner

By: /s/ Steve Blank

Name: Steve Blank
Title: Chief Financial and Accounting Officer

ORGANIZATIONAL LIMITED PARTNER

By: /s/ Todd Walker

Todd Walker

LIMITED PARTNER:

SHAMROCK LOGISTICS, L.P.

By: Riverwalk Logistics, L.P.
its General Partner

By: Shamrock Logistics GP, LLC
its General Partner

By: /s/ Steve Blank

Name: Steve Blank
Title: Chief Financial and Accounting Officer

SHAMROCK LOGISTICS OPERATIONS, L.P.

SECOND AMENDMENT
TO
SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
OF
SHAMROCK LOGISTICS OPERATIONS, L.P.

This Second Amendment to the Second Amended and Restated Agreement of Limited Partnership of Shamrock Logistics Operations, L.P. (the "OPERATING PARTNERSHIP") is entered into by and among Riverwalk Logistics, L.P., a Delaware limited partnership (the "GENERAL PARTNER"), as General Partner of the Partnership, and the Limited Partners of the Partnership, as hereinafter provided.

WHEREAS, the General Partner and the other parties thereto entered into that certain Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership dated as of April 16, 2001 and the First Amendment to Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership effective as of April 16, 2001 (together, the "AGREEMENT");

WHEREAS, Article XIII of the Agreement permits the General Partner to amend the Agreement to change the name of the Operating Partnership and to take certain other actions which, in the sole discretion of the General Partner, do not adversely affect the Limited Partners in any material respect, without the consent of Limited Partners.

NOW THEREFORE, in order to change the name of the Operating Partnership and to reflect the change in name of the Partnership, the General Partner does hereby amend the Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership as follows:

1. The definition of "MLP" in Article I is hereby amended in its entirety to read as follows:

" 'MLP' means Valero L.P."

2. The definition of "Partnership" in Article I is hereby amended in its entirety to read as follows:

" 'PARTNERSHIP' means Valero Logistics Operations, L.P., a Delaware limited partnership, and any successors thereto."

3. The first sentence of Section 2.2 is hereby amended to read as follows:

"The name of the Partnership shall be 'VALERO LOGISTICS OPERATIONS, L.P.' "

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands as of the 7th day of January, 2002.

GENERAL PARTNER:

RIVERWALK LOGISTICS, L.P.

By: Valero GP, LLC (formerly Shamrock Logistics GP, LLC), its General Partner

By: /s/ Curtis V. Anastasio
Name: Curtis V. Anastasio
Title: President and Chief Executive Officer

LIMITED PARTNER:

VALERO, L.P.

By: Riverwalk Logistics, L.P.
its General Partner

By: Valero GP, LLC
its General Partner

By: /s/ Todd Walker
Name: Todd Walker
Title: Corporate Secretary

CERTIFICATE OF AMENDMENT
TO
CERTIFICATE OF FORMATION
OF
SHAMROCK LOGISTICS GP, LLC

This Certificate of Amendment to the Certificate of Formation of Shamrock Logistics GP, LLC (the "COMPANY") is executed and filed pursuant to the provisions of Section 18-202 of the Delaware Limited Liability Company Act. The undersigned DOES HEREBY CERTIFY as follows:

1. The name of the limited liability company is Shamrock Logistics GP, LLC.

2. The Certificate of Formation of the Company is hereby amending Article 1 to reflect the name change of the Company to Valero GP, LLC from Shamrock Logistics GP, LLC.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment to the Certificate of Formation as of the 31st day of December, 2001.

By: /s/ Todd Walker
Name: Todd Walker
Title: Corporate Secretary

FIRST AMENDMENT
TO
FIRST AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT
OF
SHAMROCK LOGISTICS GP, LLC

This First Amendment to First Amended and Restated Limited Liability Company Agreement of Shamrock Logistics GP, LLC (the "COMPANY") is entered into and executed by Diamond Shamrock Refining and Marketing Company (the "MEMBER"), as hereinafter provided.

WHEREAS, the Member entered into that certain First Amended and Restated Limited Liability Company Agreement dated as of June 5, 2000 (the "AGREEMENT"); and

WHEREAS, Section 2. of the Agreement permits the change in name of the Company.

NOW THEREFORE, in consideration of the foregoing premises and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Member agrees as follows:

1. The first sentence of Section 2. of the Agreement is hereby amended in its entirety to read as follows:

> "The name of the Company is, and the business of the Company shall be conducted under the name of "VALERO GP, LLC." "

IN WITNESS WHEREOF, the Member has executed this Amendment to be effective as of the 31st day of December, 2001.

MEMBER:

DIAMOND SHAMROCK REFINING AND
MARKETING COMPANY

By: /s/ Todd Walker
Name: Todd Walker
Title: Corporate Secretary

EXHIBIT 3.16

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FIRST AMENDED AND RESTATED

LIMITED PARTNERSHIP AGREEMENT

OF

RIVERWALK LOGISTICS, L.P.

A DELAWARE LIMITED PARTNERSHIP

DATED AS OF

APRIL 16, 2001

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AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT
OF
RIVERWALK LOGISTICS, L.P.

A Delaware Partnership

This AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT (this "Agreement") of RIVERWALK LOGISTICS, L.P. (the "Partnership"), dated as of April 16, 2001 (the "Effective Date"), is adopted, executed and agreed to, for good and valuable consideration, by Shamrock Logistics GP, LLC, a Delaware limited liability company, as the general partner ("Shamrock GP").

RECITALS

1. The name of the partnership is, and the business of the Partnership shall be conducted under the name of, "Riverwalk Logistics, L.P."

2. The Partnership was originally formed as a Delaware partnership by the filing of a Certificate of Limited Partnership (the "Delaware Certificate"), dated as of June 5, 2000 (the "Original Filing Date") with the Secretary of State of the State of Delaware, pursuant to the Delaware Revised Uniform Limited Partnership Act, as amended from time to time, and any successor to such act (the "Act") with Shamrock GP as the general partner and UDS Logistics LLC, a Delaware limited liability company ("UDS Logistics"), as the organizational limited partner.

ARTICLE I.
DEFINITIONS

SECTION 1.01 DEFINITIONS.

(a) As used in this Agreement, the following terms have the respective meanings set forth below or set forth in the Sections referred to below:

"Act" has the meaning given such term in the Recitals.

"Adjusted Capital Account" means, with respect to any Partner, the balance, if any, in such Partner's Capital Account as of the end of the relevant fiscal year, after giving effect to the following adjustments:

(i) Credit to such Capital Account any amounts which such Partner is obligated to restore pursuant to any provision of this Agreement or pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(c) or is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5);

(ii) Debit to such Capital Account the items described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6).

The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreed Value" of any Contributed Property means the fair market value of such property or other consideration at the time of contribution as determined by the General Partner using such reasonable method of valuation as it may adopt. The General Partner shall, in its discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Agreed Value of Contributed Properties contributed to the Partnership in a single or integrated transaction among each separate property on a basis proportional to the fair market value of each Contributed Property.

"Agreement" has the meaning given such term in the preamble.

"Applicable Law" means (a) any United States Federal, state or local law, statute, rule, regulation, order, writ, injunction, judgment, decree or permit of any Governmental Authority and (b) any rule or listing requirement of any applicable national stock exchange or listing requirement of any national stock exchange or Commission recognized trading market on which securities issued by the MLP are listed or quoted.

"Assignee" means any Person that acquires a Partnership Interest or any portion thereof through a Disposition; provided, however, that, an Assignee shall have no right to be admitted to the Partnership as a Partner except in accordance with Article IV. The Assignee of a dissolved Partner is the shareholder, partner, member or other equity owner or owners of the dissolved Partner to whom such Partner's Partnership Interest is assigned by the Person conducting the liquidation or winding up of such Partner. The Assignee of a Bankrupt Member is (a) the Person or Persons (if any) to whom such Bankrupt Partner's Partnership Interest is assigned by order of the bankruptcy court or other Governmental Authority having jurisdiction over such Bankruptcy, or (b) in the event of a general assignment for the benefit of creditors, the creditor to which such Partnership Interest assigned.

"Associate" means, when used to indicate a relationship with any Person, (a) any corporation or organization of which such Person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock or other voting interest; (b) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same

principal residence as such Person.

"Bankruptcy" or "Bankrupt" means, with respect to any Person, that (a) such Person (i) makes a general assignment for the benefit of creditors; (ii) files a voluntary bankruptcy petition; (iii) becomes the subject of an order for relief or is declared insolvent in any federal or state bankruptcy or insolvency proceedings; (iv) files a petition or answer seeking for such Person a reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any Applicable Law; (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Person in a proceeding of the type described in subclauses (i) through (iv) of this clause (a); or (vi) seeks, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of such Person or of all or any substantial part of such Person's properties; or (b) a proceeding seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any Applicable Law has been commenced against such Person and 120 Days have expired without dismissal thereof or with respect to which, without such Person's consent or acquiescence, a trustee, receiver, or liquidator of such Person or of all or any substantial part of such Person's properties has been appointed and 90 Days have expired without the appointment's having been vacated or stayed, or 90 Days have expired after the date of expiration of a stay, if the appointment has not previously been vacated.

"Business Day" means any day other than a Saturday, a Sunday, or a day when banks in New York, New York are authorized by Applicable Law to be closed.

"Capital Account" means the capital account maintained for a Partner pursuant to Section 5.07.

"Capital Contribution" means, with respect to any Partner, the amount of money and the Net Agreed Value of any property (other than money) contributed to the Partnership by such Partner. Any reference in this Agreement to the Capital Contribution of a Partner shall include a Capital Contribution of its predecessors in interest.

"Carrying Value" means (a) with respect to a Contributed Property, the Agreed Value of such property reduced (but not below zero) by all depreciation, amortization and cost recovery deductions charged to the Partners' and Assignees' Capital Accounts in respect of such Contributed Property, and (b) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Sections 5.07(d) and 5.07(e) and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the General Partner.

"Certified Public Accountants" means a firm of independent public accountants selected from time to time by the General Partner.

"Claim" means any and all judgments, claims, causes of action, demands, lawsuits, suits, proceedings, governmental investigations or audits, losses, assessments, fines, penalties, administrative orders, obligations, costs, expenses, liabilities and damages (whether actual, consequential or punitive), including interest, penalties, reasonable attorneys' fees, disbursements and costs of investigations, deficiencies, levies, duties and imposts.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commission" means the Securities and Exchange Commission.

"Common Unit" has the meaning given such team in the MLP Agreement.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Act, but excluding cash, contributed to the Partnership. Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 5.07(d) or 5.07(e), such property shall no longer constitute a Contributed Property, but shall be deemed an Adjusted Property.

"Contribution Agreement" means that certain Contribution Agreement, dated as of the Effective Date, among the Partnership, the MLP, the OLP, Shamrock GP, UDS Logistics, Diamond Shamrock Refining and Marketing Company, a Delaware corporation, and Sigmor Corporation, a Delaware corporation, together with the additional conveyance documents and instruments contemplated or referenced thereunder.

"Day" means a calendar day; provided, however, that, if any period of Days referred to in this Agreement shall end on a Day that is not a Business Day, then the expiration of such period shall be automatically extended until the end

of the next succeeding Business Day.

"Delaware Certificate" has the meaning given such term in the Recitals.

"Dispose," "Disposing" or "Disposition" means with respect to any asset (including a Partnership Interest or any portion thereof), a sale, assignment, transfer, conveyance, gift, exchange or other disposition of such asset, whether such disposition be voluntary, involuntary or by operation of Applicable Law.

"Effective Date" has the meaning given such term in the preamble.

"Encumber," "Encumbering," or "Encumbrance" means the creation of a security interest, lien, pledge, mortgage or other encumbrance, whether such encumbrance be voluntary, involuntary or by operation of Applicable Law.

"Event of Withdrawal" has the meaning given such term in Section 11.01(a).

"GAAP" means United States generally accepted accounting principles.

"General Partner" means Shamrock GP and its successor and permitted assigns as general partner of the Partnership.

"General Partner Interest" means the ownership interest of the General Partner in the Partnership (in its capacity as a general partner) and includes any and all benefits to which the General Partner is entitled as provided in this Agreement, together with all obligations of the General Partner to comply with the terms and provisions of this Agreement.

"Governmental Authority" or "Governmental" means any Federal, state or local court or governmental or regulatory agency or authority or any arbitration board, tribunal or mediator having jurisdiction over the Company or its assets or Members.

"Group" means a Person that with or through any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent given to such Person in response to a proxy or consent solicitation made to 10 or more Persons) or disposing of any Partnership Securities with any other Person that beneficially owns, or whose Affiliates or Associates beneficially own, directly or indirectly, Partnership Securities.

"Group Member" means a member of the Partnership Group.

"Incentive Distribution Rights" has the meaning given such team in the MLP Agreement.

"Incentive Plan" means any plan or arrangement pursuant to which the General Partner may compensate its employees, consultants, directors and/or service providers.

"Limited Partner" means any Person that is admitted to the Partnership as a limited partner pursuant to the terms and conditions of this Agreement; but the term Limited Partner shall not include any Person from and after the time such Person withdraws as a Limited Partner from the Partnership.

"Limited Partner Interest" means the ownership interest of a Limited Partner or Assignee in the Partnership and includes any and all benefits to which such Limited Partner or Assignee is entitled as provided in this Agreement, together with all obligations of such Limited Partner or Assignee to comply with the terms and provisions of this Agreement.

"Liquidator" means one or more Persons selected by the General Partner to perform the functions described in Section 12.03 as liquidating trustee of the Partnership within in the meaning of the Act.

"MLP" has the meaning given such term in Section 2.04(b).

"MLP Agreement" means the Second Amended and Restated Agreement of Limited Partnership of Shamrock Logistics, L.P., as it may be amended, supplemented or restated from time to time.

"Net Agreed Value" means, (a) in the case of any Contributed Property, the Agreed Value of such property reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed, and (b) in the case of any property distributed to a Partner or Assignee by the Partnership, the Partnership's Carrying Value of such property (as adjusted pursuant to Section 5.07(e)) at the time such property is distributed, reduced by any indebtedness either assumed by such Partner or Assignee upon such distribution or to which such property is subject at the time of distribution, in either case, as determined under Section 752 of the Code.

"Net Income" means, for any taxable year, the excess, if any, of the Partnership's items of income and gain for such taxable year over the Partnership's items of loss and deduction for such taxable year. The items included in the calculation of Net Income shall be determined in accordance with Section 5.07(b) and shall not include any items specially allocated under Section 6.01(c).

"Net Loss" means, for any taxable year, the excess, if any, of the Partnership's items of loss and deduction for such taxable year over the Partnership's items of income and gain for such taxable year. The items included in the calculation of Net Loss shall be determined in accordance with Section 5.07(b) and shall not include any items specially allocated under Section 6.01(c).

"Nonrecourse Deductions" means any and all items of loss, deduction or expenditure (including, without limitation, any expenditure described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(b), are attributable to a Nonrecourse Liability.

"Nonrecourse Liability" has the meaning set forth in Treasury Regulation Section 1.752-1(a)(2).

"Notices" has the meaning given such term in Section 15.01.

"OLP" has the meaning given such term in Section 2.04(b).

"OLP Agreement" means the Second Amended and Restated Agreement of Limited Partnership of Shamrock Logistics Operations, L.P., as it may be amended, supplemented or restated from time to time.

"Omnibus Agreement" means that Omnibus Agreement, dated the Effective Date, among Ultramar Diamond Shamrock Corporation, the General Partner, the Partnership, the MLP and the OLP.

"Opinion of Counsel" means a written opinion of counsel (which may be regular counsel to the Partnership or the General Partner of any of its Affiliates) acceptable to the General Partner in its reasonable discretion.

"Original Filing Date" has the meaning given such term in the Recitals.

"Outstanding" has the meaning given such team in the MLP Agreement.

"Partner" means the General Partner and the Limited Partners.

"Partner Nonrecourse Debt" has the meaning set forth in Treasury Regulation Section 1.704-2(b)(4).

"Partner Nonrecourse Debt Minimum Gain" has the meaning set forth in Treasury Regulation Section 1.704-2(i)(2).

"Partner Nonrecourse Deductions" means any and all items of loss, deduction or expenditure (including, without limitation, any expenditure described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(i), are attributable to a Partner Nonrecourse Debt.

"Partnership" has the meaning given such term in the preamble.

"Partnership Group" means the Partnership and any Subsidiary of any such entity, treated as a single consolidated entity.

"Partnership Interest" means an ownership interest of a Partner in the Partnership, which shall include the General Partner Interest and the Limited Partner Interests.

"Partnership Minimum Gain" means that amount determined in accordance with the principles of Treasury Regulation Section 1.704-2(d).

"Partnership Security" means any class or series of equity interest in the MLP (but excluding any options, rights, warrants and appreciation rights relating to an equity interest in the MLP), including without limitation, Common Units, Subordinated Units and Incentive Distribution Rights.

"Person" means any individual, firm, partnership, corporation, limited liability company, association, joint-stock company, unincorporated organization, joint venture, trust, court, governmental agency or any political subdivision thereof, or any other entity.

"Proper Officer" or "Proper Officers" means those officers of the General Partner authorized to act on behalf of the General Partner in its capacity as the general partner of the Partnership.

"Registration Statement" means the registration statement of the MLP (Commission File No. 333-43668), as amended.

"Services Agreement" means the services agreement dated as of the Effective Date by and among Diamond Shamrock Refining and Marketing Company, a Delaware corporation and certain of its affiliates listed on Exhibit A thereto, the MLP, the OLP, the Partnership, and Shamrock Logistics GP, LLC, the general partner of the Partnership.

"Shamrock GP" has the meaning given such term in the preamble.

"Sharing Ratio" means, subject in each case to adjustments in accordance with this Agreement or in connection with Dispositions of Partnership Interests, (a) in the case of a Person acquiring such Partner's Partnership Interest, the percentage specified for that Partner as its Sharing Ratio on Exhibit A, and (b) in the case of Partnership Interests issued pursuant to Section 5.02, the Sharing Ratio established pursuant thereto; provided, however, that the total of all Sharing Ratios shall always equal 100%.

"Subordinated Units" has the meaning given such team in the MLP Agreement.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 10.02 in place of and with all the rights of a Limited Partner and who is shown as a Limited Partner on the books and records of the Partnership.

"Term" has the meaning given such term in Section 2.07.

"Treasury Regulations" means the regulations (including temporary regulations) promulgated by the United States Department of the Treasury pursuant to and in respect of provisions of the Code. All references herein to sections of the Treasury Regulations shall include any corresponding provision or provisions of succeeding, similar or substitute, temporary or final Treasury Regulations.

"UDS Logistics" has the meaning given such term in the Recitals.

"Unrealized Gain" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date (as determined under Sections 5.07(d) and 5.07(e) over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Sections 5.07(d) and 5.07(e) as of such date).

"Unrealized Loss" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Sections 5.07(d) and 5.07(e) as of such date) over (b) the fair market value of such property as of such date (as determined under Sections 5.07(d) and 5.07(e)).

"Withdraw," "Withdrawing" or "Withdrawal" means the withdrawal, resignation or retirement of a Partner from the Partnership as a Partner. Such terms shall not include any Dispositions of Partnership Interest (which are governed by Article IV), even though the Partner making a Disposition may cease to be a Partner as a result of such Disposition.

(b) Other terms defined herein have the meanings so given them.

SECTION 1.02 CONSTRUCTION.

Whenever the context requires, (a) the gender of all words used in this Agreement includes the masculine, feminine and neuter, (b) the singular forms of nouns, pronouns and verbs shall include the plural and vice versa, (c) all references to Articles and Sections refer to articles and sections in this Agreement, each of which is made a part for all purposes and (d) the term "include" or "includes" means includes, without limitation, and "including" means including, without limitation.

ARTICLE II.
ORGANIZATION

SECTION 2.01 FORMATION.

The General Partner and the Limited Partner formed the Partnership as a Delaware limited partnership by the filing of the Delaware Certificate, dated as of the Original Filing Date, with the Secretary of State of Delaware pursuant to the Act.

SECTION 2.02 NAME.

The name of the Partnership is "Riverwalk Logistics, L.P." and all Partnership business must be conducted in that name or such other names that comply with Applicable Law as the General Partner may select.

SECTION 2.03 REGISTERED OFFICE; REGISTERED AGENT; PRINCIPAL OFFICE.

The name of the Partnership's registered agent for service of process is The Corporation Trust Company, and the address of the Partnership's registered office in the State of Delaware is 1209 Orange Street, Wilmington, Delaware 19801. The principal place of business of the Partnership shall be located at 6000 North Loop 1604 West, San Antonio, Texas 78249. The General Partner may change the Partnership's registered agent or the location of the Partnership's registered office or principal place of business as the General Partner may from time to time determine.

SECTION 2.04 PURPOSES.

(a) The Partnership may carry on any lawful business or activity permitted by the Act. The Partnership shall be authorized to engage in any and all other activities, whether or not related to the foregoing, which in the judgment of the General Partner may be beneficial or desirable.

(b) Subject to the limitations expressly set forth in this Agreement, the Partnership shall have the power and authority to do any and all acts and things deemed necessary or desirable by the General Partner to further the Partnership's purposes and carry on its business, including, without limitation, the following:

(i) acting as the general partner of Shamrock Logistics, L.P., a Delaware limited partnership (the "MLP") and Shamrock Logistics Operations, L.P., a Delaware limited partnership (the "OLP");

(ii) entering into any kind of activity and performing contracts of any kind necessary or desirable for the accomplishment of its business (including the business of the MLP and the OLP);

(iii) acquiring any property, real or personal, in fee or under lease or license, or any rights therein or appurtenant thereto, necessary or desirable for the accomplishment of its business;

(iv) borrowing money and issuing evidences of indebtedness and securing any such indebtedness by mortgage or pledge of, or other lien on, the assets of the Partnership;

(v) entering into any such instruments and agreements as the General Partner may deem necessary or desirable for the ownership, management, operation, leasing and sale of the Partnership's property; and

(vi) negotiating and concluding agreements for the sale, exchange or other disposition of all or substantially all of the properties of the Partnership, or for the refinancing of any loan or payment obtained by the Partnership.

The Partners hereby specifically consent to and approve the execution and delivery by the Proper Officers on behalf of the Partnership of all loan agreements, notes, security agreements or other documents or instruments, if any, as required by any lender providing funds to the Partnership and ancillary documents contemplated thereby.

SECTION 2.05 FOREIGN QUALIFICATION.

Prior to the Partnership's conducting business in any jurisdiction other than Delaware, the Proper Officers shall cause the Partnership to comply, to the extent procedures are available and those matters are reasonably within the control of such officers, with all requirements necessary to qualify the Partnership as a foreign limited partnership in that jurisdiction. At the request of the Proper Officers, the Partners shall execute, acknowledge, swear to, and deliver all certificates and other instruments conforming with this Agreement that are necessary or appropriate to qualify, continue, and terminate the Partnership as a foreign limited partnership in all such jurisdictions in which the Partnership may conduct business.

SECTION 2.06 POWER OF ATTORNEY.

(a) Each Partner and each Assignee hereby constitutes and appoints the General Partner and, if a Liquidator shall have been selected pursuant to Section 12.03, the Liquidator (and any successor to the Liquidator by merger, transfer, assignment, election or otherwise) and each of their authorized officers and attorneys-in-fact, as the case may be, with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including this Agreement and the Delaware Certificate and all amendments or restatements hereof or thereof) that the General Partner or the Liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (B) all certificates, documents and other instruments that the General Partner or the Liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including conveyances

and a certificate of cancellation) that the General Partner or the Liquidator deems necessary or appropriate to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article IV, X, XI or XII; (E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Partnership Interests issued pursuant hereto; and (F) all certificates, documents and other instruments (including agreements and a certificate of merger) relating to a merger or consolidation of the Partnership pursuant to Article XIV; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments necessary or appropriate, in the discretion of the General Partner or the Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or is necessary or appropriate, in the discretion of the General Partner or the Liquidator, to effectuate the terms or intent of this Agreement; PROVIDED, that when required by any provision of this Agreement that establishes a percentage of the Limited Partners or of the Limited Partners of any class or series required to take any action, the General Partner and the Liquidator may exercise the power of attorney made in this Section 2.06(a)(ii) only after the necessary vote, consent or approval of the Limited Partners or of the Limited Partners of such class or series, as applicable.

Nothing contained in this Section 2.06(a) shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article XIII or as may be otherwise expressly provided for in this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and, to the maximum extent permitted by law, not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Interest and shall extend to such Limited Partner's or Assignee's successors and assigns. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee, to the maximum extent permitted by law, hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within 15 days after receipt of the request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator deems necessary to effectuate this Agreement and the purposes of the Partnership.

SECTION 2.07 TERM.

The period of existence of the Partnership (the "Term") commenced on the Original Filing Date and shall end at such time as a certificate of cancellation is filed with the Secretary of State of Delaware in accordance with Section 12.05.

ARTICLE III.
RIGHTS OF LIMITED PARTNERS

SECTION 3.01 LIMITATION OF LIABILITY.

The Limited Partners and the Assignees shall have no liability under this Agreement except as expressly provided in this Agreement or in the Act.

SECTION 3.02 MANAGEMENT OF BUSINESS.

No Limited Partner or Assignee, in its capacity as such, shall participate in the operation, management or control (within the meaning of the Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. Any action taken by any Affiliate of the General Partner or any officer, director, employee, member, general partner, agent or trustee of the General Partner or any of its Affiliates, in its capacity as such, shall not be deemed to be participation in control of the business of the Partnership by a limited partner of the Partnership (within the meaning of Section 17-303(a) of the Act) and shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

SECTION 3.03 OUTSIDE ACTIVITIES OF THE LIMITED PARTNERS.

Subject to the provisions of Section 7.01 and the Omnibus Agreement, which shall continue to be applicable to the Persons referred to therein, regardless of whether such Persons shall also be Limited Partners or Assignees, any Limited Partner or Assignee shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership Group. Neither the Partnership nor any of the other Persons or Assignees shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee.

SECTION 3.04 RIGHTS OF LIMITED PARTNERS.

(a) In addition to other rights provided by this Agreement or by applicable law, and except as limited by Section 3.04(b), each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon reasonable written demand and at such Limited Partner's own expense:

(i) to obtain true and full information regarding the status of the business and financial condition of the Partnership;

(ii) promptly becoming available, to obtain a copy of the Partnership's federal, state and local income tax returns for each year.

(iii) to have furnished to him a current list of the name and last known business, residence or mailing address of each Partner;

(iv) to have furnished to him a copy of this Agreement and the Delaware Certificate and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement, the Delaware Certificate and all amendments thereto have been executed;

(v) to obtain true and full information regarding the amount of cash and a description and statement of the gross asset value of any other Capital Contribution by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner; and

(vi) to obtain such other information regarding the affairs of the Partnership as is just and reasonable.

(b) The General Partner may keep confidential from the Limited Partners and Assignees, for such period of time as the General Partner deems reasonable, (i) any information that the General Partner reasonably believes to be in the nature of trade secrets or (ii) other information the disclosure of which the General Partner in good faith believes (A) is not in the best interests of the MLP or the Partnership Group, (B) could damage the MLP or the Partnership Group or (C) that any Group Member is required by law or by agreement with any third party to keep confidential (other than agreements with Affiliates of the Partnership the primary purpose of which is to circumvent the obligations set forth in this Section 3.04).

ARTICLE IV.
TRANSFERS OF PARTNERSHIP INTERESTS

SECTION 4.01 TRANSFER GENERALLY.

(a) The term "transfer," when used in this Agreement with respect to a Partnership Interest, shall be deemed to refer to a transaction by which the General Partner assigns its General Partner Interest to another Person who becomes the General Partner (or an Assignee) or by which the holder of a Limited Partner Interest assigns such Limited Partner Interest to another Person who becomes a Limited Partner (or an Assignee), and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise.

(b) No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article IV. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article IV shall be null and void.

SECTION 4.02 TRANSFER OF GENERAL PARTNER'S PARTNERSHIP INTEREST.

(a) Except as set forth in Section 5.02 and subject to Section 4.02(c) below, prior to March 31, 2011, the General Partner shall not transfer all or any part of its General Partner Interest to a Person unless such transfer (i) has been approved by the prior written consent or vote of the holders of at least a majority of the Outstanding Common Units (excluding Common Units held by the General Partner and its Affiliates) or (ii) is of all, but not less than all, of its General Partner Interest to (A) an Affiliate of the General Partner (other than an individual) or (B) another Person (other than an individual) in connection with the merger or consolidation of the General Partner with or into such other Person (other than in individual) or the transfer by the General Partner of all or substantially all of its assets to such other Person (other than an individual), the General Partner may not transfer all or any part of its Partnership Interest as a General Partner.

(b) Subject to Section 4.02(c) below, on or after March 31, 2011, the General Partner may transfer all or any of its General Partner Interest without Unitholder approval.

(c) Notwithstanding anything herein to the contrary, no transfer by the General Partner of all or any part of its General Partner Interest to another Person shall be permitted unless (i) the transferee agrees to assume the rights and duties of the General Partner under this Agreement and to be bound by the provisions of this Agreement, (ii) the Partnership receives an Opinion of Counsel that such transfer would not result in the loss of limited liability of any Limited Partner, of any limited partner of the MLP or of any limited partner of the Operating Partnership or cause the Partnership, the MLP or the Operating Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed) and (iii) such transferee also agrees to purchase all (or the appropriate portion thereof, if applicable) of the partnership interest of the General Partner. In the case of a transfer pursuant to and in compliance with this Section 4.02, the transferee or successor (as the case may be) shall, subject to compliance with the terms of Section 10.04, be admitted to the Partnership as a General Partner immediately prior to the transfer of the Partnership Interest, and the business of the Partnership shall continue without dissolution.

SECTION 4.03 TRANSFER OF A LIMITED PARTNER'S PARTNERSHIP INTEREST.

A Limited Partner may transfer all, but not less than all, of its Partnership Interest as a Limited Partner in connection with the merger, consolidation or other combination of such Limited Partner with or into any other Person or the transfer by such Limited Partner of all or substantially all of its assets to another Person, and following any such transfer such Person may become a Substituted Limited Partner pursuant to Article X. Except as set forth in the immediately preceding sentence and in Section 5.02, or in connection with any pledge of (or any related foreclosure on) a Partnership Interest as Limited Partner solely for the purpose of securing, directly or indirectly, indebtedness of the Partnership, the MLP or the OLP, and except for the transfers contemplated by Sections 5.02 and 10.02, a Limited Partner may not transfer all or any part of its Partnership Interest or withdraw from the Partnership.

SECTION 4.04 RESTRICTIONS ON TRANSFERS.

(a) Notwithstanding the other provisions of this Article IV, no transfer of any Partnership Interest shall be made if such transfer would (i) violate the then applicable federal or state securities laws or rules and regulations of the Commission, any state securities commission or any other governmental authority with jurisdiction over such transfer, (ii) terminate the existence or qualification of the Partnership, the MLP or the OLP under the laws of the jurisdiction of its formation or (iii) cause the Partnership, the MLP or the OLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed).

(b) The General Partner may impose restrictions on the transfer of the Partnership Interests if a subsequent Opinion of Counsel determines that such restrictions are necessary to avoid a significant risk of the Partnership, the MLP or the OLP becoming taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes. The restrictions may be imposed by making such amendment to this Agreement as the General Partner may determine to be necessary or appropriate to impose such restrictions.

ARTICLE V.
CAPITAL CONTRIBUTIONS

SECTION 5.01 INITIAL CAPITAL CONTRIBUTIONS.

In connection with the formation of the Partnership under the Act, Shamrock GP made an initial Capital Contribution to the Partnership in the amount of $999, for an interest in the Partnership and was admitted as the General Partner of the partnership and UDS Logistics made an initial Capital Contribution to the Partnership in the amount of $1 for an interest in the Partnership and has been admitted as a Limited Partner of the Partnership.

SECTION 5.02 CONTRIBUTIONS PURSUANT TO THE CONTRIBUTION AGREEMENT.

On the Effective Date and pursuant to the Contribution Agreement, (a) Shamrock GP will transfer as a capital contribution such limited partner interests in the OLP to the Partnership as are necessary so that Shamrock GP will have a 0.1% interest in the Partnership and (b) UDS Logistics will transfer as a capital contribution such limited partner interests in the OLP to the Partnership as are necessary so that UDS Logistics will have a 99.9% interest in the Partnership.

SECTION 5.03 ADDITIONAL CAPITAL CONTRIBUTIONS.

With the consent of the General Partner, any Limited Partner may, but shall not be obligated to, make additional Capital Contributions to the Partnership. Contemporaneously with the making of any Capital Contributions by a Limited Partner, in addition to those provided in Sections 5.01, the General Partner shall be obligated to make an additional Capital Contribution to the Partnership in an amount equal to 0.1% divided by .999 times the amount of additional Capital Contribution then made by such Limited Partner. Except as set forth in the immediately

preceding sentence and in Article XII, the General Partner shall not be obligated to make any additional Capital Contributions to the Partnership.

SECTION 5.04 INTEREST AND WITHDRAWAL.

No interest shall be paid by the Partnership on Capital Contributions. No Partner or Assignee shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent, if any, that distributions made pursuant to this Agreement or upon termination of the Partnership may be considered as such by law and then only to the extent provided for in this Agreement. Except to the extent expressly provided in this Agreement, no Partner or Assignee shall have priority over any other Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions. Any such return shall be a compromise to which all Partners and Assignees agree within the meaning of Section 17-502(b) of the Act.

SECTION 5.05 LOANS.

Loans by a Partner to the Partnership shall not constitute Capital Contributions. If any Partner shall advance funds to the Partnership in excess of the amounts required hereunder to be contributed by it to the capital of the Partnership, the making of such excess advances shall not result in any increase in the amount of the Capital Account of such Partner. The amount of any such excess advances shall be a debt obligation of the Partnership to such Partner and shall be payable or collectible only out of the Partnership assets in accordance with the terms and conditions upon which such advances are made.

SECTION 5.06 RETURN OF CONTRIBUTIONS.

Except as expressly provided herein, no Partner is entitled to the return of any part of its Capital Contributions or to be paid interest in respect of either its Capital Account or its Capital Contributions. An unrepaid Capital Contribution is not a liability of the Partnership or of any Partner. A Partner is not required to contribute or to lend any cash or property to the Partnership to enable the Partnership to return any Partner's Capital Contributions.

SECTION 5.07 CAPITAL ACCOUNTS.

(a) The Partnership shall maintain for each Partner a separate Capital Account in accordance with the provisions of this Section 5.07, which shall be interpreted and applied in a manner consistent with the requirements of Treasury Regulation Section 1.704-1(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions made to the Partnership with respect to such Partnership Interest pursuant to this Agreement and (ii) all items of Partnership income and gain (including, without limitation, income and gain exempt from tax) computed in accordance with Section 5.07(b) and allocated with respect to such Partnership Interest pursuant to Section 6.01, and decreased by (x) the amount of cash or Net Agreed Value of all actual and deemed distributions of cash or property made with respect to such Partnership Interest pursuant to this Agreement and (y) all items of Partnership deduction and loss

computed in accordance with Section 5.07(b) and allocated with respect to such Partnership Interest pursuant to Section 6.01.

(b) For purposes of computing the amount of any item of income, gain, loss, or deduction to be reflected in the Partners' Capital Accounts, the determination, recognition, and classification of any such item shall be the same as its determination, recognition, or classification for federal income tax purposes (including any method of depreciation, cost recovery, or amortization used for that purpose); PROVIDED that:

(i) Any fees or expenses incurred by the Partnership to promote the sale of or to sell a Partnership Interest that can neither be deducted nor amortized under Section 709 of the Code shall, for purposes of Capital Account maintenance, be treated as an item of deduction at the time such fees or expenses are incurred.

(ii) Except as otherwise provided in Treasury Regulation Section 1.704-1(b)(2)(iv)(m), the computation of all items of income, gain, loss, and deduction shall be made without regard to any election by the Partnership under Section 754 of the Code and, as to those items described in Section 705(a)(1)(B) or 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes. To the extent that an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), required to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of income (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset).

(iii) Any income, gain, or loss attributable to the disposition of any Partnership property shall be determined as if the adjusted basis of such property as of the date of such disposition were equal to the Partnership's Carrying Value of such property as of such date.

(iv) In accordance with the requirements of Section 704(b) of the Code, any deductions for depreciation, cost recovery, or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Partnership were equal to the Agreed Value of such property. Upon an adjustment pursuant to Section 5.07(d) or 5.07(e) to the Carrying Value of any Partnership property subject to depreciation, cost recovery, or amortization, any further deductions for such depreciation, cost recovery, or amortization attributable to such property shall be determined (i) as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment, and (ii) using a rate of depreciation, cost recovery, or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; PROVIDED that if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery, or amortization deductions shall be determined using any reasonable method adopted by the General Partner.

(v) If the Partnership's adjusted basis in a depreciable or cost recovery property is reduced for federal income tax purposes pursuant to Section 48(q)(1) or 48(q)(3) of the Code, the amount of such reduction shall, solely for purposes hereof, be

deemed to be an additional depreciation or cost recovery deduction in the year such property is placed in service. Any restoration of such basis pursuant to Section 48(q)(2) of the Code shall be treated as an item of income.

(c) A transferee of a Partnership Interest shall succeed to a pro rata portion of the Capital Account of the transferor relating to the Partnership Interest so transferred.

(d) Consistent with the provisions of Treasury Regulation Section 1.704-1(b)(2)(iv)(f), on an issuance of additional Partnership Interests for cash or Contributed Property, the Carrying Value of each Partnership property immediately prior to such issuance shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such property. Any such Unrealized Gain or Unrealized Loss so reflected in the Carrying Value of such property shall be treated as an item of income, gain, loss, or deduction recognized by the Partnership on the date of the adjustment to the Carrying Value of the property.

(e) Consistent with the provisions of Treasury Regulation Section 1.704-1(b)(2)(iv)(f), immediately prior to any distribution to a Partner of any

Partnership property (other than a distribution of cash that is not in redemption or retirement of a Partnership Interest), the Carrying Value of each Partnership property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such property. Any such Unrealized Gain or Unrealized Loss so reflected in the Carrying Value of such property shall be treated as an item of income, gain, loss, or deduction recognized by the Partnership on the date of the adjustment to the Carrying Value of the property.

ARTICLE VI.
ALLOCATIONS AND DISTRIBUTIONS

SECTION 6.01 ALLOCATIONS FOR CAPITAL ACCOUNT PURPOSES.

For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Section 5.07(b)) shall be allocated among the Partners in each taxable year (or portion thereof) as provided herein below.

(a) After giving effect to the special allocations set forth in Section 6.01(c), Net Income for each taxable year and all items of income, gain, loss and deduction taken into account in computing Net Income for such taxable year shall be allocated among the Partners as follows:

(i) First, 100% to the General Partner until the aggregate Net Income allocated to the General Partner pursuant to this Section 6.01(a)(i) for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 6.01(b)(ii) for all previous taxable years;

(ii) Second, to the Partners, in proportion to their respective Sharing Ratios.

(b) After giving effect to the special allocations set forth in Section 6.01(c), Net Losses for each taxable period and all items of income, gain, loss and deduction taken into

account in computing Net Losses for such taxable period shall be allocated among the Partners as follows:

(i) First, to the Partners in proportion to their respective Sharing Ratio; PROVIDED, HOWEVER, that Net Losses shall not be allocated to a Limited Partner pursuant to this Section 6.01(b)(i) to the extent that such allocation would cause a Limited Partner to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in such Limited Partner's Adjusted Capital Account);

(ii) Second, the balance, if any, 100% to the General Partner.

(c) SPECIAL ALLOCATIONS. Notwithstanding any other provision of this Section 6.01, the following special allocations shall be made for such taxable period:

(i) PARTNERSHIP MINIMUM GAIN CHARGEBACK. Notwithstanding any other provision of this Section 6.01, if there is a net decrease in Partnership Minimum Gain during any Partnership taxable period, each Partner shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(f)(6), 1.704-2(g)(2) and 1.704-2(j)(2)(i), or any successor provision. For purposes of this Section 6.01(c), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.01(c) with respect to such taxable period (other than an allocation pursuant to Sections 6.01(c)(v) and 6.01(c)(vi)). This Section 6.01(c)(i) is intended to comply with the Partnership Minimum Gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) CHARGEBACK OF PARTNER NONRECOURSE DEBT MINIMUM GAIN. Notwithstanding the other provisions of this Section 6.01 (other than Section 6.01(c)(i)), except as provided in Treasury Regulation Section 1.704-2(i)(4), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any Partnership taxable period, any Partner with a share of Partner Nonrecourse Debt Minimum Gain at the beginning of such taxable period shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 6.01(c), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall

be effected, prior to the application of any other allocations pursuant to this Section 6.01(c), other than Section 6.01(c)(i) and other than an allocation pursuant to Sections 6.01(c)(v) and 6.01(c)(vi), with respect to such taxable period. This Section 6.01(c)(ii) is intended to comply with the chargeback of items of income and gain requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(iii) QUALIFIED INCOME OFFSET. In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations promulgated under Section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible unless such deficit balance is otherwise eliminated pursuant to Section 6.01(c)(i) or (ii).

(iv) GROSS INCOME ALLOCATIONS. In the event any Partner has a deficit balance in its Capital Account at the end of any Partnership taxable period in excess of the sum of (A) the amount such Partner is required to restore pursuant to the provisions of this Agreement and (B) the amount such Partner is deemed obligated to restore pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), such Partner shall be specially allocated items of Partnership gross income and gain in the amount of such excess as quickly as possible; PROVIDED, that an allocation pursuant to this Section 6.01(c)(iv) shall be made only if and to the extent that such Partner would have a deficit balance in its Capital Account as adjusted after all other allocations provided for in this Section 6.01 have been tentatively made as if this Section 6.01(c)(iv) were not in this Agreement.

(v) NONRECOURSE DEDUCTIONS. Nonrecourse Deductions for any taxable period shall be allocated to the Partners in accordance with their respective Percentage Interests. If the General Partner determines in its good faith discretion that the Partnership's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Treasury Regulations promulgated under Section 704(b) of the Code, the General Partner is authorized, upon notice to the other Partners, to revise the prescribed ratio to the numerically closest ratio that does satisfy such requirements.

(vi) PARTNER NONRECOURSE DEDUCTIONS. Partner Nonrecourse Deductions for any taxable period shall be allocated 100% to the Partner that bears the Economic Risk of Loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulation Section 1.704-2(i). If more than one Partner bears the Economic Risk of Loss with respect to a Partner Nonrecourse Debt, such Partner Nonrecourse Deductions attributable thereto shall be allocated between or among such Partners in accordance with the ratios in which they share such Economic Risk of Loss.

(vii) CODE SECTION 754 ADJUSTMENTS. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(c) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in

which their Capital Accounts are required to be adjusted pursuant to such Section of the Treasury Regulations.

(viii) CURATIVE ALLOCATION. If any items of income and gain (including gross income) or loss and deduction are allocated to a Partner pursuant to this Section 6.01(c), then, prior to any allocation pursuant to Section 6.01, items of income and gain (including gross income) and items of loss and deduction for subsequent periods shall be allocated to the Partners in a manner designed to result in each Partner's Capital Account having a balance equal to the balance it would have had if such allocation of income and gain (including gross income) and item of loss and deduction had not occurred pursuant to this Section 6.01(c)(viii). For purposes of applying the foregoing provisions of this Section 6.01(c): (A) allocations hereunder shall be made only to the extent that the Tax Matters Partner reasonably determines that such allocations are consistent with the economic agreement of the Partners; and (B) allocations hereunder with respect to allocations under Section 6.01(c)(i) and (c)(ii) shall not be made prior to a year in

which there is a net decrease in Partnership Minimum Gain or Partner Nonrecourse Debt Minimum Gain and then only to the extent that the Tax Matters Partner reasonably determines that such allocations are necessary to avoid a potential distortion in the economic agreement of the Partners.

SECTION 6.02 ALLOCATIONS FOR TAX PURPOSES.

(a) Except as otherwise provided herein, for federal income tax purposes each item of income, gain, loss and deduction shall be allocated among the Partners in the same manner as its correlative item of "book" income, gain, loss and deduction is allocated pursuant to Section 6.01.

(b) Notwithstanding any provisions contained herein to the contrary, solely for federal income tax purposes, items of income, gain, depreciation, gain or loss with respect to property contributed or deemed contributed to the Partnership by a Partner shall be allocated so as to take into account the variation between the Partner's tax basis in such contributed property and its Carrying Value. Such allocation shall be made in accordance with the provisions of Treasury Regulation Section 1.704-3(d).

(c) For purposes of determining the income, gain, loss, deduction or any other items allocable to any period, income, gain, loss, deduction, and any such other items shall be determined on a daily, monthly, or other basis, as determined by the General Partner using any permissible method under Code Section 706 and the Treasury Regulations thereunder.

SECTION 6.03 DISTRIBUTIONS.

(a) Except as otherwise provided in Section 12.04, the Partnership may make distributions of cash or property at such time and in such amount as the General Partner shall determine to the Partners in accordance with their Sharing Ratios.

(b) Such distributions shall be made concurrently to the Partners (or their Assignees) as reflected on the books of the Partnership on the date set for purposes of such distribution.

ARTICLE VII.
MANAGEMENT

SECTION 7.01 MANAGEMENT AND OPERATIONS OF BUSINESS.

Except as otherwise expressly provided in this Agreement, all powers to control and manage the business and affairs of the Partnership shall be fully vested exclusively in the General Partner; the Limited Partner shall not have any power to control or manage the business and affairs of the Partnership. The General Partner shall manage the business and affairs of the Partnership on behalf of the Partnership in accordance and subject to the provisions of Article VII of each of the OLP Agreement and the MLP Agreement.

ARTICLE VIII.
BOOKS, RECORDS, ACCOUNTING AND REPORTS

SECTION 8.01 RECORDS AND ACCOUNTING.

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including gall books and records necessary to provide to the Limited Partners any information required to be provided pursuant to Section 3.04(a). Any books and records maintained by or on behalf of the Partnership in the regular course of its business, including books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard drives, punch cards, magnetic tape, photographs, micrographics or any other information storage device; PROVIDED, that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP.

SECTION 8.02 FISCAL YEAR.

The fiscal year of the Partnership shall be a fiscal year ending December 31.

ARTICLE IX.
TAXES

SECTION 9.01 TAX RETURNS.

The Partnership shall timely file all returns of the Partnership that are required for federal, state and local income tax purposes on the basis of the accrual method and a taxable year ending on December 31. The tax information reasonably required by the Partners for federal and state income tax reporting purposes with respect to a taxable year shall be furnished to them within 90 days of the close of the calendar year in which the Partnership's taxable year

ends. The

classification, realization and recognition of income, gain, losses and deductions and other items shall be on the accrual method of accounting for federal income tax purposes.

SECTION 9.02 TAX ELECTIONS.

(a) The Partnership shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder, subject to the reservation of the right to seek to revoke any such election upon the General Partner's determination that such revocation is in the best interests of the Limited Partners.

(b) The Partnership shall elect to deduct expenses incurred in organizing the Partnership ratably over a sixty-month period as provided in Section 709 of the Code.

(c) Except as otherwise provided herein, the General Partner shall determine whether the Partnership should make any other elections permitted by the Code.

SECTION 9.03 TAX MATTERS PARTNER.

Subject to the provisions hereof, the General Partner is designated as the Tax Matters Partner (as defined in the Code) and is authorized and required to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. Each Partner agrees to cooperate with the General Partner and to do or refrain from doing any or all things reasonably required by the General Partner to conduct such proceedings.

SECTION 9.04 WITHHOLDING.

Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines in its discretion to be necessary or appropriate to cause the Partnership to comply with any withholding requirements established under the Code or any other federal, state or local law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required or elects to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner or Assignee (including, without limitation, by reason of Section 1446 of the Code), the amount withheld may at the discretion of the General Partner be treated by the Partnership as a distribution of cash pursuant to Section 6.03 in the amount of such withholding from such Partner.

ARTICLE X.
ADMISSION OF PARTNERS

SECTION 10.01 ADMISSION OF GENERAL PARTNER.

Upon the consummation of the transfers and conveyances described in Section 5.02, the General Partner shall be admitted as a General Partner, and the General Partner shall be the only general partner of the Partnership and UDS Logistics shall be the sole limited partner of the Partnership.

SECTION 10.02 ADMISSION OF SUBSTITUTED LIMITED PARTNER.

By transfer of a Limited Partner Interest in accordance with Article IV, the transferor shall be deemed to have given the transferee the right to seek admission as a Substituted Limited Partner subject to the conditions of, and in the manner permitted under, this Agreement. A transferor of a Limited Partner Interest shall, however, only have the authority to convey to a purchaser or other transferee (a) the right to negotiate such Limited Partner Interest to a purchaser or other transferee and (b) the right to request admission as a Substituted Limited Partner to such purchaser or other transferee in respect of the transferred Limited Partner Interests. Each transferee of a Limited Partner Interest shall be an Assignee and be deemed to have applied to become a Substituted Limited Partner with respect to the Limited Partner Interests so transferred to such Person. Such Assignee shall become a Substituted Limited Partner (x) at such time as the General Partner consents thereto, which consent may be given or withheld in the General Partner's discretion, and (y) when any such admission is shown on the books and records of the Partnership. If such consent is withheld, such transferee shall remain an Assignee. An Assignee shall have an interest in the Partnership equivalent to that of a Limited Partner with respect to allocations and distributions, including liquidating distributions, of the Partnership. With respect to voting rights attributable to Limited

Partner Interests that are held by Assignees, the General Partner shall be deemed to be the Limited Partner with respect thereto and shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, vote such Limited Partner Interests at the written direction of the Assignee. If no such written direction is received, such Partnership Interests will not be voted. An Assignee shall have no other rights of a Limited Partner.

SECTION 10.03 ADMISSION OF ADDITIONAL LIMITED PARTNERS.

(a) A Person (other than the General Partner, UDS Logistics or a Substituted Limited Partner) who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including the power of attorney granted in Section 2.06, and (ii) such other documents or instruments as may be required in the discretion of the General Partner to effect such Person's admission as an Additional Limited Partner.

(b) Notwithstanding anything to the contrary in this Section 10.03, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded as such in the books and records of the Partnership, following the consent of the General Partner to such admission.

SECTION 10.04 ADMISSION OF SUCCESSOR OR TRANSFEREE GENERAL PARTNER.

A successor General Partner approved pursuant to Section 11.01 or 11.02 or the transferee of or successor to all of the General Partner Interest pursuant to Section 4.02 who is proposed to be admitted as a successor General Partner shall, subject to compliance with the terms of Section 11.03, if applicable, be admitted to the Partnership as the General Partner

effective immediately prior to the withdrawal or removal of the predecessor or transferring General Partner pursuant to Section 11.01 or 11.02 or the transfer of the General Partner Interest pursuant to Section 4.02, PROVIDED, HOWEVER, that no such successor shall be admitted to the Partnership until compliance with the terms of Section 4.02 has occurred and such successor has executed and delivered such other documents or instruments as may be required to effect such admission. Any such successor shall, subject to the terms hereof, carry on the business of the members of the Partnership Group without dissolution.

SECTION 10.05 AMENDMENT OF AGREEMENT AND DELAWARE CERTIFICATE.

To effect the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership to reflect such admission and, if necessary, to prepare as soon as practicable an amendment to this Agreement and, if required by law, the General Partner shall prepare and file an amendment to the Delaware Certificate, and the General Partner may for this purpose, among others, exercise the power of attorney granted pursuant to Section 2.06.

ARTICLE XI.
WITHDRAWAL OR REMOVAL OF PARTNERS

SECTION 11.01 WITHDRAWAL OF THE GENERAL PARTNER.

(a) The General Partner shall be deemed to have withdrawn from the Partnership upon the occurrence of any one of the following events (each such event herein referred to as an "Event of Withdrawal"):

(i) the General Partner voluntarily withdraws from the Partnership by giving written notice to the other Partners;

(ii) the General Partner transfers all of its rights as General Partner pursuant to Section 4.02;

(iii) the General Partner is removed pursuant to Section 11.02;

(iv) The General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition for relief under Chapter 7 of the United States Bankruptcy Code; (C) files a petition or answer seeking for itself a liquidation, dissolution or similar relief (but not a reorganization) under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A)-(C) of this Section 11.01(a)(iv); or (E) seeks, consents to or acquiesces in the appointment of a trustee (but not a debtor in possession), receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(v) A final and non-appealable order of relief under Chapter 7 of the United States Bankruptcy Code is entered by a court with appropriate jurisdiction pursuant to a voluntary or involuntary petition by or against the General Partner; or

(vi) (A) if the General Partner is a corporation, a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation; (B) if the General Partner is a partnership or limited liability company, the dissolution and commencement of winding up of the General Partner; (C) if the General Partner is acting in such capacity by virtue of being a trustee of a trust, the termination of the trust; (D) if the General Partner is a natural person, his death or adjudication of incompetency; and (E) otherwise in the event of the termination of the General Partner.

If an Event of Withdrawal specified in Section 11.01(a)(iv)(with respect to withdrawal), (v) or (vi) (A), (B), (C) or (E) occurs, the withdrawing General Partner shall give notice to the Limited Partners within 30 days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 11.01 shall result in the withdrawal of the General Partner from the Partnership.

(b) Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall not constitute a breach of this Agreement under the following circumstances: (i) at any time during the period beginning on the Effective Date and ending at 12:00 midnight, Eastern Standard Time, on March 31, 2011, the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners; PROVIDED, that prior to the effective date of such withdrawal, the withdrawal is approved by at least a majority of the Outstanding Common Units (excluding Common Units held by the General Partner and its Affiliates) and the General Partner delivers to the Partnership an Opinion of Counsel ("Withdrawal Opinion of Counsel") that such withdrawal (following the selection of the successor General Partner) would not result in the loss of the limited liability of any Limited Partner, of the limited partners of the MLP or cause the Partnership, the MLP or the OLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such); (ii) at any time after 12:00 midnight, Eastern Standard Time, on March 31, 2011, the General Partner voluntarily withdraws by giving at least 90 days' advance notice to the Limited Partners, such withdrawal to take effect on the date specified in such notice; (iii) at any time that the General Partner ceases to be the General Partner pursuant to Section 11.01(a)(ii) or (iii). If the General Partner gives a notice of withdrawal pursuant to Section 11.01(a)(i) hereof, the Limited Partners may, prior to the effective date of such withdrawal, elect a successor General Partner.. If, prior to the effective date of the General Partner's withdrawal, a successor is not selected by the Limited Partners as provided herein or the Partnership does not receive a Withdrawal Opinion of Counsel, the Partnership shall be dissolved in accordance with Section 12.01. Any successor General Partner elected in accordance with the terms of this Section 11.01 shall be subject to the provisions of Section 10.04.

SECTION 11.02 INTEREST OF DEPARTING PARTNER.

(a) The Partnership Interest of the Departing Partner departing as a result of withdrawal or removal pursuant to Section 11.01 shall be purchased by the successor to the Departing Partner for cash in the manner specified in the MLP Agreement. Such purchase shall be a condition to the admission to the Partnership of the successor as the General Partner. Any

successor General Partner shall indemnify the Departing Partner as to all debts and liabilities of the Partnership arising on or after the effective date of the withdrawal or removal of the Departing Partner.

(b) The Departing Partner shall be entitled to receive all reimbursements due such Departing Partner pursuant to the Services Agreement.

SECTION 11.03 WITHDRAWAL OF A LIMITED PARTNER.

Without the prior written consent of the General Partner, which may be granted or withheld in its sole discretion, and except as provided in Section 10.01, no Limited Partner shall have the right to withdraw from the Partnership.

ARTICLE XII.
DISSOLUTION AND LIQUIDATION

SECTION 12.01 DISSOLUTION.

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the removal or withdrawal of the General Partner, if a successor General Partner is elected pursuant to Section 11.01, the Partnership shall not be dissolved and such successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and (subject to Section 12.02) its affairs shall be wound up, upon:

(a) the expiration of its term as provided in Section 2.07;

(b) an Event of Withdrawal of the General Partner as provided in Section 11.01(a) (other than Section 11.01(a)(ii)), unless a successor is elected and an Opinion of Counsel is received as provided in Section 11.01(b) or 11.02 and such successor is admitted to the Partnership pursuant to Section 10.04;

(c) an election to dissolve the Partnership by the General Partner that is approved by all of the Limited Partners;

(d) the entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Act; or

(e) the sale of all or substantially all of the assets and properties of the Partnership Group.

SECTION 12.02 CONTINUATION OF THE BUSINESS OF THE PARTNERSHIP AFTER DISSOLUTION.

Upon dissolution of the Partnership following an Event of Withdrawal caused by the withdrawal or removal of the General Partner as provided in Section 11.01(a)(i) or (iii) and the

failure of the Partners to select a successor to such Departing Partner pursuant to Section 11.01, then within 90 days thereafter, then, to the maximum extent permitted by law, within 180 days thereafter, all of the Limited Partners may elect to reconstitute the Partnership and continue its business on the same terms and conditions set forth in this Agreement by forming a new limited partnership on terms identical to those set forth in this Agreement and having as a general partner a Person approved by a majority in interest of the Limited Partners. Upon any such election by the Limited Partners, all Partners shall be bound thereby and shall be deemed to have approved same. Unless such an election is made within the applicable time period as set forth above, the Partnership shall conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(a) the reconstituted Partnership shall continue unless dissolved in accordance with this Article XII;

(b) if the successor General Partner is not the former General Partner, then the interest of the former General Partner shall be purchased by the successor General Partner or converted into Common Units, in each case as provided in the MLP Agreement; and

(c) all necessary steps shall be taken to cancel this Agreement and the Delaware Certificate and to enter into and, as necessary, to file, a new partnership agreement and certificate of limited partnership, and the successor General Partner may for this purpose exercise the power of attorney granted the General Partner pursuant to Section 2.06; PROVIDED, that the right to approve a successor General Partner and to reconstitute and to continue the business of the Partnership shall not exist and may not be exercised unless the Partnership has received an Opinion of Counsel that (x) the exercise of the right would not result in the loss of limited liability of the Limited Partners or any limited partner of the MLP and (y) neither the Partnership, the reconstituted limited partnership, the MLP nor the OLP would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of such right to continue.

SECTION 12.03 LIQUIDATOR.

Upon dissolution of the Partnership, unless the Partnership is continued under an election to reconstitute and continue the Partnership pursuant to Section 12.02, the General Partner shall select one or more Persons to act as Liquidator. The Liquidator (if other than the General Partner) shall be entitled to receive such compensation for its services as may be approved by a majority of the Limited Partners. The Liquidator (if other than the General Partner) shall agree not to resign at any time without 15 days' prior notice and may be removed at any time, with or without cause, by notice of removal approved by a majority in interest of the Limited Partners. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be approved by at least a majority in interest

of the Limited Partners. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XII, the Liquidator approved in the

manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in [SECTION 7.03(b)]) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding up and liquidation of the Partnership as provided for herein.

SECTION 12.04 LIQUIDATION.

The Liquidator shall proceed to dispose of the assets of the Partnership, discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as the Liquidator determines to be in the best interest of the Partners, subject to Section 17-804 of the Act and the following:

(a) DISPOSITION OF ASSETS. The assets may be disposed of by public or private sale or by distribution in kind to one or more Partners on such terms as the Liquidator and such Partner or Partners may agree. If any property is distributed in kind, the Partner receiving the property shall be deemed for purposes of Section 12.04(c) to have received cash equal to its fair market value; and contemporaneously therewith, appropriate cash distributions must be made to the other Partners. The Liquidator may, in its absolute discretion, defer liquidation or distribution of the Partnership's assets for a reasonable time if it determines that an immediate sale or distribution of all or some of the Partnership's assets would be impractical or would cause undue loss to the Partners. The Liquidator may, in its absolute discretion, distribute the Partnership's assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the Partners.

(b) DISCHARGE OF LIABILITIES. Liabilities of the Partnership include amounts owed to the Liquidator as compensation for serving in such capacity (subject to the terms of Section 12.03) and amounts owed to Partners otherwise than in respect of their distribution rights under Article VI. With respect to any liability that is contingent, conditional or unmatured or is otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment. When paid, any unused portion of the reserve shall be distributed as additional liquidation proceeds.

(c) LIQUIDATION DISTRIBUTIONS. All property and all cash in excess of that required to discharge liabilities as provided in Section 12.04(b) shall be distributed to the Partners in accordance with, and to the extent of, the positive balances in their respective Capital Accounts, as determined after taking into account all Capital Account adjustments (other than those made by reason of distributions pursuant to this Section 12.04(c)) for the taxable year of the Partnership during which the liquidation of the Partnership occurs (with such date of occurrence being determined pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(g)), and such distribution shall be made by the end of such taxable year (or, if later, within 90 days after said date of such occurrence).

SECTION 12.05 CANCELLATION OF DELAWARE CERTIFICATE.

Upon the completion of the distribution of Partnership cash and property as provided in Section 12.04 in connection with the liquidation of the Partnership, the Partnership shall be terminated and the Delaware Certificate, and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware, shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

SECTION 12.06 RETURN OF CONTRIBUTIONS.

No General Partner shall be personally liable for, and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate, the return of the Capital Contributions of the Limited Partners, or any portion thereof, it being expressly understood that any such return shall be made solely from Partnership assets.

SECTION 12.07 WAIVER OF PARTITION.

To the maximum extent permitted by law, each Partner hereby waives any right to partition of the Partnership property.

SECTION 12.08 CAPITAL ACCOUNT RESTORATION.

No Limited Partner shall have any obligation to restore any negative balance in its Capital Account upon liquidation of the Partnership. Each General Partner shall be obligated to restore any negative balance in its Capital Account upon liquidation of its interest in the Partnership by the end of the taxable year of the Partnership during which such liquidation occurs, or, if later, within 90 days after the date of such liquidation.

ARTICLE XIII.
AMENDMENT OF PARTNERSHIP AGREEMENT

SECTION 13.01 AMENDMENT TO BE ADOPTED SOLELY BY THE GENERAL PARTNER.

Each Partner agrees that the General Partner, without the approval of any Partner or Assignee, may amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered agent of the Partnership or the registered office of the Partnership;

(b) admission, substitution, withdrawal or removal of Partners in accordance with this Agreement;

(c) a change that, in the sole discretion of the General Partner, is necessary or advisable to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the

laws of any state or to ensure that no Group Member will be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change that, in the discretion of the General Partner, (i) does not adversely affect the limited partners of the MLP (including any particular class of MLP partnership interests as compared to other classes of MLP partnership interests) in any material respect, (ii) is necessary or advisable to (A) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute (including the Act) or (B) facilitate the trading of limited partner interests of the MLP (including the division of any class or classes of outstanding limited partner interests of the MLP into different classes to facilitate uniformity of tax consequences within such classes of limited partner interests of the MLP) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which such limited partner interests are or will be listed for trading, compliance with any of which the General Partner determines in its discretion to be in the best interests of the MLP and the limited partners of the MLP, (iii) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement or (iv) is required to conform the provisions of this Agreement with the provisions of the MLP Agreement as the provisions of the MLP Agreement may be amended, supplemented or restated from time to time;

(e) a change in the fiscal year or taxable year of the Partnership and any changes that, in the discretion of the General Partner, are necessary or advisable as a result of a change in the fiscal year or taxable year of the Partnership including, if the General Partner shall so determine, a change in the definition of "Quarter" and the dates on which distributions are to be made by the Partnership;

(f) an amendment that is necessary, in the Opinion of Counsel, to prevent the Partnership, or the directors, officers, trustees or agents of the general partner of the General Partner from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(g) any amendment expressly permitted in this Agreement to be made by the General Partner acting alone;

(h) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with Section 14.03;

(i) an amendment that, in the discretion of the General Partner, is necessary or advisable to reflect, account for and deal with appropriately

the formation by the Partnership of, or investment by the Partnership in, any corporation, partnership, joint venture, limited liability company or other entity, in connection with the conduct by the Partnership of activities permitted by the terms of Section 2.04;

(j) a merger or conveyance pursuant to Section 14.03(d); or

(k) any other amendments substantially similar to the foregoing.

SECTION 13.02 AMENDMENT PROCEDURES.

Except with respect to amendments of the type described in Section 13.01, all amendments to this Agreement shall be made in accordance with the following requirements: Amendments to this Agreement may be proposed only by or with the consent of the General Partner, which consent may be given or withheld in its sole discretion. A proposed amendment shall be effective upon its approval by the Limited Partner.

ARTICLE XIV.
MERGER

SECTION 14.01 AUTHORITY.

The Partnership may merge or consolidate with one or more corporations, limited liability companies, business trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a general partnership or limited partnership, formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("MERGER AGREEMENT") in accordance with this Article XIV.

SECTION 14.02 PROCEDURE FOR MERGER OR CONSOLIDATION.

Merger or consolidation of the Partnership pursuant to this Article XIV requires the prior approval of the General Partner. If the General Partner shall determine, in the exercise of its discretion, to consent to the merger or consolidation, the General Partner shall approve the Merger Agreement, which shall set forth:

(a) The names and jurisdictions of formation or organization of each of the business entities proposing to merge or consolidate;

(b) The name and jurisdiction of formation or organization of the business entity that is to survive the proposed merger or consolidation (the "SURVIVING BUSINESS ENTITY");

(c) The terms and conditions of the proposed merger or consolidation;

(d) The manner and basis of exchanging or converting the equity securities of each constituent business entity for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity; and (i) if any general or limited partner interests, securities or rights of any constituent business entity are not to be exchanged or converted solely for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity, the cash, property or general or limited partner interests, rights, securities or obligations of any limited partnership, corporation, trust or other entity (other than the Surviving

Business Entity) which the holders of such general or limited partner interests, securities or rights are to receive in exchange for, or upon conversion of their general or limited partner interests, securities or rights, and (ii) in the case of securities represented by certificates, upon the surrender of such certificates, which cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity or any general or limited partnership, corporation, trust or other entity (other than the Surviving Business Entity), or evidences thereof, are to be delivered;

(e) A statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger or consolidation;

(f) The effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 14.04 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the

date of the filing of the certificate of merger, the effective time shall be fixed no later than the time of the filing of the certificate of merger and stated therein); and

(g) Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or appropriate by the General Partner.

SECTION 14.03 APPROVAL BY LIMITED PARTNERS OF MERGER OR CONSOLIDATION.

(a) Except as provided in Section 14.03(d), the General Partner, upon its approval of the Merger Agreement, shall direct that the Merger Agreement be submitted to a vote of the Limited Partners, whether at a special meeting or by written consent, in either case in accordance with the requirements of Article XIII. A copy or a summary of the Merger Agreement shall be included in or enclosed with the notice of a special meeting or the written consent.

(b) Except as provided in Section 14.03(d), the Merger Agreement shall be approved upon receiving the affirmative vote or consent of the Limited Partners.

(c) Except as provided in Section 14.03(d), after such approval by vote or consent of the Limited Partners, and at any time prior to the filing of the certificate of merger pursuant to Section 14.04, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

(d) Notwithstanding anything else contained in this Article XIV or in this Agreement, the General Partner is permitted, in its discretion, without Limited Partner approval, to merge the Partnership or any Group Member into, or convey all of the Partnership's assets to, another limited liability entity which shall be newly formed and shall have no assets, liabilities or operations at the time of such Merger other than those it receives from the Partnership or other Group Member if (i) the General Partner has received an Opinion of Counsel that the merger or conveyance, as the case may be, would not result in the loss of the limited liability of any Limited Partner, any limited partner in the MLP or cause the Partnership, the MLP or the OLP or

the to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such), (ii) the sole purpose of such merger or conveyance is to effect a mere change in the legal form of the Partnership into another limited liability entity and (iii) the governing instruments of the new entity provide the Limited Partners and the General Partner with the same rights and obligations as are herein contained.

SECTION 14.04 CERTIFICATE OF MERGER.

Upon the required approval by the General Partner and the Limited Partners of a Merger Agreement, a certificate of merger shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Act.

SECTION 14.05 EFFECT OF MERGER.

(a) At the effective time of the certificate of merger:

(i) all of the rights, privileges and powers of each of the business entities that has merged or consolidated, and all property, real, personal and mixed, and all debts due to any of those business entities and all other things and causes of action belonging to each of those business entities, shall be vested in the Surviving Business Entity and after the merger or consolidation shall be the property of the Surviving Business Entity to the extent they were of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and is not in any way impaired because of the merger or consolidation;

(iii) all rights of creditors and all liens on or security interests in property of any of those constituent business entities shall be preserved unimpaired; and

(iv) all debts, liabilities and duties of those constituent business entities shall attach to the Surviving Business Entity and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it.

(v) A merger or consolidation effected pursuant to this Article shall not be deemed to result in a transfer or assignment of assets or liabilities from one entity to another.

ARTICLE XV.
GENERAL PROVISION

SECTION 15.01 ADDRESSES AND NOTICES.

Any notice, demand, request, report or proxy materials required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner at the address described below. Any notice to the

Partnership shall be deemed given if received by the General Partner at the principal office of the Partnership designated pursuant to Section 2.03. The General Partner may rely and shall be protected in relying on any notice or other document from a Partner, Assignee or other Person if believed by it to be genuine.

SECTION 15.02 FURTHER ACTION.

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

SECTION 15.03 BINDING EFFECT.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

SECTION 15.04 INTEGRATION.

This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

SECTION 15.05 CREDITORS.

None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

SECTION 15.06 WAIVER.

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

SECTION 15.07 COUNTERPARTS.

This Agreement may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto, independently of the signature of any other party.

SECTION 15.08 APPLICABLE LAW.

This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

SECTION 15.09 INVALIDITY OF PROVISIONS.

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

SECTION 15.10 CONSENT OF PARTNERS.

Each Partner hereby expressly consents and agrees that, whenever in this Agreement it is specified that an action may be taken upon the affirmative vote or consent of less than all of the Partners, such action may be so taken upon the concurrence of less than all of the Partners and each Partner shall be bound by the results of such action.

IN WITNESS WHEREOF, the Partners have executed this Agreement as of the date first set forth above.

GENERAL PARTNER

SHAMROCK LOGISTICS GP, LLC

By: /s/ Curtis V. Anastasio

Name: Curtis V. Anastasio
Title: President

LIMITED PARTNER

UDS LOGISTICS, LLC

By: /s/ Raymond Gaddy

Name: Raymond Gaddy
Title: President

VALERO GP, LLC
2002 UNIT OPTION PLAN

I. PLAN PURPOSE

The Valero GP, LLC 2002 Unit Option Plan (the "Plan") is intended to promote the interests of Valero L.P., a Delaware limited partnership (the "Partnership"), by providing to employees and directors of Valero GP, LLC, a Delaware limited liability company (the "Company") and its Affiliates who perform services for the Partnership and its subsidiaries, the incentive to acquire Units through the grant of Options to purchase such Units as described herein. The Plan is intended to assist the Company and its Affiliates in the attraction, motivation, and retention of employees who are vital to the growth and financial success of the Partnership and to align employees' interests with those of other Unit holders of the Partnership.

II. DEFINITIONS

In this Plan, except where the context indicates otherwise, the following definitions apply:

(a) "AFFILIATE" means an entity that controls, is controlled by, or is under common control with the Company, as defined in Sections 424(e) and (f) of the Code (but substituting "the Company" for "employer corporation"), including entities which become such after adoption of the Plan.

(b) "AGREEMENT" means a written agreement granting an Option that is executed by the Company and the Optionee.

(c) "AWARD" means a grant of one or more Options pursuant to the Plan.

(d) "BENEFICIARY" means the person or persons described in Section XI(j).

(e) "BOARD" means the Board of Directors of the Company.

(f) "CAUSE" means:
- (i) fraud or embezzlement on the part of the Participant (such determination to be made by the Committee in the good faith exercise of its reasonable judgment);
- (ii) conviction of or the entry of a plea of NOLO CONTENDERE by the Participant to any felony;
- (iii) gross insubordination or a material breach of, or the willful failure or refusal by the Participant to perform and discharge his duties, responsibilities or obligations (other than by reason of disability or death) that is not corrected within thirty (30) days following written notice thereof to the Participant, such notice to state with specificity the nature of the breach, failure or refusal; or
- (iv) any act of willful misconduct by the Participant which (a) is intended to result in substantial personal enrichment of the Participant at the expense of the Partnership, the Company or any of their Affiliates or (b) has a material adverse impact on the

business or reputation of the Partnership, the Company or any of their Affiliates (such determination to be made by the Partnership, the Company or any of their Affiliates in the good faith exercise of their reasonable judgment).

(g) "CODE" means the Internal Revenue Code of 1986, as amended.(h) "COMMITTEE" means the Compensation Committee of the Board, the committee appointed by the Board to administer the Plan.

(i) "COMPANY" means Valero GP, LLC, a Delaware limited liability company.

(j) "DATE OF EXERCISE" means the date on which the Company receives notice of the exercise of an Option in accordance with Section VI(c) of the Plan.

(k) "DATE OF GRANT" means the date on which an Option is granted under the Plan.

(l) "DIRECTOR" means a member of the Board of Directors of the Company or any Affiliate.

(m) "EMPLOYEE" means any employee of the Company or an Affiliate, as determined by the Committee.

(n) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(o) "FAIR MARKET VALUE" means the closing price of a Unit on the applicable date (or if there is no trading in the Units on such date, on the next preceding date on which there was trading) as reported in THE WALL STREET JOURNAL (or such other reporting service approved by the Committee). If Units are not publicly-traded at the time a determination of fair market value is required to be made hereunder, the determination of fair market value shall be made in good faith by the Committee.

(p) "OPTION" means an option to purchase Units granted under the Plan. Such Options will be nonqualified unit options and are not intended to be Incentive Stock Options as defined in Section 422 of the Code.

(q) "OPTION PERIOD" means the period during which an Option may be exercised.

(r) "OPTIONEE" means a Participant to whom an Option has been granted.

(s) "PARTICIPANT" means any Employee or Director granted an Award under the Plan.

(t) "PARTNERSHIP" means Valero L.P., a Delaware limited partnership.

(u) "PLAN" means the Valero GP, LLC 2002 Unit Option Plan as set forth herein.

(v) "UNIT" means a common unit of the Partnership.

III. ADMINISTRATION OF THE PLAN

(a) The Committee shall administer the Plan.

(b) The Committee shall have full power and authority to interpret the provisions of the Plan and supervise its administration. All decisions and selections made by the Committee pursuant to the provisions of the Plan shall be made by a majority of its members. Any decision reduced to writing and signed by a majority of the members shall be fully effective as if adopted by a majority at a meeting duly held. Subject to the provisions of the Plan, the Committee shall have full and final authority to determine the Participants to whom Options hereunder shall be granted; the number of Units to be covered by each Option; the terms and conditions of any Option, the determination of whether, to what extent, and under what circumstances Options may be settled, exercised, cancelled, or forfeited; the determination of such rules and regulations as deemed proper for the administration of the Plan; and the making of any other determination or actions required for the proper interpretation and administration of the Plan.

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

IV. UNITS AVAILABLE FOR AWARDS

(a) UNITS AVAILABLE. Subject to adjustment as provided in Section IV. (c) hereunder, the number of Units with respect to which Awards may be granted under the Plan is 200,000. If any Award is forfeited or otherwise terminates or is canceled without the exercise of such Option grant, then the Units covered by such Award, to the extent of such forfeiture, termination, or cancellation, shall again be Units with respect to which Awards may be granted.

(b) SOURCES OF UNITS DELIVERABLE UNDER AWARDS. Any Units delivered pursuant to the exercise of an Option shall consist, in whole or in part, of Units acquired in the open market, from any Affiliate, the Partnership or any other person, or any combination of the foregoing, as determined by the Committee in its discretion.

(c) ADJUSTMENTS. If the Committee determines that any distribution (whether in the form of cash, Units, other securities, or other property), recapitalization, split, reverse split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Units or other securities of the Partnership, issuance of warrants or other rights to purchase

Units or other securities of the Partnership, or other similar transaction or event affects the Units such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and types of Units (or other securities or property) with respect to which Awards may be granted, (ii) the number and type of Units (or other securities or property) subject to outstanding Awards or Options, and (iii) if deemed appropriate, make provision for a cash payment to the holder of an outstanding Option; provided, that the number of Units subject to any Award or Option shall always be a whole number.

V. ELIGIBILITY

Any Employee or Director shall be eligible to be designated a Participant.

VI. AWARDS

The Committee shall have the authority to determine the Employees and Non-Employee Directors to whom Options shall be granted, the number of Units to be covered by each Option, the Date of Grant of the Option, the purchase price therefor and the conditions and limitations applicable to the exercise of the Option, including the following terms and conditions, as the Committee shall determine, that are not inconsistent with the provisions of the Plan.

(a) EXERCISE PRICE. The purchase price per Unit purchasable under an Option shall be determined by the Committee at the time the Option is granted but shall not be less than its Fair Market Value as of the Date of Grant.

(b) TIME AND METHOD OF EXERCISE. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, and the method or methods by which payment of the exercise price with respect thereto may be made or deemed to have been made which may include, without limitation, cash, check acceptable to the Company, a "cashless-broker" exercise (through procedures approved by the Company), other securities or other property, a note from the Participant (in a form acceptable to the Company), or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price. The Participant shall provide written notice to the Company Secretary of his intent to exercise on or before the Date of Exercise.

(c) TERM. Subject to earlier termination as provided in the Agreement or the Plan, each Option shall expire on the tenth (10th) anniversary of its Date of Grant.

(d) FORFEITURE. Except as otherwise provided in the terms of the Agreement, upon termination of a Participant's employment with the Company and its Affiliates or membership on the Board, whichever is applicable, for any reason during the term of an outstanding Option, all Options shall be forfeited by the Participant, unless otherwise provided in a written employment agreement or severance agreement (if any) between the Participant and the Company or one or more of its Affiliates. The Committee may, in its discretion, waive in whole or in part such forfeiture with respect to a Participant's Options.

(e) If the Participant's employment with the Company is terminated with the consent of the Company and provided such employment is not terminated for Cause (of which the Committee shall be the sole judge), the Committee may, in its discretion, permit such Option to be exercised by such Participant at any time during the period of three (3) months after such termination, provided that such Option may be exercised before expiration and within such three-month period only to the extent it was exercisable on the date of such termination.

(f) In the event a Participant dies while in the employ of the Company or dies after termination of employment (as described in Section VI(e) of the Plan) but prior to the exercise in full of any Option which was exercisable on the date of such termination, such Option may be exercised before expiration of its term by

the Participant's Beneficiary to the extent exercisable by the Participant at the date of death. The post-death exercise period shall be a period commencing on the Participant's date of death and ending sixty (60) months after the Participant's date of death or the remainder of the Option Period, whichever is less (or, if earlier, the Participant's date of termination of employment for any reason other than death).

(g) If the Participant's employment with the Company is terminated without the consent of the Company for any reason other than the death of the Participant, or if the Participant's employment with the Company is terminated for Cause, his or her rights under any then outstanding Option shall terminate immediately. The Committee shall be the sole judge of whether the Participant's employment is terminated without the consent of the Company or for Cause.

(h) If the Participant's employment with the Company is terminated due to retirement (within the meaning of any prevailing pension plan in which such Participant participates), such Option shall be exercisable by such Participant at any time during the period of sixty (60) months after such termination or the remainder of the Option Period, whichever is less, provided that such Option may be exercised after such termination and before expiration only to the extent that it is exercisable on the date of such termination.

(i) In the event a Participant dies during such extended exercise period (as described in Section VI(h) of the Plan), such Option may be exercised by the Participant's Beneficiary during the post-death exercise period commencing on the Participant's date of death and ending sixty (60) months after the Participant's date of termination of employment on account of retirement, to the extent the Option was exercisable by the Participant at the date of death and to the extent the term of the Option has not expired within such post-death exercise period.

(j) Notwithstanding the other provisions of this Section VI of the Plan, in no event may an Option be exercised after the expiration of ten (10) years from the Date of Grant.

VII. ASSIGNABILITY OF AWARDS OR OPTIONS

Options granted under the Plan shall not be assignable or otherwise transferable by the Participant except by will or the laws of descent and distribution. Otherwise, Options granted under this Plan shall be exercisable during the lifetime of the Participant (except as otherwise provided in the Plan or the applicable Agreement) only by the Participant for his or her individual account, and no purported assignment or transfer of such Options thereunder, whether voluntary or involuntary, by operation of law or otherwise, shall vest in the purported assignee or transferee any interest or right therein whatsoever but immediately upon any such purposed assignment or transfer, or any attempt to make the same, such Options thereunder shall terminate and become of no further effect.

VIII. EFFECTIVE DATE AND TERM OF THE PLAN

The Plan was approved and adopted by the Board on March 22, 2002 and has become effective thereon.

IX. WITHHOLDING

The Company's obligation to deliver Units or pay any amount pursuant to the terms of any Option shall be subject to the satisfaction of applicable federal, state and local tax withholding requirements. To the extent provided in the applicable Agreement and in accordance with rules prescribed by the Committee, a Participant may satisfy any such withholding tax obligation by any of the following means or by a combination of such means: (i) tendering a cash payment, (ii) authorizing the Company to withhold Units otherwise issuable to the Participant, or (iii) delivering to the Company already owned and unencumbered Units.

X. AMENDMENT AND TERMINATION OF AWARDS

(a) AMENDMENTS TO AWARDS. The Committee may waive any conditions or rights under, amend any terms of, or alter any Award or Option theretofore granted, provided no change, other than pursuant to Section X(b) below, in an Award shall materially reduce the benefit to Participant without the consent of such Participant.

(b) ADJUSTMENT OF AWARDS UPON THE OCCURRENCE OF CERTAIN UNUSUAL OR NONRECURRING EVENTS. The Committee is hereby authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards and Options in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section IV(c) of the Plan) affecting the Partnership or the financial statements of the Partnership, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

XI. GENERAL

The following general provisions shall be applicable to the Plan:

(a) NO RIGHTS TO AWARDS. No Employee or Director shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants. The terms and conditions of Awards need not be the same with respect to each Participant.

(b) NO RIGHT TO EMPLOYMENT. The grant of an Award or Option shall not be construed as giving a Participant the right to be retained in the employ of the Company or any Affiliate or to remain on the Board, as applicable. Further, the Company or an Affiliate may at any time dismiss a Participant from employment, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in an Agreement.

(c) GOVERNING LAW. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Delaware and applicable federal law.

(d) SEVERABILITY. If any provision of the Plan or any Award or Option is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any person or Award, or would disqualify the Plan or any Award or any Option under any law deemed applicable by the Committee, such provision shall

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

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

(f) NO TRUST OR FUND CREATED. Neither the Plan nor the Award or Option shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award or Option, such right shall be no greater than the right of any general unsecured creditor of the Company or any Affiliate.

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

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

(i) GENDER AND NUMBER. Words in the masculine gender shall include the feminine gender, the plural shall include the singular, and the singular shall include the plural.

(j) BENEFICIARY. Each person whose name appears on the signature page of a Participant's Agreement after the caption "Beneficiary" or is otherwise designated by Participant in accordance with the rules established by the Committee and who is Participant's Beneficiary at the time of his or her death shall be recognized under the Plan as the Participant's "Beneficiary" and shall be entitled to exercise the Option, to the extent it is exercisable, after the death of Participant. Any Participant may from time to time revoke or change his or her Beneficiary without the consent of any prior Beneficiary by filing a new designation with the Company. The last such designation received by the Company shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received (within the meaning of

such term under Section XI (l) of the Plan) by the Company prior to the Participant's death, and in no event shall any designation be effective as of a date prior to such receipt. If no Beneficiary designation is in effect at the time of the Participant's death, or if no designated Beneficiary survives the Participant or if such designation conflicts with applicable law, each person entitled to the Option under the Participant's last will or, in the absence of any such will, the laws of descent and distribution, shall be deemed to be the Participant's Beneficiary who is entitled to exercise the Option, to the extent it is exercisable after the death of Participant. If the Committee administering the Plan is in doubt as to the right of any person to exercise the Option, the Company may refuse to recognize such exercise, without liability for any interest or distributions on the underlying Units, until the Committee determines the person entitled to exercise the Option, or the Company may apply to any court of appropriate jurisdiction for declaratory or other appropriate relief and such application shall be a complete discharge of the liability of the Company therefore.

(k) The Company and its Affiliates will pay all expense that may arise in connection to the administration of this Plan.

(l) Any notice required or permitted to be given under this Plan shall be sufficient if in writing and hand-delivered with appropriate proof of same, or sent by registered or certified mail, return receipt requested, to the Participant, Beneficiary or the Secretary (or equivalent person) of the Company, Affiliate, Partnership, Committee, or other person or entity at the address last furnished by such person or entity. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

(m) No liability whatever shall attach to or be incurred by any past, present or future unitholders, stockholders, members, officers or directors, as such, of the Company and its Affiliates, under or by reason any of the terms, conditions or agreements contained in this Plan or implied therefrom, and any and all liabilities of, and any and all rights and claims against, the Company or its Affiliates, or any unitholder, stockholder, member, officer or director, as such, whether arising at common law or in equity or created by statute or constitution or otherwise, pertaining to this Plan (other than liability for the benefits, if any, provided hereunder), are hereby expressly waived and released by every Participant, as part of the consideration for any benefits provided by the Company and its Affiliates under this Plan.

(n) Neither the Company nor any Affiliates nor the Committee makes any commitment or guarantee that any federal or state tax treatment will apply or be available to any person participating or eligible to participate in this Plan.

(o) The provisions of the Plan shall be binding on all successors and assigns of (i) the Company or any Affiliates and (ii) a Participant, including without limitation, the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

(p) Except as otherwise provided in any notification or agreement relating to an Award, a Participant shall have no rights as a unitholder of the Partnership until such Participant becomes the holder of record of Units.

(q) This Plan is not intended by its terms or as a result of surrounding circumstances to provide retirement income or to defer the receipt of payments hereunder to the termination of the Participant's covered employment or beyond. This Plan is strictly a Unit option program and not a pension or welfare benefit plan that is subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). All interpretations and determinations hereunder shall be made on a basis consistent with the status of the Plan as a Unit option program that is not subject to ERISA.

EXHIBIT 10.6

PIPELINES AND TERMINALS USAGE AGREEMENT

This Pipelines and Terminals Usage Agreement ("AGREEMENT") is dated as of this April 16, 2001, by and among Ultramar Diamond Shamrock Corporation, a Delaware corporation ("UDS"), Shamrock Logistics Operations, L.P., a Delaware limited partnership (the "OPERATING PARTNERSHIP"), Shamrock Logistics, L.P., a Delaware limited partnership ("SHAMROCK LOGISTICS"), Riverwalk Logistics, L.P., a Delaware limited partnership (the "GENERAL PARTNER"), and Shamrock Logistics GP, LLC, a Delaware limited liability company ("SHAMROCK LLC").

RECITALS:

WHEREAS, pursuant to the terms and conditions of those certain Conveyance, Assignment and Bill of Sale Agreements dated effective as of July 1, 2000, by and among the Operating Partnership and certain subsidiaries of UDS, certain crude oil pipeline and storage assets and refined product pipeline and terminalling assets were contributed by those subsidiaries to the Operating Partnership in exchange for limited partner interests therein (collectively, the "CONTRIBUTIONS"); and

WHEREAS, by virtue of mergers (collectively, the "MERGERS") of certain subsidiaries of UDS with and into the Operating Partnership effective July 1, 2000, certain additional crude oil pipeline and storage assets and refined product pipeline and terminalling assets and certain ownership interests in Skelly-Belvieu Pipeline Company, L.L.C., a Delaware limited liability company ("SKELLY-BELVIEU"), were transferred to the Operating Partnership; and

WHEREAS, concurrently with the execution and delivery of this Agreement, all of the limited partner interests in the Operating Partnership held by subsidiaries of UDS are being contributed to Shamrock Logistics in exchange for limited partner interests in Shamrock Logistics; and

WHEREAS, as of July 1, 2000 and the date hereof, by virtue of its indirect ownership interests in the General Partner, the Operating Partnership or Shamrock Logistics, as applicable, UDS had and has an economic interest in the financial and commercial success of the Operating Partnership; and

WHEREAS, the Operating Partnership is substantially dependent upon UDS for the volumes of Crude Oil and Refined Products transported through the Operating Partnership's pipelines and the volumes of Refined Products handled at the Operating Partnership's Refined Product Terminals such that a significant reduction in UDS' use of the Operating Partnership's assets would likely result in a correspondingly significant reduction in the financial and commercial success of the Operating Partnership; and

WHEREAS, in connection with the Contributions and the Mergers, UDS desires to enter

into this Agreement;

NOW, THEREFORE, in consideration of the covenants and obligations contained herein and in the agreements relating to the Contributions and the Mergers, the parties to this Agreement hereby agree as follows:

SECTION 1. DEFINITIONS. Capitalized terms used throughout this Agreement and not otherwise defined herein shall have the meanings set forth below.

"ANNUAL MEASUREMENT PERIOD" shall mean each of (a) the period from January 1, 2001 through December 31, 2001, (b) each calendar year during the term of this Agreement and (c) the period ending on the last day of the calendar year during which this Agreement terminates and beginning on the first day of the calendar year in which such termination occurs.

"APPLICABLE LAW" shall mean any applicable statute, law, regulation, ordinance, rule, judgment, rule of law, order, decree, permit, approval, concession, grant, franchise, license, agreement, requirement, or other governmental restriction or any similar form of decision of, or any provision or condition of any permit, license or other operating authorization issued under any of the foregoing by, or any determination by any Governmental Authority having or asserting jurisdiction over the matter or matters in question, whether now or hereafter in effect and in each case as amended (including without limitation, all of the terms and provisions of the common law of such Governmental Authority), as interpreted and enforced at the time in question.

"ARBITRABLE DISPUTE" shall mean any and all disputes, Claims, counterclaims, demands, causes of action, controversies and other matters in question between any of the Partnership Parties, on the one hand, and UDS, on the other hand, arising out of or relating to this Agreement or the alleged

breach hereof, or in any way relating to the subject matter of this Agreement or the relationship between any of the Partnership Parties, on the one hand, and UDS, on the other hand, created by this Agreement regardless of whether (a) allegedly extra-contractual in nature, (b) sounding in contract, tort or otherwise, (c) provided for by Applicable Law or otherwise or (d) seeking damages or any other relief, whether at law, in equity or otherwise.

"CLAIM" shall mean any existing or threatened future claim, demand, suit, action, investigation, proceeding, governmental action or cause of action of any kind or character (in each case, whether civil, criminal, investigative or administrative), known or unknown, under any theory, including those based on theories of contract, tort, statutory liability, strict liability, employer liability, premises liability, products liability, breach of warranty or malpractice.

CONTROLLED AFFILIATES" shall mean an entity that directly or indirectly through one or more intermediaries is controlled by UDS, excluding the Partnership Parties and Subsidiaries. For the purposes of this definition, "control" (including with correlative meaning, the term "controlled by"), as used with respect to any such entity, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such entity, whether

through the ownership of voting securities, by agreement or otherwise.

"CRUDE OIL" shall mean crude oil and gas oil used by UDS as refinery feedstock.

"CRUDE OIL PIPELINES" shall mean (a) the pipelines described on Exhibit A attached hereto and (b) any other pipeline that transports Crude Oil in which the Operating Partnership or any of its Subsidiaries acquires, after the date hereof, an ownership interest or the right to use all or a portion of its capacity.

"GOVERNMENTAL AUTHORITY" shall mean any federal, state, local or foreign government or any provincial, departmental or other political subdivision thereof, or any entity, body or authority exercising executive, legislative, judicial, regulatory, administrative or other governmental functions or any court, department, commission, board, bureau, agency, instrumentality or administrative body of any of the foregoing.

"MEASUREMENT PERIOD" shall mean an Annual Measurement Period or a Quarterly Measurement Period.

"PARTNERSHIP PARTIES" shall mean the Operating Partnership, Shamrock Logistics, the General Partner and Shamrock LLC.

"PRIME RATE" shall mean the prime rate per annum established by The Chase Manhattan Bank, or if The Chase Manhattan Bank no longer establishes a prime rate for any reason, the prime rate per annum established by the largest U.S. bank measured by deposits from time to time as its base rate on corporate loans, automatically fluctuating upward or downward with each announcement of such prime rate.

"QUARTERLY MEASUREMENT PERIOD" shall mean each of (a) the period from April 1, 2001 through June 30, 2001 and (b) each calendar quarter during the term of this Agreement that does not end on December 31.

"REFINED PRODUCTS" shall mean gasoline, distillates, natural gas liquids, blend stocks and petrochemical feedstocks, excluding asphalt, fuel oil, slop, lube oil, carbon black oil and vacuum residuals.

"REFINED PRODUCT PIPELINES" shall mean (a) the pipelines described on Exhibit B attached hereto and (b) any other pipeline that transports Refined Products in which the Operating Partnership or any of its Subsidiaries acquires, after the date hereof, an ownership interest or the right to use all or a portion of its capacity.

"REFINED PRODUCT TERMINALS" shall mean (a) the terminals described on Exhibit C attached hereto and (b) any other terminal for the handling of Refined Products in which the Operating Partnership or any of its Subsidiaries acquires, after the date hereof, an ownership

interest or the right to use all or a portion of its capacity.

"REFINERIES" shall mean the following three refineries owned by UDS or Controlled Affiliates: the Three Rivers refinery located near Three Rivers, Texas, the McKee refinery located near Dumas, Texas and the Ardmore refinery located near Ardmore, Oklahoma.

"SHORTFALL" for any Measurement Period shall mean:

(a) with respect to Crude Oil Pipelines, the excess of the number of barrels of Crude Oil required to be transported for such Measurement Period by UDS and its Controlled Affiliates (as such number may be reduced pursuant to Section 3) under this Agreement in such Crude Oil Pipelines over the number of barrels of Crude Oil actually transported on behalf of UDS and its Controlled Affiliates in such Crude Oil Pipelines during such Measurement Period,

(b) with respect to Refined Product Pipelines, the excess of the number of barrels of Refined Product required to be transported for such Measurement Period on behalf of UDS and its Controlled Affiliates (as such number may be reduced pursuant to Section 3) under this Agreement in such Refined Product Pipelines over the number of barrels of Refined Product actually transported by UDS and its Controlled Affiliates in such Refined Product Pipelines during such Measurement Period, and

(c) with respect to Refined Product Terminals, the excess of the number of barrels of Refined Product required to be terminalled for such Measurement Period by UDS and its Controlled Affiliates (as such number may be reduced pursuant to Section 3) under this Agreement in the Refined Product Terminals over the number of barrels of Refined Product actually terminalled by UDS and its Controlled Affiliates in such Refined Product Terminals during such Measurement Period.

"SHORTFALL OBLIGATION" with respect to any Measurement Period shall mean the sum of (a) (i) any Shortfall with respect to the Crude Oil Pipelines for such Measurement Period, multiplied by (ii) the Weighted Average Tariff for Crude Oil Pipelines for such Measurement Period, plus (b) (i) any Shortfall with respect to Refined Product Pipelines for such Measurement Period, multiplied by (ii) the Weighted Average Tariff for Refined Product Pipelines for such Measurement Period, plus (c) (i) any Shortfall with respect to Refined Product Terminals for such Measurement Period, multiplied by (ii) the Weighted Average Terminalling Fee for such Measurement Period.

"SUBSIDIARY" shall mean any entity in which the Operating Partnership, directly or indirectly through one or more intermediaries, has an ownership interest.

"WEIGHTED AVERAGE TARIFF" for any Measurement Period shall mean, with respect to the Crude Oil Pipelines or Refined Product Pipelines, as applicable, (a) the sum with respect to all of the Crude Oil Pipelines or Refined Product Pipelines as applicable, of the product of (i) the

length of each such pipeline (in miles) as applicable during such Measurement Period, multiplied by (ii) the Operating Partnership's average capacity in each such pipeline (in barrels per day) as applicable during such Measurement Period, multiplied by (iii) the average tariff rate for such pipeline as applicable during such Measurement Period, divided by (b) the sum, with respect to all Crude Oil Pipelines or all Refined Product Pipelines, as applicable, of the product of (i) the length of each such pipeline (in miles) as applicable during such Measurement Period multiplied by (ii) the Operating Partnership's average capacity in each such pipeline (in barrels per day) as applicable during such Measurement Period.

"WEIGHTED AVERAGE TERMINALLING FEE" for any Measurement Period shall mean, (a) the sum of the product of (i) the Operating Partnership's capacity in each Refined Product Terminal as applicable during such Measurement Period, multiplied by (ii) the terminalling fee for such terminal as applicable during such Measurement Period, divided by (b) the sum of the Operating Partnership's capacities in all of the Refined Product Terminals as applicable during such Measurement Period.

SECTION 2. AGREEMENT TO USE PIPELINES AND TERMINALS

During the term of this Agreement and subject to the terms and conditions of this Agreement, UDS agrees as follows:

(a) CRUDE OIL PIPELINES. Subject to Section 3, calculated on an average basis over each Measurement Period, UDS will, and will cause its Controlled Affiliates to, transport in the Crude Oil Pipelines, taken as a whole, an aggregate of not less than 75% of all of the Crude Oil transported to the Refineries, whether by pipeline, truck or other means.

(b) REFINED PRODUCT PIPELINES. Subject to Section 3, calculated on an average basis over each Measurement Period, UDS will, and will cause its Controlled Affiliates to, transport in the Refined Product Pipelines, taken as a whole, an aggregate of not less than 75% of all of the Refined Products transported from the Refineries, whether transported from the Refineries by pipeline, truck or other means.

(c) TERMINALLING ASSETS. Subject to Section 3, calculated on an average basis over each Measurement Period, UDS will, and will cause its Controlled

Affiliates to, utilize the Refined Product Terminals, taken as a whole, for terminalling services for not less than 50% of all of the Refined Products transported from the Refineries, whether transported from the Refinery by pipeline, truck or other means.

(d) JOINTLY OWNED ASSETS. In any instance in which the Operating Partnership or a Subsidiary that is, directly or indirectly through one or more intermediaries, a wholly-owned Subsidiary, owns an interest in a pipeline or terminal jointly with other parties, volumes transported or terminalled for UDS and its Controlled Affiliates by or for the account of other owners of the pipeline or terminal shall not be considered as volumes transported in a Crude Oil Pipeline or a Refined Product Pipeline or terminalled through a Refined Product Terminal, as

applicable, for purposes of determining whether UDS' obligations have been met under this Agreement.

(e) JOINTLY OWNED SUBSIDIARIES. In any instance in which a Subsidiary that is not, directly or indirectly through one or more intermediaries, a wholly-owned Subsidiary of the Operating Partnership owns a pipeline or terminal, the volumes deemed transported in a Crude Oil Pipeline or a Refined Product Pipeline or terminalled through a Refined Product Terminal, as applicable, by such Subsidiary shall be equal to the total volume transported in such pipeline or terminalled through such terminal multiplied by the direct or indirect ownership interest, on a percentage basis, of the Operating Partnership in such Subsidiary.

(f) TRANSPORT THROUGH MULTIPLE PIPELINES OR HANDLING AT MULTIPLE TERMINALS. No barrel of Crude Oil that has already been transported in one Crude Oil Pipeline and that has been counted as a barrel transported in the Crude Oil Pipelines for purposes of Section 2(a) shall be counted again as a barrel transported for purposes of Section 2(a), notwithstanding that it is transported in one or more additional Crude Oil Pipelines. No barrel of Refined Products that has already been transported in one Refined Product Pipeline and that has been counted as a barrel transported in the Refined Product Pipelines for purposes of Section 2(b) shall be counted again as a barrel transported for purposes of Section 2(b), notwithstanding that it is transported in one or more additional Refined Product Pipelines.

SECTION 3. EXCEPTIONS TO UDS' OBLIGATIONS

(a) CRUDE OIL PIPELINE MARKET CONDITIONS. If market conditions with respect to the transportation of Crude Oil to one or more of the Refineries change in a material manner after the date hereof such that compliance with Section 2(a) would have a material adverse effect on UDS, UDS shall be relieved of its obligations under Section 2(a) from the inception of the change in market conditions and during the continuance thereof only to the extent the decrease below 75% results from the change in market conditions; provided, that upon partial or full reversal of the change in market conditions, the obligations of UDS under Section 2(a) shall resume partially or in full, respectively.

(b) REFINED PRODUCT PIPELINE MARKET CONDITIONS. If market conditions with respect to the transportation of Refined Products from one or more of the Refineries to any of the markets to which UDS or any of its Controlled Affiliates directly or indirectly market Refined Products change in a material manner after the date hereof, or if market conditions in any of such markets change in a material manner after the date hereof, in each case such that compliance with Section 2(b) would have a material adverse effect on UDS, UDS shall be relieved of its obligations under Section 2(b) from the inception of the change in market conditions and during the continuance thereof only to the extent the decrease below 75% results from the change in market conditions; provided, that upon partial or full reversal of the change in market conditions, the obligations of UDS under Section 2(b) shall resume partially or in full, respectively.

(c) FAILURE OF OPERATING PARTNERSHIP TO PROVIDE SERVICES. UDS shall not be deemed to have failed to satisfy its obligations under Section 2(a), (b) or (c), as applicable, if UDS and its Controlled Affiliates are unable to ship or terminal the required volumes solely because of the inability of the Operating Partnership to transport volumes of Crude Oil made available for shipment by UDS and its Controlled Affiliates or to transport or terminal volumes of Refined Products made available for shipment or terminalling by UDS and its Controlled Affiliates, whether because of operational difficulties with the Crude Oil Pipelines, Refined Product Pipelines or Refined Product Terminals or otherwise.

SECTION 4. AGREEMENT TO REMAIN SHIPPER

With respect to any Crude Oil that is transported in the Crude Oil Pipelines for use at a Refinery, UDS agrees that it will, and will cause its Controlled Affiliates to, continue their historical commercial practice of

purchasing such Crude Oil for their own account at or before the point at which such Crude Oil first enters a Crude Oil Pipeline and to continue acting in the capacity of the shipper of any such Crude Oil for their own account at all times that such Crude Oil is in a Crude Oil Pipeline. With respect to any Refined Products that are produced at a Refinery and transported in any Refined Product Pipeline or handled at any Refined Product Terminal, UDS agrees that it will, and will cause its Controlled Affiliates to, continue their historical commercial practice of owning such Refined Products from such point as such Refined Products leave the Refinery until at least such point as they will not be further transported in a Refined Product Pipeline or handled at a Refined Product Terminal and to continue acting in the capacity of the shipper of any such Refined Products for their own account at all times that such Refined Products are in a Refined Product Pipeline or being handled at a Refined Product Terminal.

SECTION 5. AGREEMENT NOT TO CHALLENGE TARIFF RATES OR TERMINAL CHARGES

UDS agrees not to challenge, nor to cause its Controlled Affiliates to challenge, nor to encourage or recommend to any other person that it challenge, in any forum, interstate or intrastate tariff rates (including joint tariffs) of the Operating Partnership and its Subsidiaries for transportation of Crude Oil or Refined Products. UDS agrees neither to protest or to file a complaint, nor to cause its Controlled Affiliates to protest or to file a complaint, concerning regulatory filings of the Operating Partnership and its Subsidiaries to change interstate or intrastate tariff rates (including joint tariffs) for transportation of Crude Oil or Refined Products. UDS agrees not to seek, nor to cause its Controlled Affiliates to seek, nor to encourage or recommend to any other person that it seek regulatory review of, or the imposition of regulatory jurisdiction over, the contractual rates charged by the Operating Partnership and its Subsidiaries for terminalling services or to challenge, in any forum, such rates or changes to such rates.

SECTION 6. EFFECTIVENESS AND TERM

This Agreement shall be effective as of April 16, 2001. The Agreement shall extend for a term of seven years from such date and shall terminate at 12:01 a.m. San Antonio, Texas, time on

the seventh anniversary of such date, unless extended by written mutual agreement of the parties hereto.

SECTION 7. NOTICES

All notices, requests, demands, and other communications pertaining to this Agreement shall be delivered personally, or by registered or certified mail (postage prepaid and return receipt requested), or by express carrier or delivery service, or by telecopy, to the parties hereto at the addresses below (or at such other addresses as shall be specified by notice under this Section 7):

(i) if to UDS:

Ultramar Diamond Shamrock Corporation
6000 North Loop 1604 West
San Antonio, Texas 78249
Attn: President
Telecopy: (210) 592-2146

(ii) if to the Operating Partnership, Shamrock Logistics, the General Partner or Shamrock LLC:

Shamrock Logistics, L.P.
6000 North Loop 1604 West
San Antonio, Texas 78249
Attn: President
Telecopy: (210) 592-2146

SECTION 8. SUCCESSORS AND ASSIGNS

This Agreement shall inure to the benefit of, and shall be binding upon, UDS, the Operating Partnership, Shamrock Logistics, the General Partner and Shamrock LLC and their respective successors and permitted assigns. Successors shall include any corporation (limited liability or otherwise), any partnership (limited or otherwise), or any person which succeeds to a controlling interest in, or all of the economic interest of, UDS, the Operating Partnership, Shamrock Logistics, the General Partner or Shamrock LLC, as applicable. The parties hereto agree to require their respective successors, if any, to expressly assume, in a form of agreement acceptable to the other parties, the obligations under this Agreement.

SECTION 9. CERTIFICATION AND SHORTFALL PAYMENT.

(a) CERTIFICATION. Not later than 45 days after the end of each

Measurement Period, the chief financial officer of UDS shall deliver a certificate (the "CERTIFICATE") to the Operating Partnership certifying whether or not there has been a Shortfall with respect to such Measurement Period and if so, the amount of any Shortfall Obligation that UDS is obligated to pay with respect

to such Measurement Period pursuant to Section 9(e).

The Certificate shall further set forth calculations and other information evidencing compliance with each of Section 2(a), 2(b) and 2(c), and, if any exception provided for pursuant to Section 3 of this Agreement is being relied upon, (i) specifying which provision of Section 3 is applicable, (ii) specifying in reasonable detail the basis for reliance on such provision, (iii) specifying in reasonable detail the volume of Crude Oil or Refined Products, as applicable, by which the applicable Section 2 obligation should be reduced by reason of the applicable provision of Section 3, and (iv) specifying in reasonable detail the basis for such volume reduction calculation.

(b) REVIEW OF INFORMATION. During the 45-day period following receipt of the Certificate, the Operating Partnership and its independent public accountants will be permitted to review the accounting records of UDS and any applicable Controlled Affiliates, any working papers of independent public accountants of UDS and its Controlled Affiliates prepared in connection with the Certificate and such additional information as the Operating Partnership or its independent public accountants shall reasonably request for the purpose of determining whether UDS has correctly calculated whether there is a Shortfall with respect to the Measurement Period covered by the Certificate and, if so, the amount of any Shortfall Obligation for such Measurement Period. In this connection, UDS and the Operating Partnership and their respective independent public accountants shall, and UDS shall cause its Controlled Affiliates to, cooperate with each other.

(c) NOTICE OF DISAGREEMENT. If, in connection with the period of review and consultation provided for in Section 9(b), the Operating Partnership has reason to believe that UDS has not correctly calculated the amount of any Shortfall or Shortfall Obligation with respect to such Measurement Period in accordance with this Agreement, then within 45 days following receipt of the Compliance Certificate, the Operating Partnership may give UDS a written notice of its disagreement (a "NOTICE OF DISAGREEMENT"). If such Notice of Disagreement is not timely given by the Operating Partnership, UDS will not have any liability under this Section 9. Any Notice of Disagreement shall specify in reasonable detail the Operating Partnership's calculation of the Shortfall and Shortfall Obligation. If a Notice of Disagreement is received by UDS in a timely manner, then the determination of whether UDS has correctly calculated the amount of any Shortfall or Shortfall Obligation with respect to such Measurement Period in accordance with this Agreement, and, if it has not, the amount of the Shortfall or Shortfall Obligation shall become final and binding upon all parties hereto on either (i) the date the chief financial officers of UDS and the General Partnership (on behalf of the Operating Partnership) resolve in writing any differences they have with respect to the matters specified in the Notice of Disagreement or (ii) the date any disputed matters are finally resolved in writing by the Accounting Firm pursuant to Section 9(d), as applicable.

(d) SETTLING OF DISAGREEMENTS. If a Notice of Disagreement is delivered, within 15 days thereafter, the chief financial officers of UDS and the General Partnership (on behalf of the Operating Partnership) shall meet or communicate by telephone at a mutually acceptable time

and place, and thereafter as often as they reasonably deem necessary and shall negotiate in good faith to attempt to resolve any differences which they may have with respect to matters specified in the Notice of Disagreement. During the 30-day period following delivery of the Notice of Disagreement, UDS and its independent public accountants shall have access to the working papers of the Operating Partnership relating to the Notice of Disagreement and the working papers of the Operating Partnership's independent public accountants prepared in connection with the Notice of Disagreement. If such differences are not resolved within 30 days following delivery of the Notice of Disagreement, UDS and the Operating Partnership shall, within 45 days following the delivery of the Notice of Disagreement, submit to a dispute resolution group of an independent public accounting firm (the "ACCOUNTING FIRM") for review and resolution any and all matters which remain in dispute and which were properly included in the Notice of Disagreement, in the form of a written brief. The scope of the Accounting Firm's review shall include determining whether there has been a Shortfall with respect to such Measurement Period and, if so, the amount of the Shortfall Obligation with respect to such Measurement Period. The Accounting Firm shall be such nationally recognized independent public accounting firm as shall be agreed upon by UDS and the Operating Partnership in writing. The Accounting Firm's decision shall be accompanied by a certificate of the Accounting Firm that it reached its decision in accordance with the provisions of this Section 9(d). The

parties agree to use commercially reasonably best efforts to cause the Accounting Firm to render a decision resolving the matters submitted to the Accounting Firm within 30 days following submission. The parties agree that judgment may be entered upon the determination of the Accounting Firm in any District Court in Bexar County, Texas. The fees and expenses of the Accounting Firm shall be borne by UDS and the Operating Partnership in inverse proportion as they may prevail on matters resolved by the Accounting Firm, which proportionate allocations shall also be determined by the Accounting Firm at the time the determination of the Accounting Firm is rendered on the merits of the matters submitted. Any fees and disbursements of independent public accountants of UDS or the Operating Partnership incurred in connection with their preparation or review of the Compliance Certificate or the Notice of Disagreement shall be borne by the party retaining such independent public accountants.

(e) (i) If it is finally determined pursuant to this Section 9 that there is a Shortfall Obligation with respect to any Quarterly Measurement Period (including any Shortfall Obligation carried forward from a prior Quarterly Measurement Period), UDS shall promptly pay such Shortfall Obligation to the Operating Partnership; provided, however, that if the amount of such Shortfall Obligation with respect to any Quarterly Measurement Period is less than $2.5 million, UDS is not obligated to pay such Shortfall Obligation at such time, in which event such Shortfall Obligation shall be carried forward to the next Quarterly Measurement Period in the Annual Measurement Period containing such Quarterly Measurement Period.

(ii) If it is finally determined pursuant to this Section 9 that there is a Shortfall Obligation with respect to any Annual Measurement Period, then (A) if the amount of such Shortfall Obligation exceeds the amount of the Shortfall Obligations for the three prior Quarterly Measurement Periods actually paid by UDS, then UDS shall promptly pay

the amount of such excess to the Operating Partnership and (B) if the amount of the Shortfall Obligations for the three prior Quarterly Measurement Periods actually paid by UDS exceeds the amount of such Shortfall Obligation, then the Operating Partnership shall promptly pay the amount of such excess to UDS.

(iii) If it is finally determined pursuant to this Section 9 that there is no Shortfall Obligation with respect to any Annual Measurement Period, then the Operating Partnership shall promptly refund to UDS any Shortfall Obligations actually paid by UDS for the three prior Quarterly Measurement Periods.

(f) PAYMENT. Any payment by UDS of a Shortfall Obligation required pursuant to Section 9(e) shall be made in immediately available funds, plus interest on such amount at the Prime Rate from the 45th day after the end of the Measurement Period in which such Shortfall Obligation arose to the date of payment. Any refund by the Operating Partnership of any payment by UDS of a Shortfall Obligation shall be made in immediately available funds, plus interest on such amount at the Prime Rate from the date of payment of such Shortfall Obligation to the date of refund.

SECTION 10. MISCELLANEOUS

(a) UDS INTENTION AS TO REFINERIES. UDS represents to the Partnership Parties that, as of the date of this Agreement, it does not intend to close or dispose of any of the Refineries or to cause any changes that would have a material adverse effect on the operation of any of the Refineries.

(b) AMENDMENTS AND WAIVERS. No amendment or modification of this Agreement shall be valid unless it is in writing and signed by the parties hereto and, in the case of any amendment or modification adverse to the Operating Partnership, approved by the Conflicts Committee of Shamrock Logistics. No waiver of any provision of this Agreement shall be valid unless it is in writing and signed by the party against whom the waiver is sought to be enforced, and, in the case of any waiver by the Operating Partnership, approved by the Conflicts Committee of Shamrock Logistics. No failure or delay in exercising any right hereunder, and no course of conduct, shall operate as a waiver of any provision of this Agreement. No single or partial exercise of a right hereunder shall preclude further or complete exercise of that right or any other right hereunder.

(c) PERMITTED ASSIGNMENTS. Neither this Agreement nor any of the rights or obligations hereunder shall be assigned without the prior written consent of UDS (in the case of any assignment by the Operating Partnership, Shamrock Logistics, the General Partner or Shamrock LLC) or the Operating Partnership, with the approval of the Conflicts Committee (in the case of any assignment by UDS); provided, however, that the Operating Partnership may make such an assignment to an affiliate of the Operating Partnership. Any attempt to make an assignment otherwise than as permitted by the foregoing shall be null and void. Any assignment agreed to by UDS or the Operating Partnership as applicable,

shall not relieve the assignor of its

obligations under this Agreement.

(d) SEVERABILITY. If any provision of this Agreement shall be held invalid or unenforceable by a court or regulatory body of competent jurisdiction, the remainder of this Agreement shall remain in full force and effect.

(e) NO INCONSISTENT ACTIONS. No party hereto shall undertake any course of action inconsistent with the provisions of this Agreement. Without limiting the foregoing sentence, no party hereto shall enter into, modify, amend, or waive any contract right or obligation if such action would conflict with or impair the rights and protections granted to any other party under this Agreement.

(f) ARBITRATION PROVISION. Except as provided in Section 9, any and all Arbitrable Disputes must be resolved through the use of binding arbitration using three arbitrators, in accordance with the Commercial Arbitration Rules of the American Arbitration Association, as supplemented to the extent necessary to determine any procedural appeal questions by the Federal Arbitration Act (Title 9 of the United States Code). If there is any inconsistency between this Section and the Commercial Arbitration Rules or the Federal Arbitration Act, the terms of this Section will control the rights and obligations of the parties. Arbitration must be initiated within the applicable time limits set forth in this Agreement and not thereafter or if no time limit is given, within the time period allowed by the applicable statute of limitations. Arbitration may be initiated by a party ("CLAIMANT") serving written notice on the other party ("RESPONDENT") that the Claimant elects to refer the Arbitrable Dispute to binding arbitration. Claimant's notice initiating binding arbitration must identify the arbitrator Claimant has appointed. The Respondent shall respond to Claimant within 30 days after receipt of Claimant's notice, identifying the arbitrator Respondent has appointed. If the Respondent fails for any reason to name an arbitrator within the 30 day period, Claimant shall petition to the American Arbitration Association for appointment of an arbitrator for Respondent's account. The two arbitrators so chosen shall select a third arbitrator within 30 days after the second arbitrator has been appointed. The Claimant will pay the compensation and expenses of the arbitrator named by or for it, and the Respondent will pay the compensation and expenses of the arbitrator named by or for it. The costs of petitioning for the appointment of an arbitrator, if any, shall be paid by Respondent. The Claimant and Respondent will each pay one-half of the compensation and expenses of the third arbitrator. All arbitrators must (a) be neutral parties who have never been officers, directors or employees of UDS, the Operating Partnership or any of their affiliates and (b) have not less than seven years experience in the energy industry. The hearing will be conducted in San Antonio, Texas and commence within 30 days after the selection of the third arbitrator. UDS, the Operating Partnership and the arbitrators should proceed diligently and in good faith in order that the award may be made as promptly as possible. Except as provided in the Federal Arbitration Act, the decision of the arbitrators will be binding on and non-appealable by the parties hereto. The arbitrators shall have no right to grant or award indirect, consequential, punitive or exemplary damages of any kind.

IN WITNESS WHEREOF, the undersigned parties have executed this Agreement as of the date first written above.

ULTRAMAR DIAMOND SHAMROCK CORPORATION

By:/s/Robert S. Shapard
Name: Robert S. Shapard
Title: Executive Vice President

SHAMROCK LOGISTICS OPERATIONS, L.P.

By: Riverwalk Logistics, L.P., its general partner

By: Shamrock Logistics GP, LLC, its general partner

By:/s/ Curtis V. Anastasio
Name: Curtis V. Anastasio
Title: President and Chief Executive Officer

SHAMROCK LOGISTICS, L.P.

By: Riverwalk Logistics, L.P.,
its general partner

By: Shamrock Logistics GP, LLC,
its general partner

By:/s/Curtis V. Anastasio

Name: Curtis V. Anastasio
Title: President and Chief Executive Officer

RIVERWALK LOGISTICS, L.P.

By: Shamrock Logistics GP, LLC,
its general partner

By:/s/Curtis V. Anastasio

Name: Curtis V. Anastasio
Title: President and Chief Executive Officer

SHAMROCK LOGISTICS GP, LLC

By:/s/Curtis V. Anastasio

Name: Curtis V. Anastasio
Title: President and Chief Executive Officer

EXHIBIT A

CRUDE OIL PIPELINES

ORIGIN AND DESTINATION	LENGTH (MILES)(1)	OWNERSHIP INTEREST OF OPERATING PARTNERSHIP AND ITS SUBSIDIARIES	THROUGHPUT CAPACITY (BARRELS/DAY)
Cheyenne Wells, CO to McKee, TX	252.2	100%	17,500
Dixon, TX to McKee, TX	44.2	100%	85,000
Hooker, OK to Clawson, TX(2)	30.8	50%	22,000(2)
Clawson, TX to McKee, TX	40.7	100%	36,000
Corpus Christi, TX to Three Rivers, TX	69.7	100%	120,000
Ringgold, TX to Wasson, OK	44.2	100%	90,000
Healdton, OK			

to Ringling,
OK 3.5 100%
52,000
Wasson, OK
to Ardmore,
OK 24.5(3)
100%
90,000(3)

- ------------------------

(1) Length not adjusted for ownership interest.
(2) The Operating Partnership owns 50% of the pipeline. However the Operating Partnership receives a split tariff with respect to 100% of the barrels transported on the pipeline. The throughput capacity given is for 100% of the pipeline.
(3) Represents combined length and throughput capacity of two parallel pipelines.

Exhibit A-1

EXHIBIT B

REFINED PRODUCT PIPELINES

OWNERSHIP INTEREST OF
OPERATING THROUGHPUT
LENGTH PARTNERSHIP
AND CAPACITY ORIGIN
AND DESTINATION
(MILES)(1)
SUBSIDIARIES
(BARRELS/DAY)(2) ----
------------------ --
-------- ------------
------ -------------
-- MCKEE, TX TO EL
PASO, TX
....
407.7 66.67% 40,000
MCKEE, TX TO COLORADO
SPRINGS,
CO........... 256.4
100% 52,000 COLORADO
SPRINGS, CO TO
AIRPORT.............
1.7 100% 12,000
COLORADO SPRINGS, CO
TO DENVER,
CO.......... 100.6
100% 32,000 MCKEE, TX
TO DENVER, CO
(PHILLIPS)..........
321.1 30% 12,450
MCKEE, TX TO
AMARILLO, TX
(6")..............
49.1 100% 51,000(3)
MCKEE, TX TO
AMARILLO, TX
(8")..............
49.1 100% (3)
AMARILLO, TX TO
ABERNATHY,
TX...............
102.1 38.7% 9,288
AMARILLO, TX TO
ALBUQUERQUE,
NM............ 292.7
50% 16,083 MCKEE, TX
TO SKELLYTOWN,
TX.................
52.8 100% 52,000
SKELLYTOWN, TX TO
MONT BELVIEU,
TX(4)....... 571.2
50% 26,000 THREE
RIVERS, TX TO SAN
ANTONIO, TX.........
81.1 100% 33,600
THREE RIVERS, TX TO
LAREDO,
TX.............. 98.1

100% 16,800 THREE
RIVERS, TX TO CORPUS
CHRISTI, TX......
71.6 100% 15,000
THREE RIVERS, TX TO
PETTUS, TX
(8")......... 28.8
100% 15,000 THREE
RIVERS, TX TO PETTUS,
TX (12")........ 28.8
100% 24,000 ARDMORE,
OK TO WYNNEWOOD,
OK................
31.1 100% 90,000 EL
PASO, TX TO KINDER
MORGAN................
12.1 66.67% 40,000
AMARILLO, TX TO
ALBUQUERQUE,
NM(5).......... 263.6
50% (5)

- ------------------------

(1) Length not adjusted for ownership interest.
(2) Throughput capacity adjusted for relative ownership interest.
(3) Throughput capacity shown for 6" pipeline is combined throughput capacity for 6" and 8".
(4) Pipeline is owned 100% by skelly-belvieu pipeline company, l.L.C. Of which operating partnership owns 50%. Throughput capacity given is for 50% of pipeline.
(5) Pipeline is currently idle.

Exhibit B-1

EXHIBIT C

REFINED PRODUCTS TERMINALS(1)

LOCATION	CAPACITY (BARREL)	NUMBER OF TANKS
Abernathy, TX...........	172,000	13
Amarillo, TX............	271,000	15
Albuquerque, NM..........	193,000	10
Denver, CO...............	111,000	10
Colorado Springs, CO.....	324,000	8
El Paso, TX (1)..........	346,684	22
Corpus Christi, TX.......	372,000	16
San Antonio, TX..........	221,000	10
Laredo, TX..............	203,000	6
Harlingen, TX...........	314,000	7

- ---------------

(1) All terminals owned 100% by the Operating Partnership other than El Paso terminal of which the Operating Partnership owns 66.67%. Capacity shown for the El Paso terminal is adjusted for relative ownership interest.

Exhibit C-1

- --

OMNIBUS AGREEMENT

among

ULTRAMAR DIAMOND SHAMROCK CORPORATION

SHAMROCK LOGISTICS GP, LLC

RIVERWALK LOGISTICS, L.P.

SHAMROCK LOGISTICS, L.P.

and

SHAMROCK LOGISTICS OPERATIONS, L.P.

OMNIBUS AGREEMENT

- --

OMNIBUS AGREEMENT

THIS OMNIBUS AGREEMENT is entered into on, and effective as of, the Closing Date by and among Ultramar Diamond Shamrock Corporation, a Delaware corporation ("UDS"), Shamrock Logistics GP, LLC, a Delaware limited liability company ("Shamrock GP"), Riverwalk Logistics, L.P., a Delaware limited partnership and general partner of the MLP and the OLP ("Riverwalk"), Shamrock Logistics, L.P., a Delaware limited partnership (the "MLP"), and Shamrock Logistics Operations, L.P., a Delaware limited partnership (the "OLP").

R E C I T A L:

UDS, the MLP, the OLP, Shamrock GP in its capacity as the general partner of Riverwalk, and Riverwalk in its capacity as the general partner of each of the MLP and the OLP, desire by their execution of this Agreement to evidence their understanding, (i) as more fully set forth in Article II of this Agreement, with respect to (a) those business opportunities that UDS will not pursue unless the MLP has declined to engage in such business opportunities for its own account and (b) the procedures whereby such business opportunities are to be offered to the MLP and accepted or declined; (ii) as more fully set forth in Article III of this Agreement, with respect to the indemnification obligations of UDS relating to certain environmental and income tax liabilities, and (iii) as more fully set forth in Article IV of this Agreement, with respect to the options by the MLP to purchase certain assets currently under construction which were retained by UDS at the time of the Formation Transactions.

In consideration of the premises and the covenants, conditions, and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I.

DEFINITIONS

1.1 DEFINITIONS. (a) Capitalized terms used herein but not defined herein shall have the meanings given them in the MLP Agreement.

(b) As used in this Agreement, the following terms shall have the respective meanings set forth below:

"AFFILIATE" shall have the meaning attributed to such term in the MLP Agreement.

"AGREEMENT" means this Omnibus Agreement, as amended, modified, or supplemented from time to time in accordance with the terms hereof.

"CHANGE OF CONTROL" shall have the meaning attributed to such term in Section 2.4.

"CLAIM" means any claim, lawsuit, demand, suit, inquiry made, hearing, investigation, notice of a violation, litigation, proceeding, arbitration, or other dispute, whether civil, criminal, administrative or otherwise.

"CLOSING DATE" means the date of the closing of the initial

public offering of common units representing limited partner interests in the MLP.

"CONFLICTS COMMITTEE" shall have the meaning attributed to such term in the MLP Agreement.

"CONTAMINANT" means any substance regulated under any Environmental Law, or any substance defined by Environmental Law as being hazardous or toxic or as being a pollutant.

"CONTRACT" means any agreement, contract, commitment, or other binding arrangement or understanding, whether written or oral.

"ENVIRONMENTAL LAWS" means any and all laws, statutes, judgments, ordinances, rules, regulations, orders, determinations, interpretations, or guidance of any Governmental Authority pertaining to health or the environment in effect in any and all jurisdictions in which any UDS Entity or Partnership Entity or any of their respective Affiliates is conducting or at any time has conducted business, or where any property of any UDS Entity or Partnership Entity or any of their respective Affiliates, whether leased or owned, is located, or where any hazardous substances generated or disposed of by any UDS Entity or Partnership Entity or any of their respective Affiliates are located. The term "ENVIRONMENTAL LAW" includes, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 and as subsequently amended, 42 U.S.C. Section 9601 et seq.; the Resource Conversation and Recovery Act, as amended, 42 U.S.C. Section 6901 et seq.; the Clean Air Act, as amended, 42 U.S.C. Section 7401 et seq.; and the Oil Pollution Act, as amended, 33 U.S.C. Section 2701 et seq.

"ENVIRONMENTAL LIABILITIES AND COSTS" means all Losses from any Claim by any Person whether based on Contract, tort, implied or express warranty, strict liability, criminal or civil statute, including under any Remedial Action, Environmental Law, Environmental Permit, Environmental Lien, Order or agreement with any Governmental Authority, arising from environmental, health or safety conditions, or the release of a Contaminant into the environment.

"ENVIRONMENTAL LIEN" means any Lien in favor of any Governmental Authority for Environmental Liabilities and Costs.

"ENVIRONMENTAL PERMIT" shall mean any Permit, license, approval, consent or other authorization required by or pursuant to any applicable Environmental Law.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"FORMATION TRANSACTIONS" means (i) the contributions to the OLP of certain crude oil pipeline and storage assets and refined product pipeline and terminalling assets pursuant to those certain Conveyance, Assignment and Bill of Sale Agreements dated effective as of July 1, 2000, by and among the OLP and certain subsidiaries of UDS and (ii) the transfers of certain crude oil pipeline and storage assets and refined product

pipeline and terminalling assets and certain ownership interests in Skelly-Belview Pipeline Company, L.L.C. to the OLP by virtue of the mergers of certain subsidiaries of UDS with and into the OLP effective as of July 1, 2000.

"GOVERNMENTAL AUTHORITy" shall mean (a) the United States of America, (b) any state, county, municipality, or other governmental subdivision within the United States of America, and (c) any court or any governmental department, commission, board, bureau, agency, or other instrumentality of the United States of America or of any state, county, municipality, water rights, taxing, or zoning authority, or other governmental subdivision within the United States of America.

"INDEMNIFIED PARTY" shall have the meaning assigned to such term in Section 3.2(a).

"INDEMNIFYING PARTY" shall have the meaning assigned to such term in Section 3.2(a).

"LOSSES" means all liabilities, losses, costs, damages (including punitive, consequential and treble damages), penalties or expenses (including, without limitation, reasonable attorneys' fees and expenses and costs of investigation and litigation), and also including any expenditures or expenses incurred to cover, remedy or rectify any such Losses.

"MLP" means Shamrock Logistics, L.P., a Delaware limited partnership, and any successors thereto.

"MLP AGREEMENT" means the Second Amended and Restated Agreement of Limited Partnership of the MLP, dated as of the Closing Date, as such agreement is in effect on the Closing Date, to which reference is hereby made for all purposes of this Agreement. No amendment or modification to the MLP Agreement subsequent to the Closing Date shall be given effect for the purposes of this Agreement unless consented to by each of the parties to this Agreement.

"OLP" means Shamrock Logistics Operations, L.P., a Delaware limited partnership, and any successors thereto.

"OPTION PURCHASE AMOUNT" means (i) $64,000,000 for the Wichita Falls Pipeline, (ii) $6,500,000 for the Ringgold Storage Facility or (iii) $5,600,000 for the Southlake Terminal, respectively.

"ORDER" means any decree, order, injunction, rule, judgment, consent of or by a Governmental Authority.

"PARTNERSHIP ENTITIES" means Shamrock GP, Riverwalk, the MLP and the OLP.

"PERSON" means an individual, partnership, corporation, limited liability company, trust, incorporated or unincorporated association, joint venture, joint stock company, Governmental Authority or other legal entity of any kind.

"PERMITS" means any licenses, permits, registrations, variances, interim permits, permit applications, certificates, approvals or other authorizations under any Regulation applicable to any UDS Entity or Partnership Entity.

"REGULATION" means any law, statute, regulation, ruling, rule, Order or Permit, of, administered or enforced by or on behalf of any Governmental Authority, as may be amended from time to time.

"REMEDIAL ACTION" means all actions required to (a) clean up, remove, treat or in any other way address Contaminants in the indoor or outdoor environment; (b) prevent the release or threat of release or minimize the further release of Contaminants so they do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment; or (c) perform pre-remedial studies and investigations and post-remedial monitoring and care.

"RESTRICTED BUSINESS" has the meaning attributed to such term in Section 2.1.

"RINGGOLD STORAGE FACILITY" means a new crude oil storage facility at Ringgold, Texas that is currently being constructed by UDS and which will have a storage capacity of approximately 600,000 barrels.

"RIVERWALK" means Riverwalk Logistics, L.P., a Delaware limited partnership and general partner of the MLP and OLP.

"SHAMROCK GP" means Shamrock Logistics GP, LLC, a Delaware limited liability company and general partner of Riverwalk.

"SOUTHLAKE TERMINAL" means a refined product terminal in Southlake, Texas that is currently undergoing construction conducted by UDS.

"TRANSFERRED ASSETS" means the assets contributed or transferred to the Partnership Entities in the Formation Transactions.

"UDS" means Ultramar Diamond Shamrock Corporation.

"UDS ENTITIES" means UDS and any of its Affiliates, other than the Partnership Entities.

"VOTING STOCK" means securities or membership interests of any class or series of either UDS, Shamrock GP or Riverwalk entitling the holders thereof to vote on a regular basis in the election of members of the board of directors, board of managers or other governing body of such entity.

"WICHITA FALLS PIPELINE" means the crude oil pipeline from Wichita Falls, Texas to UDS' McKee Refinery with a current capacity of approximately 85,000 barrels a day, which is being expanded by UDS to a capacity of approximately 110,000 barrels per day, along with related

crude oil storage facilities with a storage capacity of approximately 360,000 barrels.

ARTICLE II.
BUSINESS OPPORTUNITIES

2.1 RESTRICTED BUSINESSES. Subject to the terms of the MLP Agreement, for as long as (i) Shamrock GP (or any Affiliate of UDS) is the general partner of Riverwalk and (ii) Riverwalk (or any Affiliate of UDS) is the general partner of the MLP or the OLP, each of the UDS Entities are prohibited from engaging in, whether by acquisition or otherwise, the business of transporting crude oil or refined petroleum products (including petrochemicals) or operating crude oil storage or refined petroleum products terminalling assets in the United States (a "Restricted Business").

2.2 PERMITTED EXCEPTIONS. Notwithstanding any provision of Section 2.1, a UDS Entity may pursue an opportunity to purchase or invest in, and may ultimately purchase, own and/or operate, a Restricted Business under any of the following circumstances:

(a) Any business retained by a UDS Entity at the Closing;

(b) Any further development of the Diamond-Koch Joint Venture petrochemicals business;

(c) Any business with a fair market value (as determined by the board of directors of UDS in good faith) of less than $10 million;

(d) Any business acquired by a UDS Entity that constitutes less than 50% of the fair market value (as determined by a nationally recognized independent financial advisor) of a larger acquisition by such UDS Entity; provided the MLP has been offered and declined (with the concurrence of a majority of the members of the Conflicts Committee) the opportunity to purchase such business in accordance with the procedures set forth in Section 2.3;

(e) Each of the Wichita Falls Pipeline, the Southlake Terminal and the Ringold Storage Facility should the MLP decline to exercise its option to purchase them pursuant to the Purchase Option described in more detail in Article IV hereof; or

(f) Any logistics assets newly constructed by a UDS Entity that the MLP has not elected to purchase pursuant to Section 4.3.

2.3 PROCEDURES.

(a) If a UDS Entity becomes aware of an opportunity to purchase a Restricted Business, then, as soon as practicable, such UDS Entity shall notify Shamrock GP of such opportunity and deliver to Shamrock GP all information prepared by or on behalf of such UDS Entity relating to such potential purchase. As soon as practicable but in any event within 30 days after receipt of such notification and information, Shamrock GP, on behalf of the MLP, shall notify the UDS Entity that either (i) Shamrock GP, on behalf of the MLP, has elected, with the approval of a majority of the members of the Conflicts Committee, not to cause the MLP to pursue the opportunity to acquire such Restricted Business, or (ii) Shamrock GP, on behalf of the

MLP, has elected to cause the MLP to pursue the opportunity to acquire such Restricted Business. If, at any time, Shamrock GP or its Affiliates abandons such opportunity (as evidenced in writing by Shamrock GP or such Affiliates following the request of the UDS Entity), the UDS Entity may pursue such opportunity. Any Restricted Business which is permitted to be purchased by an UDS Entity must be so purchased (i) within 12 months of the time the UDS Entity becomes able to pursue such acquisition in accordance with the provisions of this Section 2.3 and (ii) on terms not materially more favorable to the UDS Entity than were offered to the MLP. If either of these conditions are not satisfied, the opportunity must be reoffered to the MLP.

(b) If a UDS Entity acquires a Restricted Business as part of a larger transaction in accordance with the provisions of Section 2.2(d), then, within 30 days after the consummation of such purchase, such UDS Entity shall notify Shamrock GP of such purchase and such UDS Entity shall offer the MLP the opportunity to purchase the Restricted Business constituting a portion of such purchase and deliver to Shamrock GP all information prepared by or on behalf of or in the possession of such UDS Entity relating to the Restricted Business. As soon as practicable but in any event within 30 days after receipt of such

notification, Shamrock GP shall notify the UDS Entity that either (i) Shamrock GP, on behalf of the MLP, has elected, with the approval of a majority of the members of the Conflicts Committee, not to cause the MLP to purchase such Restricted Business, in which event the UDS Entity shall be free to continue to engage in such Restricted Business and shall be free to improve and expand such Restricted Business if necessary to maintain existing market share, or (ii) Shamrock GP, on behalf of the MLP, has elected to cause the MLP to purchase such Restricted Business, in which event the following procedures shall be followed:

(i) The UDS Entity shall submit a good faith offer to Shamrock GP to sell the Restricted Business (the "Offer") to any member of the Partnership Group designated by Shamrock GP on the terms and for the consideration stated in the Offer.

(ii) The UDS Entity and Shamrock GP shall negotiate in good faith, for 120 days after receipt of such Offer by Shamrock GP, the terms on which the Restricted Business will be sold to the MLP. The UDS Entity shall provide all information concerning the business, operations and finances of such Restricted Business as may be reasonably requested by Shamrock GP.

(A) If the UDS Entity and Shamrock GP agree on such terms within 120 days after receipt by Shamrock GP of the Offer, the MLP shall purchase the Restricted Business on such terms as soon as commercially practicable after such agreement has been reached.

(B) If the UDS Entity and Shamrock GP are unable to agree on the terms of a sale during such 120-day period, the UDS Entity shall attempt to sell the Restricted Business to a Person that is not an Affiliate of the UDS Entity (a "NonAffiliate Purchaser") within nine months of the termination of such 120-day period. Any such sale to a NonAffiliate Purchaser must be for a purchase price, as determined by the board of directors of UDS, not less than 95% of the purchase price last offered by the MLP.

(C) During such 120-day period the UDS Entity shall be free to make capital expenditures to maintain the Restricted Business and to improve or expand the Restricted Business if necessary to maintain the Restricted Business' existing market share.

(iii) If, after the expiration of the nine-month period referred to in clause (ii)(B) above, the UDS Entity has not sold the Restricted Business to a NonAffiliate Purchaser, it shall submit another Offer (the "Second Offer") to Shamrock GP within seven days after the expiration of such nine-month period. The UDS Entity shall provide all information concerning the business, operations and finances of such Restricted Business as may be reasonably requested by Shamrock GP.

(A) If Shamrock GP, with the concurrence of a majority of the members of the Conflicts Committee, elects not to cause the MLP to pursue the Second Offer, the UDS Entity shall be free to continue to engage in such Restricted Business.

(B) If Shamrock GP shall elect to cause the MLP to purchase such Restricted Business, then Shamrock GP and the UDS Entity shall negotiate the terms of such purchase for 60 days. If the UDS Entity and Shamrock GP agree on such terms within 60 days after receipt by Shamrock GP of the Second Offer, the MLP shall purchase the Restricted Business on such terms as soon as commercially practicable after such agreement has been reached.

(C) If during such 60-day period, no agreement has been reached between the UDS Entity and Shamrock GP or a member of the Partnership Group, the UDS Entity and Shamrock GP will engage an independent investment banking firm with a national reputation to determine the value of the Restricted Business. Such investment banking firm will determine the value of the Restricted Business within 30 days and furnish the UDS Entity and Shamrock GP its opinion of such value. The UDS Entity and Shamrock GP shall share equally the fees and expenses of such investment banking firm. Upon receipt of such opinion, Shamrock GP will have the option, subject to the approval of a majority of the members of the Conflicts Committee, to (A) cause the MLP to purchase the Restricted Business for an amount equal to the value determined by such investment banking firm or (B) decline to purchase such Restricted Business, in which event the UDS Entity will be free to continue to engage in such Restricted Business.

2.4 CHANGE OF CONTROL. If a Change of Control of UDS or each of Shamrock GP or Riverwalk occurs, the provisions of this Article II shall not

apply to the existing logistics activities of any acquiring entity. A Change of Control of UDS or each of Shamrock GP or Riverwalk shall be deemed to have occurred upon the occurrence of one or more of the following events: (i) 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 UDS or Shamrock GP to any Person or its Affiliates, unless immediately following such sale, lease, exchange or other transfer such assets are owned, directly or indirectly, by the UDS Entities or Shamrock GP; (ii) the

consolidation or merger of UDS or Shamrock GP with or into another Person pursuant to a transaction in which the outstanding Voting Stock of UDS or Shamrock GP is changed into or exchanged for cash, securities or other property, other than any such transaction where (a) the outstanding Voting Stock of UDS or Shamrock GP is changed into or exchanged for Voting Stock of the surviving corporation or its parent and (b) the holders of the Voting Stock of UDS or Shamrock GP immediately prior to such transaction own, directly or indirectly, not less than a majority of the Voting Stock of the surviving corporation or its parent immediately after such transaction; or (iii) a "person" or "group" (within the meaning of Sections 13(d) or 14(d)(2) of the Exchange Act) being or becoming the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of more than 50% of all Voting Stock of UDS or Shamrock GP then outstanding, other than in a merger or consolidation which would not constitute a Change of Control under clause (ii) above.

2.5 SCOPE OF RESTRICTED BUSINESS PROHIBITION. Except as provided in this Article II and the Partnership Agreement, each UDS Entity shall be free to engage in any business activity whatsoever, including those that may be in direct competition with any Partnership Entity.

2.6 ENFORCEMENT. The UDS Entities agree and acknowledge that the Partnership Group does not have an adequate remedy at law for the breach by the UDS Entities of the covenants and agreements set forth in this Article II, and that any breach by the UDS Entities of the covenants and agreements set forth in Article II would result in irreparable injury to the Partnership Group. The UDS Entities further agree and acknowledge that any member of the Partnership Group may, in addition to the other remedies which may be available to the Partnership Group hereunder or under applicable law, file a suit in equity to enjoin the UDS Entities from such breach, and consent to the issuance of injunctive relief hereunder.

ARTICLE III.
INDEMNIFICATION

3.1 INDEMNIFICATION OF PARTNERSHIP ENTITIES BY UDS. In addition to its indemnification obligations under certain (i) Indemnity Agreements entered into in connection with the mergers of certain subsidiaries of UDS with and into the OLP effective as of July 1, 2000, and (ii) Conveyance, Assignment and Bill of Sale Agreements dated effective as of July 1, 2000, by and among the OLP and certain subsidiaries of UDS, UDS, on behalf of each of the respective UDS Entities, shall indemnify, defend and hold harmless the Partnership Entities from and against (A) any and all Losses that are caused by, arise out of or are attributable to Environmental Liabilities and Costs related to the Transferred Assets that arose or relate to conditions existing prior to Closing and which are discovered by the MLP within 10 years of the Closing (excluding Environmental Liabilities and Costs to the extent such Environmental Liabilities and Costs result from a change in law after closing) and (B) all federal, state and local income tax liabilities attributable to the operation of the Transferred Assets prior to the Closing Date, including any such income tax liabilities of UDS and its Affiliates that may result from the consummation of the Formation Transactions.

3.2 INDEMNIFICATION PROCEDURES.

(a) As used in this Section 3.2, the term "Indemnifying Party" refers to UDS in the case of any indemnification obligation arising under Section 3.1, and the term "Indemnified Party" refers to the Partnership Entities, as applicable, in the case of any indemnification obligation arising under Section 3.1.

(b) If any action, suit or proceeding shall be brought against an Indemnified Party, or if the Indemnified Party should otherwise become aware of facts giving rise to a claim for indemnification pursuant to Section 3.1, the Indemnified Party shall promptly notify the Indemnifying Party in writing specifying the nature of and specific basis for such claim.

(c) The Indemnifying Party shall have the right to control all aspects of the defense of (and any counterclaims with respect to) any claims brought against the Indemnified Party that are covered by the indemnification set forth in Section 3.1, including, without limitation, the selection of counsel, determination of whether to appeal any decision of any court and the settling of

any such matter or any issues relating thereto; PROVIDED, HOWEVER, that no such settlement shall be entered into without the consent of the Indemnified Party unless it includes a full release of the Indemnified Party from such matter or issues, as the case may be.

(d) The Indemnified Party agrees, at its own cost and expense, to cooperate fully with the Indemnifying Party with respect to all aspects of the defense of any claims covered by the indemnification set forth in Section 3.1, including, without limitation, the prompt furnishing to the Indemnifying Party of any correspondence or other notice relating thereto that the Indemnified Party may receive, permitting the name(s) of the Indemnified Party to be utilized in connection with such defense, the making available to the Indemnifying Party of any files, records or other information of the Indemnified Party that the Indemnifying Party considers relevant to such defense and the making available to the Indemnifying Party of any employees of the Indemnified Party; PROVIDED, HOWEVER, that in connection therewith the Indemnifying Party agrees to use reasonable efforts to minimize the impact thereof on the operations of such Indemnified Party. In no event shall the obligation of the Indemnified Party to cooperate with the Indemnifying Party as set forth in the immediately preceding sentence be construed as imposing upon the Indemnified Party an obligation to hire and pay for counsel in connection with the defense of any claims covered by the indemnification set forth in this Article III; PROVIDED, HOWEVER, that an Indemnified Party may, at its own option, cost and expense, hire and pay for counsel in connection with any such defense. The Indemnifying Party agrees to keep any such counsel hired by the Indemnified Party reasonably informed as to the status of any such defense, but the Indemnifying Party shall have the right to retain sole control over such defense.

(e) In determining the amount of any Loss for which any Indemnified Party is entitled to indemnification under this Article III, the gross amount thereof will be reduced by any insurance proceeds realized or to be realized by such Indemnified Party, and such correlative insurance benefit shall be net of any insurance premium that becomes due as a result of such claim.

ARTICLE IV.

4.1. PURCHASE OPTION FOR ASSETS CURRENTLY UNDER CONSTRUCTION. UDS, on behalf of the UDS Entities, hereby grants the MLP, on behalf of the OLP, the unconditional right

and option to purchase and acquire from the applicable UDS Entity all of the respective UDS Entity's right, title and interest in, to and under any or all of (i) the Wichita Falls Pipeline, (ii) the Ringgold Storage Facility and (iii) the Southlake Terminal, at any time, from time to time and no later than one year from the date of notice from UDS of completion of construction of such asset, such notice to be given as soon as practicable, for a purchase price that is equal to the respective Option Purchase Amount, by delivery to UDS, on behalf of the respective UDS Entity, of a written notice of the exercise of such purchase option. The MLP may exercise this purchase option with respect to all, part or none of the enumerated assets.

4.2. CLOSING OF PURCHASE OPTION. Closing of purchase and sale pursuant to this Article IV shall be conducted at such location mutually agreed upon by UDS and the MLP. At closing, UDS will sell and assign to the OLP by deed, bill of sale, assignment of contract rights or other appropriate documentation all of UDS's (or the applicable UDS Entity's) right, title and interest in, to and under the Wichita Falls Pipeline, the Ringgold Storage Facility or the Southlake Terminal, as applicable, and the OLP shall make payment of the applicable Option Purchase Amount to UDS or the applicable UDS Entity in cash or by electronic wire transfer of immediately available funds to an account designated by UDS in writing.

4.3. PURCHASE OPTION FOR LOGISTICS ASSETS CONSTRUCTED BY UDS IN THE FUTURE. If a UDS Entity constructs any new logistics assets then, as soon as practicable, such UDS Entity shall notify Shamrock GP of the completion of such construction and such UDS Entity shall offer the MLP the opportunity to elect to purchase, or have a subsidiary elect to purchase, the newly constructed assets by written notice delivered to the UDS Entity no later than one year from the date of notice. If Shamrock GP, with the concurrence of a majority of the members of the Conflicts Committee, elects to purchase such assets, then Shamrock GP and the UDS Entity shall negotiate the terms of such purchase for 60 days. If the UDS Entity and Shamrock GP agree on such terms within 60 days after receipt by the UDS Entity of the notice of election to purchase, the MLP shall purchase the newly constructed assets on such terms as soon as commercially practicable after such agreement has been reached.

If during such 60-day period, no agreement has been reached between the UDS Entity and Shamrock GP, the UDS Entity and Shamrock GP will engage an independent investment banking firm with a national reputation to determine the value of the newly constructed assets. Such investment banking firm will determine the value of the newly constructed assets within 30 days and furnish the UDS Entity and Shamrock GP its opinion of such value. The UDS Entity and

Shamrock GP shall share equally the fees and expenses of such investment banking firm. Upon receipt of such opinion, Shamrock GP will have the option, subject to the approval of a majority of the members of the Conflicts Committee, to (A) purchase the newly constructed assets for an amount equal to the value determined by such investment banking firm or (B) decline to purchase such newly constructed assets, in which event, the UDS Entity will be free to continue to own and operate such newly constructed assets.

ARTICLE V
MISCELLANEOUS

5.1 CHOICE OF LAW; SUBMISSION TO JURISDICTION. This Agreement shall be subject to and governed by the laws of the State of Delaware, excluding any conflicts-of-law rule or principle that might refer the construction or interpretation of this Agreement to the laws of another state.

5.2 NOTICE. All notices or requests or consents provided for or permitted to be given pursuant to this Agreement must be in writing and must be given by depositing same in the United States mail, addressed to the Person to be notified, postpaid, and registered or certified with return receipt requested or by delivering such notice in person or by telecopier or telegram to such party. Notice given by personal delivery or mail shall be effective upon actual receipt. Notice given by telegram or telecopier shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. All notices to be sent to a party pursuant to this Agreement shall be sent to or made at the address set forth below such party's signature to this Agreement, or at such other address as such party may stipulate to the other parties in the manner provided in this Section 5.2.

5.3 ENTIRE AGREEMENT; SUPERSEDURE. This Agreement constitutes the entire agreement of the parties relating to the matters contained herein, superseding all prior contracts or agreements, whether oral or written, relating to the matters contained herein.

5.4 EFFECT OF WAIVER OR CONSENT. No waiver or consent, express or implied, by any party to or of any breach or default by any Person in the performance by such Person of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such Person of the same or any other obligations of such Person hereunder. Failure on the part of a party to complain of any act of any Person or to declare any Person in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder until the applicable statute of limitations period has run.

5.5 AMENDMENT OR MODIFICATION. This Agreement may be amended or modified from time to time only by the written agreement of all the parties hereto; provided, however, that the MLP may not, without the prior approval of a majority of the members of the Conflicts Committee, agree to any amendment or modification of this Agreement that, in the reasonable discretion of Shamrock GP, will adversely affect the holders of Common Units. Each such instrument shall be reduced to writing and shall be designated on its face an "Amendment" or an "Addendum" to this Agreement.

5.6 ASSIGNMENT. No party shall have the right to assign its rights or obligations under this Agreement without the consent of the other parties hereto.

5.7 COUNTERPARTS. This Agreement may be executed in any number of counterparts with the same effect as if all signatory parties had signed the same document. All counterparts shall be construed together and shall constitute one and the same instrument.

5.8 SEVERABILITY. If any provision of this Agreement or the application thereof to any Person or circumstance shall be held invalid or unenforceable to any extent, the remainder of this

Agreement and the application of such provision to other Persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

5.9 GENDER, PARTS, ARTICLES AND SECTIONS. Whenever the context requires, the gender of all words used in this Agreement shall include the masculine, feminine and neuter, and the number of all words shall include the singular and plural. All references to Article numbers and Section numbers refer to Parts, Articles and Sections of this Agreement, unless the context otherwise requires.

5.10 FURTHER ASSURANCES. In connection with this Agreement and all

transactions contemplated by this Agreement, each signatory party hereto agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions and conditions of this Agreement and all such transactions.

5.11 WITHHOLDING OR GRANTING OF CONSENT. Each party may, with respect to any consent or approval that it is entitled to grant pursuant to this Agreement, grant or withhold such consent or approval in its sole and uncontrolled discretion, with or without cause, and subject to such conditions as it shall deem appropriate.

5.12 LAWS AND REGULATIONS. Notwithstanding any provision of this Agreement to the contrary, no party hereto shall be required to take any act, or fail to take any act, under this Agreement if the effect thereof would be to cause such party to be in violation of any applicable law, statute, rule or regulation.

5.13 NEGOTIATION OF RIGHTS OF LIMITED PARTNERS, ASSIGNEES, AND THIRD PARTIES. The provisions of this Agreement are enforceable solely by the parties to this Agreement, and no Limited Partner, Assignee or other Person shall have the right, separate and apart from the MLP, to enforce any provision of this Agreement or to compel any party to this Agreement to comply with the terms of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on, and effective as of, the Closing Date.

ULTRAMAR DIAMOND SHAMROCK CORPORATION

By:/s/ Robert S. Shapard
Name: Robert S. Shapard
Title: Executive Vice President and Chief Financial Officer

Address for Notice: 6000 North Loop 1604 West
San Antonio, TX 68249

Telecopy Number:

SHAMROCK LOGISTICS GP, LLC

By:/s/ Curtis V. Anastasio
Name: Curtis V. Anastasio
Title: President and Chief Executive Officer
Address for Notice: 6000 North Loop 1604 West
San Antonio, TX 78249

Telecopy Number:

RIVERWALK LOGISTICS, L.P.

By: Shamrock Logistics GP, LLC
its general partner

By:/s/ Curtis V. Anastasio
Name: Curtis V. Anastasio
Title: President and Chief Executive Officer

Address for Notice: 6000 North Loop 1604 West
San Antonio, TX 78249

Telecopy Number:

SHAMROCK LOGISTICS, L.P.

By: Riverwalk Logistics, L.P.
its general partner

By: Shamrock Logistics GP, LLC
Its general partner

By:/s/ Curtis V. Anastasio

Name: Curtis V. Anastasio

Title: President and Chief Executive Officer

Address for Notice: 6000 North Loop 1604 West
San Antonio, TX 78249

Telecopy Number:

SHAMROCK LOGISTICS OPERATIONS, L.P.

By: Riverwalk Logistics, L.P.
its general partner

By: Shamrock Logistics GP, LLC
Its general partner

By:/s/ Curtis V. Anastasio

Name: Curtis V. Anastasio

Title: President and Chief Executive Officer

Address for Notice: 6000 North Loop 1604 West
San Antonio, TX 78249

Telecopy Number:

SERVICES AGREEMENT

THIS SERVICES AGREEMENT is entered into on, and effective as of, July 1, 2000 (the "Effective Date") by and among DIAMOND SHAMROCK REFINING AND MARKETING COMPANY, a Delaware corporation ("DSRMC"), SHAMROCK LOGISTICS, L.P. (the "Partnership"), SHAMROCK LOGISTICS OPERATIONS, L.P. (the "Operating Partnership"), and their general partner RIVERWALK LOGISTICS, L.P. (the "General Partner"), all Delaware limited partnerships (collectively, the "Partnership Entities"), and Riverwalk Logistics, L.P.'s general partner, SHAMROCK LOGISTICS GP, LLC ("Shamrock GP"). The Partnership Entities and the General Partner will sometimes be referred to herein as the "Entities".

R E C I T A L S:

WHEREAS, Shamrock GP, as the general partner of the General Partner, manages all activities of the Partnership Entities;

WHEREAS, DSRMC will provide, and will cause certain of DSRMC's Affiliates (including, but not limited to, the Affiliates listed on Exhibit A hereto) to provide, on behalf of Shamrock GP, certain services to the Entities, for which they will be compensated as provided herein; and

WHEREAS, DSRMC and the Entities desire by their execution of this Agreement to evidence their understanding concerning the provision of those services by DSRMC to the Entities;

NOW, THEREFORE, in consideration of the premises and the covenants, conditions, and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. SERVICES.

(i) CORPORATE, GENERAL, AND ADMINISTRATIVE SERVICES. During the term of this Agreement, in consideration for the fee set forth in Section 4(i) herein, DSRMC agrees to provide, or cause certain of its Affiliates (including, but not limited to, those listed on Exhibit A hereto) to provide to the Entities the services set forth on EXHIBIT B hereto (the "Corporate, General, and Administrative Services").

(ii) OTHER SERVICES. During the term of this Agreement, in consideration for reimbursement as set forth in Section 4(ii) herein, DSRMC agrees to provide, or cause certain of its Affiliates (including, but not limited to, those listed on Exhibit A hereto) to provide to the Entities the services and personnel necessary to operate and maintain the Entities and their assets, relating to the items set forth on EXHIBIT C hereto (the "Other Services" and, together with the Corporate, General, and Administrative Services, the "Services").

(iii) USE OF THIRD-PARTY SERVICE PROVIDERS. DSRMC may cause one or more third party contractors to provide any of the Other Services (with any such Other Services so provided by a third party contractor being referred to herein as an "Outsourced Service"); PROVIDED, HOWEVER, that (a) any Outsourced Service provided solely for the benefit of the Entities shall require approval by the General Partner, and (b) except as expressly provided in this Agreement, any Outsourced Services shall be subject to the provisions of this Agreement the same way an Other Service that is not an Outsourced Service is subject to the provisions of this Agreement. If, from time to time, DSRMC determines to publish a request for proposal for a third party to provide as Outsourced Services any one or more of the Other Services then being provided under this Agreement, DSRMC shall give the Entities at least ten days prior written notice of such decision and shall promptly advise the Entities of the terms of any winning bid. The Entities shall hold confidential the terms of any proposal disclosed to them pursuant to the foregoing sentence. The Entities shall advise DSRMC in writing within seven business days after receipt of notice of the terms whether or not the Entities desire to participate in the Outsourced Services at the level of service set out in the winning bid (the "Agreed Level of Service") and, in the case of an Outsourced Service provided solely for the benefit of the Entities (a "Direct Outsourced Service"), that the General Partner, on behalf of the Entities, has approved the contractor and the terms and conditions of such Outsourced Service. In the case of a Direct Outsourced Service, the General Partner has the option to contract directly with the provider of such Direct Outsourced Service. In the event the Entities decide to terminate the Other Service contemplated to become an Outsourced Service, such Other Service shall be terminated effective as of the effective date of the new contract between DSRMC (or any of its Affiliates, as applicable) and the third party providing the Other Service. If the Entities desire to continue to be provided with such Other Service, they shall be obligated to reimburse DSRMC (or any of its Affiliates, as applicable) for their proportionate share of the costs incurred by DSRMC (or any of its Affiliates, as applicable) under the agreement between DSRMC (or any of its Affiliates, as applicable) and the third party provider of the Outsourced Service (up to the Agreed Level of Service). No agreement entered

into by DSRMC (or any of its Affiliates, as applicable) after the Effective Date shall give to any third party a preferential right to provide the Entities with services following the expiration of this Agreement.

2. CANCELLATION OR REDUCTION OF SERVICES.

Except as provided below in this Section 2, the Entities may terminate or reduce the level of any Other Service on 30 days' prior written notice to DSRMC; provided that if the provisions of any third party agreement for an Outsourced Service require more than 30 days' prior written notice for the termination of such agreement, the Entities shall be required to provide the same notice as required in such agreement. Should the Entities terminate any Other Service being provided hereunder, DSRMC shall have no liability to the Entities for the Entities' failure or inability to replace such terminated Other Services except that no Direct Charges (as defined in Section 4(ii)) shall be incurred (or the amount of the Direct Charges in respect of the Services shall be reduced in the case of a reduction in the level of Service) pursuant to Section 4(ii). Further, if the Entities terminate any Other Service, the Entities agree that DSRMC shall not be required to provide the terminated Other Service to the Entities in the future.

3. NATURE/QUALITY OF SERVICES. The nature and quality of the Services shall be substantially identical to those provided to other subsidiaries and Affiliates of DSRMC. Outsourced Services will be of the nature and quality provided in the agreement with the third party provider.

4. PAYMENT.

(i) CORPORATE, GENERAL, AND ADMINISTRATIVE SERVICES. In consideration of the Corporate, General, and Administrative Services, the General Partner shall pay DSRMC $5,200,000 annually (the "Administrative Fee"), which amount shall be paid in twelve equal monthly installments in arrears, the first such payment being made with respect to the month ended July 31, 2000; provided, however, that the Administrative Fee may be increased at the request of DSRMC and subject to the approval and consent of the Conflicts Committee of Shamrock GP, as follows:

(a) for each year during the term of this agreement, beginning with the year that starts on the first anniversary of the Effective Date, an increase not to exceed 1.5% per year plus an additional percentage not to exceed the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical published by the United States Department of Labor Bureau of Labor Statistics for the preceding calendar year; and

(b) in connection with expansions of the Partnership's operations through acquisition or construction of new assets that require additional Corporate, General, and Administrative Services.

The Administrative Fee shall be decreased (a) on a pro rata basis if one or more of the Corporate, General, and Administrative Services are for any reason no longer provided under this Agreement, whether on a temporary or permanent basis, for such time as such Services are not provided or (b) if the level of any Corporate, General and Administrative Service is reduced for any reason.

(ii) OTHER SERVICES. In consideration of the Other Services, the General Partner Partnership shall reimburse DSRMC for (i) all out-of-pocket expenses incurred by DSRMC exclusively to provide the Other Services to the Entities, (ii) the actual cost of any item purchased by DSRMC exclusively for the use of the Entities, and (iii) all expenses actually incurred by DSRMC for Outsourced Services and allocable to the Entities consistent with Section 1(iii) of this Agreement (the amounts referred to in (i), (ii), and (iii) being collectively referred to as the "Direct Charges"); provided, however, that in no event shall Direct Charges include expenses or costs incurred for the provision of Corporate, General, and Administrative Services, and provided further that the General Partner shall not be invoiced for or required to pay Direct Charges in connection with an Other Service that is not being provided under this Agreement for any reason, whether on a temporary or permanent basis, for such time as such Other Services are not provided.

(iii) TAXES. If the compensation for the Services does not include sales, use, excise, value added or similar taxes, if any such taxes are imposed on the Services, and if under

applicable laws any such taxes are to be collected and remitted to the appropriate authorities by DSRMC, the General Partner shall pay or reimburse DSRMC for any such taxes.

5. INVOICING FOR DIRECT CHARGES.

(i) DSRMC shall invoice, or cause its Affiliates to invoice, the General Partner on the last business day of each month for all Direct Charges with respect to the preceding month and any adjustments that may be necessary to correct prior invoices. All invoices shall reflect in reasonable detail a description of the Other Services performed during the preceding month, and shall be due and payable within 30 days of the date of the invoice. In the event of default in payment by the General Partner, upon 30 days' written notice to the General Partner, delivered as provided below, DSRMC may terminate this Agreement as to those Other Services which relate to the unpaid portion of the invoice if it has not received payment within such 30 days. In the event of a dispute as to the propriety of invoiced amounts (a "Dispute"), the General Partner shall pay all undisputed amounts on each invoice, but shall be entitled to withhold payment of any amount in dispute and shall notify DSRMC within 10 business days from receipt of the disputed invoice of the disputed amount and the reasons each such charge is disputed. DSRMC shall provide the General Partner with records relating to the disputed amount so as to enable the parties to resolve the Dispute. If the Dispute cannot be resolved by mutual agreement of the Chief Financial Officer of DSRMC and the Chief Financial Officer of Shamrock GP within 15 days of DSRMC's receiving such notification, any party may initiate arbitration proceedings in the manner provided for by Section 5(iii). So long as the parties are attempting in good faith to resolve the Dispute, DSRMC shall not be entitled to terminate the Other Services related to and by reason of the disputed charge.

(ii) Any statement or payment not disputed in writing by either party within one year of the date of such statement or payment shall be considered final and no longer subject to adjustment. The General Partner shall not be obligated to pay for any Direct Charges for which statements for payment are submitted more than one year after the termination of this Agreement.

(iii) Resolution of Disputes shall be exclusively governed by and settled in accordance with the provisions of this Section 5(iii); PROVIDED HOWEVER, that nothing contained herein shall preclude any party from seeking or obtaining (i) injunctive relief or (ii) equitable or other judicial relief, in each case to preserve the status quo, pending resolution of Disputes hereunder. DSRMC or any of the Entities may commence proceedings hereunder by delivering written notice to the other party expressly requesting arbitration hereunder after a Dispute has remained unresolved for the period of time specified under Section 5(i) hereof. The parties hereby agree to submit all Disputes to arbitration hereunder, which arbitration shall be final, conclusive, and binding upon the parties, their successors and assigns. The arbitration shall be conducted in San Antonio, Texas by a sole arbitrator selected by mutual agreement of the parties not later than ten (10) days after delivery of such notice, or, failing such agreement, appointed pursuant to the commercial arbitration rules of the American Arbitration Association, as amended from time to time ("AAA Rules"). The arbitrators shall be generally knowledgeable about the pipeline and terminal operating industry and the nature of the issues to be arbitrated and shall be qualified by education, experience, and training to render a decision upon the issues

to be arbitrated. If the arbitrator selected becomes unable to serve, his or her successor shall be similarly selected or appointed. The arbitration shall be conducted in accordance with the AAA Rules to the extent such rules do not conflict with the terms of this agreement. Notwithstanding the foregoing: (i) each party shall have the right to audit the books and records of any other party that are reasonably related to a Dispute; (ii) each party shall provide to the other parties involved in a Dispute, reasonably in advance of any hearing, copies of all documents which such party intends to present at such hearing; and (iii) each party shall be allowed to conduct reasonable discovery through written requests for information, document requests, requests for stipulation of fact, and depositions, the nature and extent of which discovery shall be determined by the arbitrator, taking into account the needs of the parties and the desirability of making discovery expeditious and cost effective. All hearings shall be conducted on an expedited schedule, and all proceedings shall be confidential. Any party may, at its expense, make a stenographic record thereof. The arbitrator shall complete all hearings not later than sixty days after his or her selection or appointment and shall make a final award not later than thirty days thereafter. All claims presented for arbitration shall be particularly identified, and the parties to the arbitration shall each prepare a written statement of their position and their proposed course of action. These written statements of positions and proposed courses of action shall be submitted to the arbitrator. In making his or her decision, the arbitrator must accept in its entirety the position of one party or the other and make an arbitration award based on that party's proposed course of action. The arbitrator shall not be empowered in reaching his or her decision to equitably adjust the scope of the written statements. All costs and expenses of arbitration, including the fees and expenses of the arbitrator or of any experts, shall be borne equally between the prevailing and non-prevailing party, except that each party shall pay all of its respective attorney's fees, consultant's fees, and other costs of participating in the Arbitration proceeding. Notwithstanding the foregoing, in no event may the arbitrator award multiple, punitive, or exemplary damages. Any arbitration award shall be binding and enforceable against each party involved in the Dispute and judgment may be

entered thereon in any court of competent jurisdiction. Payment of any such award shall be made within five (5) business days of the arbitrator's decision.

6. INPUT FROM ENTITIES. Any input necessary for DSRMC or any third party provider to perform any Services shall be submitted by the Entities in a manner consistent with the practices utilized during the one year period prior to the Effective Date, which manner shall not be altered except by mutual written agreement of the parties. Should the Entities' failure to supply such input render performance of any Services by or on behalf of DSRMC unreasonably difficult, DSRMC, upon reasonable notice, may provide a lesser quality of Services or refuse to perform such Services.

7. ENTITIES ARE SOLE BENEFICIARIES. The Entities acknowledge that the Services shall be provided only with respect to their business as currently operated or as mutually agreed by the parties hereto. The Entities shall not request performance of any Services for the benefit of any entity other than themselves. The Entities represent and agree that they will use the Services only in accordance with all applicable federal, state, and local laws and regulations and communications and common carrier tariffs, and in accordance with the reasonable conditions, rules, regulations, and specifications which may be set forth in any manuals, materials, documents, or instructions furnished from time to time by DSRMC to the

Entities. DSRMC reserves the right to take all actions, including termination of any Services, that DSRMC reasonably believes to be necessary to assure compliance with applicable laws, regulations, and tariffs. DSRMC will notify the Entities of the reasons for any such termination of Services.

8. LIMITED WARRANTY, LIMITATION OF LIABILITY.

DSRMC represents that it will provide or cause the Services to be provided to the Entities with reasonable care and in accordance with all applicable laws, rules, and regulations, including without limitation those of the Federal Energy Regulatory Commission. EXCEPT AS SET FORTH IN THE IMMEDIATELY PRECEDING SENTENCE AND IN SECTION 3, ALL PRODUCTS OBTAINED FOR THE ENTITIES ARE AS IS, WHERE IS, WITH ALL FAULTS. DSRMC MAKES NO (AND HEREBY DISCLAIMS AND NEGATES ANY AND ALL) REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE SERVICES RENDERED OR PRODUCTS OBTAINED FOR THE ENTITIES. FURTHERMORE, THE ENTITIES MAY NOT RELY UPON ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDING THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE MADE TO DSRMC BY ANY PARTY (INCLUDING, AN AFFILIATE OF DSRMC) PERFORMING SERVICES ON BEHALF ON DSRMC HEREUNDER, UNLESS SUCH PARTY MAKES AN EXPRESS WARRANTY TO SHAMROCK GP OR THE PARTNERSHIP ENTITIES. HOWEVER, IN THE CASE OF OUTSOURCED SERVICES PROVIDED SOLELY FOR THE ENTITIES, IF THE THIRD PARTY PROVIDER OF SUCH SERVICES MAKES AN EXPRESS WARRANTY TO ANY OF THE ENTITIES, THE ENTITIES ARE ENTITLED TO CAUSE DSRMC TO RELY ON AND TO ENFORCE SUCH WARRANTY.

IT IS EXPRESSLY UNDERSTOOD BY THE ENTITIES THAT DSRMC AND ITS AFFILIATES SHALL HAVE NO LIABILITY FOR THE FAILURE OF THIRD PARTY PROVIDERS TO PERFORM ANY SERVICES HEREUNDER AND FURTHER THAT DSRMC AND ITS AFFILIATES SHALL HAVE NO LIABILITY WHATSOEVER FOR THE SERVICES PROVIDED BY ANY SUCH THIRD PARTY UNLESS IN EITHER EVENT SUCH SERVICES ARE PROVIDED IN A MANNER WHICH WOULD EVIDENCE GROSS NEGLIGENCE OR INTENTIONAL MISCONDUCT ON THE PART OF DSRMC OR ITS AFFILIATES BUT DSRMC SHALL, ON BEHALF OF THE PARTNERSHIP, PURSUE ALL RIGHTS AND REMEDIES UNDER ANY SUCH THIRD PARTY CONTRACT. THE ENTITIES AGREE THAT THE REMUNERATION PAID TO DSRMC HEREUNDER FOR THE SERVICES TO BE PERFORMED REFLECT THIS LIMITATION OF LIABILITY AND DISCLAIMER OF WARRANTIES. IN NO EVENT SHALL DSRMC BE LIABLE TO THE ENTITIES OR ANY OTHER PERSON FOR ANY INDIRECT, SPECIAL, OR CONSEQUENTIAL DAMAGES RESULTING FROM ANY ERROR IN THE PERFORMANCE OF SERVICES OR FROM THE BREACH OF THIS AGREEMENT, REGARDLESS OF THE FAULT OF DSRMC, ANY DSRMC AFFILIATE, OR ANY THIRD PARTY PROVIDER OR WHETHER DSRMC, ANY DSRMC AFFILIATE, OR THE THIRD PARTY PROVIDER ARE WHOLLY, CONCURRENTLY, PARTIALLY, OR SOLELY

NEGLIGENT. TO THE EXTENT ANY THIRD PARTY PROVIDER HAS LIMITED ITS LIABILITY TO DSRMC OR ITS AFFILIATE FOR SERVICES UNDER AN OUTSOURCING OR OTHER AGREEMENT, THE ENTITIES AGREE TO BE BOUND BY SUCH LIMITATION OF LIABILITY FOR ANY PRODUCT OR SERVICE PROVIDED TO THE ENTITIES BY SUCH THIRD PARTY PROVIDER UNDER DSRMC'S OR SUCH AFFILIATE'S AGREEMENT.

9. FORCE MAJEURE.

DSRMC SHALL HAVE NO OBLIGATION TO PERFORM OR CAUSE THE SERVICES TO BE PERFORMED IF ITS FAILURE TO DO SO IS CAUSED BY OR RESULTS FROM ANY ACT OF GOD, GOVERNMENTAL ACTION, NATURAL DISASTER, STRIKE, FAILURE OF ESSENTIAL EQUIPMENT OR ANY OTHER CAUSE OR CIRCUMSTANCE BEYOND THE REASONABLE CONTROL OF DSRMC, OR, IF APPLICABLE, ITS AFFILIATES OR THIRD PARTY PROVIDERS OF SERVICES TO DSRMC ("EVENT OF FORCE MAJEURE"). DSRMC WILL NOTIFY THE ENTITIES OF ANY EVENT OF FORCE MAJEURE. DSRMC AGREES THAT UPON RESTORING THE SERVICE FOLLOWING ANY EVENT

OF FORCE MAJEURE, DSRMC WILL ALLOW THE ENTITIES TO HAVE EQUAL PRIORITY WITH DSRMC AND ITS AFFILIATES, IN ACCORDANCE WITH PRIOR PRACTICE, WITH RESPECT TO ACCESS TO THE RESTORED SERVICE.

10. SEVERABILITY.

In the event any portion of this Agreement shall be found by a court of competent jurisdiction to be unenforceable, that portion of the Agreement will be null and void and the remainder of the Agreement will be binding on the parties as if the unenforceable provisions had never been contained herein.

11. ASSIGNMENT.

Except for the ability of DSRMC to cause one or more of the Services to be performed by a third party provider (subject to the terms of this Agreement), no party shall have the right to assign its rights or obligations under this Agreement without the consent of the other party.

12. ENTIRE AGREEMENT, SUPERSEDURE.

This Agreement constitutes the entire agreement of the parties relating to the performance of the Services; all prior or contemporaneous written or oral agreements are merged herein; this Agreement may not be changed except by a writing signed by both parties.

13. CHOICE OF LAW.

This Agreement shall be subject to and governed by the laws of the State of Texas, excluding any conflicts-of-law rule or principle that might refer the construction or interpretation of this Agreement to the laws of another state.

14. AMENDMENT OR MODIFICATION.

This Agreement may be amended or modified from time to time only by a written amendment signed by the Entities and DSRMC; provided however that the Partnership and the Operating Partnership may not, without the prior approval of the Conflicts Committee of Shamrock GP, agree to any amendment or modification of this Agreement that, in the reasonable discretion of the General Partner, will adversely affect the Holders of the Common Units.

15. NOTICES.

Any notice, request, instruction, correspondence or other document to be given hereunder by either party to the other (herein collectively called "Notice") shall be in writing and delivered personally or mailed, postage prepaid, or by telegram or telecopier, as follows:

If to DSRMC:

Diamond Shamrock Refining and Marketing Company
P.O. Box 696000
San Antonio, TX 78269-6000
Attention: Legal Department
Telecopy: (210)592-2202

If to the Entities:

Shamrock Logistics GP, LLC
P.O. Box 696000
San Antonio, TX 78269-6000
Attention: President
Telecopy: (210)592-2202

Notice given by personal delivery or mail shall be effective upon actual receipt. Notice given by telecopier shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. Any party may change any address to which Notice is to be given to it by giving Notice as provided above of such change of address.

16. FURTHER ASSURANCES.

In connection with this Agreement and all transactions contemplated by this Agreement each signatory party hereto agrees to execute and deliver such additional documents and instruments

as may be required for DSRMC to provide the Services hereunder and to perform

such other additional acts as may be necessary or appropriate to effectuate, carry out, and perform all of the terms, provisions, and conditions of this Agreement.

17. DESIGNATED CONTACT PERSON.

Without limiting the obligations of the parties hereto with respect to the delivery of notices, requests or consents pursuant to sections 14 and 15, DSRMC hereby designates the Corporate Secretary of Ultramar Diamond Shamrock Corporation (phone no. (210) 592-4516) as a person with whom representatives of the Entities may communicate regarding any Services to be performed hereunder. The Entities hereby designate the Vice President-Operations of Shamrock GP (phone no. (210) 592-2000) as its designated person with whom DSRMC may communicate regarding any problems or other matters that DSRMC may have in providing any Service hereunder by itself or any third party provider.

18. ACKNOWLEDGMENT REGARDING CERTAIN PROVISIONS.

EACH OF THE PARTIES HERETO SPECIFICALLY ACKNOWLEDGES AND AGREES (a) THAT IT HAS A DUTY TO READ THIS AGREEMENT AND THAT IT IS CHARGED WITH NOTICE AND KNOWLEDGE OF THE TERMS HEREOF, (b) THAT IT HAS IN FACT READ THIS AGREEMENT AND IS FULLY INFORMED AND HAS FULL NOTICE AND KNOWLEDGE OF THE TERMS, CONDITIONS AND EFFECTS OF THIS AGREEMENT, (c) THAT IT HAS BEEN REPRESENTED BY LEGAL COUNSEL OF ITS CHOICE THROUGHOUT THE NEGOTIATIONS PRECEDING THE EXECUTION OF THIS AGREEMENT AND HAS RECEIVED THE COUNSEL IN CONNECTION WITH ENTERING INTO THIS AGREEMENT, AND (d) THAT IT RECOGNIZES THAT CERTAIN OF THE TERMS OF THIS AGREEMENT PROVIDE FOR THE ASSUMPTION BY ONE PARTY OF, AND/OR RELEASE OF THE OTHER PARTY FROM, CERTAIN LIABILITIES ATTRIBUTABLE TO THE MATTERS COVERED BY THIS AGREEMENT THAT SUCH PARTY WOULD OTHERWISE BE RESPONSIBLE FOR UNDER THE LAW. EACH PARTY HERETO FURTHER AGREES AND COVENANTS THAT IT WILL NOT CONTEST THE VALIDITY OR ENFORCEABILITY OF ANY SUCH PROVISIONS OF THIS AGREEMENT ON THE BASIS THAT THE PARTY HAD NO NOTICE OR KNOWLEDGE OF SUCH PROVISION OR THAT SUCH PROVISIONS ARE NOT "CONSPICUOUS".

19. DEFINITIONS. The following terms shall have the indicated meanings for the purposes of this Agreement:

"Affiliate" shall have the meaning attributed to such term in the Master Partnership Agreement; provided, however, that for the purposes of this Agreement neither Shamrock GP, the General Partner, the Partnership, the Operating Partnership, nor any Person controlled by the Partnership or the Operating Partnership (as the term "control" is used in the definition of "Affiliate" in the Partnership Agreement) shall be deemed to be an Affiliate of DSRMC.

"Common Units" shall mean limited partnership interests that have been so designated under the terms of the Master Partnership Agreement.

"Master Partnership Agreement" shall mean the Second Amended and Restated Agreement of Limited Partnership of the Partnership, as it may be hereafter amended or restated.

20. NO THIRD PARTY BENEFICIARY. The provisions of this Agreement are enforceable solely by the parties to this Agreement, and no limited partner, assignee or other person shall have the right, separate and apart from Shamrock GP and the General Partner, to enforce any provision of this Agreement or to compel any party to this Agreement to comply with the terms of this Agreement.

21. DURATION; TERMINATION. This Agreement shall terminate upon the eighth anniversary of the Effective Date (the "Initial Term"); provided that this Agreement shall automatically continue for successive two year terms after the Initial Term unless or until one year's advance notice is given to terminate this Agreement is given by DSRMC or the General Partner, in which case this agreement shall terminate one year after such notice is delivered. Notwithstanding the foregoing, the General Partner (a) may terminate the provision of one or more Other Services or reduce the level of one or more Other Services in accordance with the provisions of Section 2 hereof and (b) shall have the right at any time to terminate this Agreement by giving written notice to DSRMC, and in such event this Agreement shall terminate one hundred and eighty (180) days from the date on which such notice is given.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed on their behalf by their duly authorized officers on the date first above written.

DIAMOND SHAMROCK REFINING AND MARKETING
COMPANY, ON BEHALF OF ITSELF AND ITS
AFFILIATES LISTED ON SCHEDULE A

By: /s/ Robert S. Shapard

Name: Robert S. Shapard
Title: Executive Vice President and CFO

SHAMROCK LOGISTICS, L.P.

BY: RIVERWALK LOGISTICS, L.P.,
its General Partner

BY: SHAMROCK LOGISTICS GP, LLC,
its General Partner

By: /s/ Curtis V. Anastasio

Name: Curtis V. Anastasio
Title: President and CEO

SHAMROCK LOGISTICS OPERATIONS, L.P.

BY: RIVERWALK LOGISTICS, L.P.,
its General Partner

BY: SHAMROCK LOGISTICS GP, LLC,
its General Partner

By: /s/ Curtis V. Anastasio

Name: Curtis V. Anastasio
Title: President and CEO

RIVERWALK LOGISTICS, LP

BY: SHAMROCK LOGISTICS GP, LLC,
its General Partner

By: /s/ Curtis V. Anastasio

Name: Curtis V. Anastasio
Title: President and CEO

SHAMROCK LOGISTICS GP, LLC,

By: /s/ Curtis V. Anastasio

Name: Curtis V. Anastasio
Title: President and CEO

EXHIBIT A

Diamond Shamrock Refining Company, L.P.
Sigmor Corporation
TPI Pipeline Corporation
The Shamrock Pipe Line Corporation

EXHIBIT B

CORPORATE, GENERAL AND ADMINISTRATIVE SERVICES

Aviation and Travel Services
Corporate Development
Data Processing and Information Technology Services
Financial Accounting and Reporting
Foreign Trade Zone Reporting and Accounting
Group Accounting
Health and Safety Services
Human Resources Services
- Benefits
- Benefit Accounting
- Benefit Plans
- Retirement Plans
- 401(k) Savings Plans
- Payroll Services
- Training Services

Internal Audit
Legal
- General Litigation Support
- General Corporate
- Corporate Secretary
- Tariff Maintenance

Office Services
   Mail Center
   Health Club
   Building and Office Maintenance
Purchasing/Fleet Management
Records Management
Real Estate Management
Risk and Claims Management Services
Security Services
Shareholder, Investor, Public, and Government Relations
Tax Accounting
Treasury & Banking
   Finance Services
   Cash Management
   Credit Services

EXHIBIT C

Other Services

Costs incurred in the Pipeline and Terminal Operating and Maintenance Departments include the following:

- Construction
- Safety
- Engineering
- Right of Way
- Corrosion Control
- SCADA and Automation
- Control Centers
- Product and Crude Administration
- In addition to the above departments, there are direct operating personnel that operating the individual pipelines and terminals.

Costs incurred in the Operations and Maintenance of the Pipelines and Terminals include the following:

- - Salary, Wages and Benefits Costs for Employees devoted to the operation and maintenance of the MLP assets. Including the following:
   -Gross payroll, including bonuses
   -FICA
   -Vacation pay
   -Sick pay
   -Life insurance
   -Disability insurance
   -401(k) matching contribution costs (qualified and non-qualified plans)
   -Defined benefit pension costs
   -Post retirement health and medical costs

- - Insurance Costs for the following insurance coverages:
   -General liability
   -Automobile liability
   -Comprehensive liability
   -Excess liability
   -Property
   -Directors & Officers

- - Incidental Costs incurred by the MLP or Employees devoted to the operation and maintenance of the MLP assets.

FIRST AMENDMENT TO OMNIBUS AGREEMENT

WHEREAS, Shamrock Logistics Operations, L.P. ("Operations") entered into that certain Omnibus Agreement (the "Agreement") with Ultramar Diamond Shamrock Corporation, on behalf of itself and its affiliates, effective April 16, 2001;

WHEREAS, the Agreement provided for certain purchase options to be exercisable by Operations, including an option to purchase a petroleum products terminal at Ringgold, Texas for $6.5 million; and

WHEREAS, the parties desire to amend the Agreement to provide for a lower option purchase price to be payable to purchase the Ringgold terminal;

THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree that the Option Purchase Amount provided under the Agreement relating to the Ringgold Storage Facility is hereby amended to be $5,200,000, effective November 1, 2001.

IN WITNESS WHEREOF, the undersigned have set their hands hereto this November 1, 2001.

ULTRAMAR DIAMOND SHAMROCK
CORPORATION, ON BEHALF OF ITSELF
AND ITS AFFILIATES

/s/ William R. Klesse

William R. Klesse, its Executive
Vice President

SHAMROCK LOGISTICS OPERATIONS, L.P.
BY: RIVERWALK LOGISTICS, L.P.,
ITS GENERAL PARTNER
BY: SHAMROCK LOGISTICS
GP, LLC, ITS GENERAL
PARTNER

/s/ Curtis V. Anastasio

Curtis V. Anastasio, its
President and CEO

EXHIBIT 10.12

RESTRICTED UNIT AGREEMENT

This Restricted Unit Agreement ("Agreement"), effective as of the date set forth at the end of this Agreement ("Grant Date"), is between VALERO L.P., a Delaware limited partnership ("Valero LP"), and NAME, a Participant in the Valero GP, LLC 2000 Long-Term Incentive Plan for Valero L.P. ("Participant"); who agree as follows:

1. INTRODUCTION. Pursuant to the 2000 Long-Term Incentive Plan for Valero L.P. (as may be amended, the "Plan"), the board of directors of Valero GP, LLC (the "General Partner") awarded X,XXX common Units of Valero LP ("Restricted Units") under the plan to the participant. The parties hereby enter to into this Agreement to evidence the terms conditions and restrictions applicable to the Restricted Units.

2. THE PLAN, RESTRICTIONS ON TRANSFER, VESTING. The Participant has read and understands the Plan, which is incorporated herein by reference for all purposes, and agrees to the terms and conditions applicable to the Restricted Units and the rights and powers of Valero LP and the General Partner as provided therein. In addition, the Participant agrees as follows:

2.01 Except as provided in the Plan and this Agreement, Restricted Units may not be sold, exchanged, pledged, hypothecated, transferred, garnished or otherwise disposed of or alienated prior to vesting. The Participant agrees that certificates representing the Restricted Units may be imprinted with a legend to this effect.

2.02 The Restricted Units granted hereunder are subject to the following Restricted Periods, and will vest and accrue to Participant in the following increments; XXX Units on JANUARY 21, 2003; XXX Units on JANUARY 21, 2004; and XXX Units on JANUARY 21, 2005. The restrictions may terminate prior to the expiration of such period as set forth in the Plan Upon vesting, for each Restricted Unit granted hereunder, the Participant will be entitled to receive and unrestricted Common Unit of Valero LP.

2.03 Valero LP shall retain all certificates representing Restricted Units, together with stockpowers executed by the Participant pertaining to such Restricted Units, until the restriction on such Units described in the Plan or contained in this Agreement lapse.

2.04 If Restricted Units are forfeited, the transfer agent of Valero LP is instructed, upon confirmation by the Secretary of the General Partner of such forfeiture, to surrender the certificate representing such shares for cancellation.

3. DER GRANT. Subject to the following, the award of Restricted Units granted hereunder includes a tandem Award of a number DERs equal to the number of Restricted Units granted hereunder. Each DER shall entitle the Participate to receive cash payments equal to the cash distributions made by Valero LP with respect to its outstanding Common Units generally, provided that no cash distributions shall be payable to or on behalf of the Participant with respect to record dates before the Grant Date, or with respect to any record date occuring after the Grant Date on which the Participant has forfeited the Restricted Units per the terms of the Plan. The DERs shall lapse on the earlier of (i) the date on which the Restricted Units are forfeited, (ii) the dates in tandem

with the vesting schedule for the Restricted Units set forth above, or (iii) a Change of Control. In addition, subject to any forfeiture, the Participant will have the right to vote such Restricted Units and to exercise all other rights, powers and privileges of a holder of Valero LP Common Units with respect to such Restricted Units, with the exception that the Participant will not be entitled to delivery of the certificate(s) representing such Restricted Units until the Restriction Period applicable to such Restricted Units or a portion thereof shall have expired and unless all other vesting requirements with respect thereto have been fulfilled.

4. LIMITATION. The Participant shall have no rights with respect to any Restricted Units not expressly conferred by the Plan or this Agreement.

5. MISCELLANEOUS. All capitalized terms contained in this Agreement shall have the definitions set forth in the Plan unless otherwise defined herein. This Agreement shall be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns.

EFFECTIVE as of the 21ST day of JANUARY, 2002.

VALERO L.P.
by Riverwalk Logistics, L.P.
its general partner

by Valero GP, LLC
its general partner

William R. Klesse
Executive Vice President

NAME
Participant

EXHIBIT 10.13

OPERATING AGREEMENT

THIS AGREEMENT is made and entered into as of the 1st day of January, 2002, by and among SHAMROCK LOGISTICS OPERATIONS, L.P., a Delaware limited partnership (hereinafter referred to as "OPERATOR") and VALERO PIPELINE COMPANY, a Delaware corporation ("VALERO") (with Operator and Valero each being referred to herein as, a "Party" and collectively, the "Parties").

W I T N E S S E T H:

WHEREAS, Valero leases certain refined product pipeline assets, terminals, pump stations and associated equipment, facilities and real estate interests (collectively the "System") pursuant to that certain Pipeline and Terminal Lease Agreement dated May 25, 2001 by and between Coastal Liquids Partners, L.P., as lessor and Valero Marketing and Supply Company and Valero Pipeline Company, collectively as lessee (the "Lease"), a copy of which is attached hereto as Exhibit A and made a part hereof;

WHEREAS, Valero desires to employ Operator to manage, operate, and maintain the System; and

WHEREAS, Operator is willing to manage, operate, and maintain the System under the terms and conditions of this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, it is agreed by and among the Parties hereto as follows:

SECTION 1
APPOINTMENT, TERM, AND TERMINATION

1.1 Valero hereby appoints and employs Operator to manage, operate and maintain the System for and on behalf of Valero, and acting as Valero's agent in Valero's name, hereby authorizing and empowering Operator to do and perform any and all acts and things which Operator shall, in the exercise of its judgement, and consistent with the standard of care set forth in Section 2.2 below, know or determine is either necessary or proper for the management, operation, and maintenance of the System, subject to the specific limitations herein set forth and subject to the general authority of Valero as lessee of the System.

1.2 Either Party may terminate this Agreement upon at least thirty (30) days prior written notice to the other Party. Termination of this Agreement shall not release or discharge any Party from, or affect a Party's liabilities and obligations including, without limitation, its own indemnity obligations under this Agreement relating to the period prior to such termination.

SECTION 2
AGREEMENT, DUTIES AND POWERS OF OPERATOR

2.1 During the term of this Agreement, Operator, as agent and as operator for Valero, shall assume responsibility for the scheduling, operation, maintenance and repair of the System. Without limiting the generality of the foregoing and in accordance with Section 2.2 of this Agreement, Operator shall:

(a) Perform such activities as might be required to schedule, receive, transport, deliver, and otherwise handle the volume of refined products tendered for transportation in the System.

(b) Cause to be purchased for and in the name of Valero necessary materials, supplies, and services for the use and benefit of the System, as well as incur such expenses and cause Valero to enter into such commitments as necessary in connection with the proper operation, maintenance and repair of the System; provided that any expenditures to be charged to Valero are subject to the provisions of Section 4 hereof;

(c) Maintain continuous surveillance of the System, and periodically inspect the System for damage and other unsafe conditions, report any observed unsafe conditions to Valero and perform or cause to be performed such repairs to the System as required;

(d) Provide movement and scheduling services, including nomination, processing, dispatching, creation and/or collection of delivery tickets, bills of lading, inventories,

line balances, preparation of gain and loss reports necessary to properly balance and account for all movements associated with any portion of the System, and forecasts of volume requirements to sustain sufficient inventories for the terminals that are part of the System, including 30-day, weekly, and daily forecasts;

(e) Monitor daily operations and perform and/or witness meter calibrations and other means of measurement at regular intervals to ensure measurement accuracy of the System within generally accepted industry tolerances and standards. For those meter calibrations not performed and/or witnessed by Operator, Operator will use commercially reasonable efforts to obtain calibration reports from independent third party inspectors and operators;

(f) Maintain in a manner such that they shall be available for periodic inspection, all as-built drawings or descriptions of the System, construction and maintenance records, inspection and testing records, operating procedures and manuals, custody transfer documents, and such other records as may be required by governmental authorities that have proper jurisdiction over any portion of the System or as may be reasonably

requested by Valero that are either provided by Valero or generated by Operator under the terms of this Agreement;

(g) Maintain other suitable and proper records, including operating records, and file such reports as required by governmental agencies that have proper jurisdiction over any portion of the System; and applicable regulations, or as further set forth in this Agreement;

(h) Respond to emergencies in accordance with the standards sets forth in Section 2.2 of this Agreement;

(i) Maintain and implement emergency plans as required by applicable laws and regulations;

(j) Act as coordinator for Valero in contacts with government agencies relating to the physical operation and maintenance of the System, as required by applicable laws, regulations, permit conditions or right-of way agreements including any "one-call" systems;

(k) Provide, operate, and maintain a telemetry and data communications system which is functionally equivalent to the telemetry and data communications systems used by the System on the date hereof for the safe and efficient use of the SCADA System;

(l) Maintain, update, or change, as necessary, operating manuals, monitoring programs, contingency plans, and training programs that are provided by Valero for the purpose of satisfying or complying with applicable laws, rules, regulations, and other requirements of governmental authorities that have proper jurisdiction over the operation of the System;

(m) Comply in all material respects with Valero's obligations regarding management, operation, and maintenance of the System contained in the Lease provided that Operator determines, in its sole judgment, that such conduct is legally permissible; and

(n) Any and all other functions and services necessary and/or appropriate for the safe, efficient, and legally permissible operation of the System.

2.2 Operator agrees to perform all services hereunder in a manner consistent with the usual and customary practices, codes, and standards of a prudent operator in the refined products pipeline industry and in accordance with valid and applicable laws, rules, and regulations of any government authorities having proper jurisdiction over any portion of the System.

2.3 If and to the extent that any fees, tariff revenues, and other income are received or collected by Operator which are related to the System, including tariff revenues

for shipment of refined products across the System and fees associated

with the System's terminal operations, all such fees, tariff revenues, and other income shall inure to the benefit of and become the property of Valero. Operator will submit all such fees to Valero immediately upon receipt thereof.

2.4 Notwithstanding anything in this Agreement to the contrary, Valero may, at its option except where prohibited by applicable law, rule, or regulation, participate in any business plan development, operational planning, and oversight activities related to the System.

SECTION 3
ADDITIONAL SERVICES OF OPERATOR

3.1 CATHODIC PROTECTION. During the term of this Agreement, Operator will maintain cathodic protection for the System in accordance with the standard set forth in Section 2.2 hereof. Such maintenance includes, but is not limited to, periodic inspection and testing of the cathodic protection.

3.2 RIGHT OF WAY MAINTENANCE AND FLY OVERS.

(a) During the term of this Agreement, Operator will maintain the System right of way, including all pump stations and Terminals along its course. Such maintenance includes, but is not limited to, mowing, repairing and maintaining signs and markers, and repairing and maintaining fences.

(b) Lessee shall, in accordance with Section 2.2 hereof, inspect the surface conditions on or adjacent to the System right-of-way. Methods of inspection include walking, driving, flying or other appropriate means of traversing the right-of-way.

SECTION 4
COMPENSATION OF OPERATOR AND CAPITAL EXPENDITURES

4.1 COMPENSATION OF OPERATOR. For the services to be performed by Operator and/or its affiliates pursuant to this Agreement, Valero shall pay Operator as follows:

(a) On or before the 15th day of each calendar month, Operator will allocate to Valero a monthly cost share for the following internal support services: (i) pipeline right-of-way management, (ii) general administrative services, (iii) pipeline and terminals engineering services, (iv) corrosion control management, (v) pipeline safety and regulatory services, (vi) control center management, and (vii) SCADA and terminal automation services (collectively, the "Internal Support Services" and individually, a "Internal Support Service"). The percentage of costs to be allocated to the System for each Internal Support Service is different. The formula for determine the percentage for each Internal Support Service is set forth below:

(1) For items nos. 4.1(a)(i),(ii), and (iii) generally described above, the allocated percentage is determined by dividing (x) the total number of miles of pipeline located within the System by (y) the total number of miles of pipeline that have been maintained by Operator during the same period of time.

(2) For items nos. 4.1(a)(iv), (v), and (vi) generally described above, the allocated percentage is based on (x) a good faith estimate of the number of man-hours spent managing any portion of the System for each Internal Support Service compared to (y) a good faith estimate of the number of total man-hours that were expended during the same time period for the same Internal Support Service in connection with all pipeline systems maintained by Operator.

(3) For item no 4.1(a)(vii) generally described above, the allocated percentage is determined by dividing (x) the total number of SCADA and terminal automation units located within the System by (y) the total number of SCADA and terminal automation units that have been maintained by Operator during the same period of time. .

(b) For all other out-of-pocket costs including, but not limited to, materials, equipment rental, support services (including, without limitation, outside legal, accounting, and

environmental, health, and safety ["EH&S"] fees), utility costs, repairs made or incurred by Operator according to this Agreement, expense projects (subject to the provisions of Section 4.2(a), below), capital projects approved by Valero and emergency expenditures incurred and paid by Operator and/or its affiliates in connection with the performance of its obligations hereunder, Operator shall provide Valero with supporting documentation for all such costs, expenses, and liabilities. Operator will invoice Valero by the 15th day of each calendar month for all such reimbursable costs incurred by Operator in connection with the System during the preceding calendar month, and Valero will pay Operator or its designee within ten (10) days after its receipt of Operator's invoice.

4.2 LIMITATIONS ON EXPENDITURES.

(a) Operator will obtain prior approval for expenditures of $250,000 or more that Operator considers necessary for the benefit of the System.

(b) Operator will comply with Valero's Authorization For Expenditure ("AFE") policy, as such policy may be amended from time to time. A current copy of the Valero's AFE policy is attached to this Agreement as Exhibit "B" and made a part hereof.

4.3 EMERGENCY EXPENDITURES. In cases of emergency, as such is determined in Operator's sole discretion, Operator may proceed with expenditures for required work when such is necessary in Operator's judgement to keep the System operating, to restore the System to operating condition, or to eliminate or minimize damage to property or injury to death of persons, without the necessity of submitting such proposed expenditures in advance for approval by Valero. In such event, Operator shall, as soon as practical, notify Valero promptly by telephone, then confirmed in writing (by facsimile or overnight mail) of the existence or occurrence of the emergency. Such notice shall set forth the nature of the emergency, the corrective actions taken, and the estimated cost of such corrective action.

SECTION 5
INSURANCE

5.1 INSURANCE.

(a) During the entire term of this Agreement, Valero, at its own cost, shall insure the System against all risks of physical loss or damage. Valero will have its insurers waive their rights of subrogation against Operator.

(b) During the entire term of this Agreement, Operator, at its own cost and expense, shall provide (i) at least $5 Million in General Comprehensive Liability Insurance coverage in connection with its operation and maintenance of the System, and (ii) maintain Workers' Compensation and Occupational Disease Insurance in accordance with applicable Texas law, to the same extent Operator insures its own assets of a similar nature; provided, however, Operator may self-insure itself against such risks provided it qualifies as a self-insurer pursuant to the applicable Texas law. Operator will have its insurers waive their rights of subrogation against Valero.

5.2 INSURANCE REQUIREMENTS FOR CONTRACTORS. Operator shall require all contractors and subcontractors employed by Operator under this Agreement to maintain insurance coverage similar in nature and amount that Operator generally requires such contractors to have for work performed on its own assets of a similar nature.

Operator will make a reasonable good faith effort as promptly as practical to obtain from such contractors and subcontractors insurance certificates showing compliance with Operator's insurance requirements and to cause their insurers to name Operator and Valero as additional insured under all policies. Operator will make a reasonable good faith effort as promptly as practical to cause such contractors and subcontractors, to the extent permitted under applicable law, to

have their underwriters or insurers waive subrogation rights against Operator and Valero.

SECTION 6
INDEMNIFICATION AND CLAIMS

6.1 INDEMNIFICATION BY VALERO. EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED FOR IN SECTIONS 6.2 AND 6.3, BELOW, AND REGARDLESS OF THEORY OR THEORIES ALLEGED INCLUDING, WITHOUT LIMITATION, NEGLIGENCE (WHETHER SOLE, JOINT, OR CONCURRENT), STRICT LIABILITY, BREACH, OR VIOLATION OF LAW, RULE, OR REGULATION OF OR BY OPERATOR OR ANY THIRD PARTY, VALERO SHALL RELEASE, INDEMNIFY, HOLD HARMLESS, AND DEFEND OPERATOR, ITS SUBSIDIARIES AND CORPORATE AFFILIATES, AS WELL THE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, AND REPRESENTATIVES OF OPERATOR, ITS SUBSIDIARIES AND CORPORATE AFFILIATES (COLLECTIVELY, THE "SLO INDEMNITEES" AND INDIVIDUALLY, THE "SLO INDEMNITEE"), FROM AND AGAINST ANY AND ALL DAMAGES (AS DEFINED BELOW) ARISING OUT OF OR IN ANY WAY RELATING TO THE OPERATION, MAINTENANCE, OWNERSHIP, INSPECTION, TESTING, ALTERATION, REPLACEMENT, CHANGE IN SIZE OF, REPAIR, EXPANSION, TRANSITION, ENVIRONMENTAL REMEDIATION, OR MANAGEMENT OF THE SYSTEM TO THE EXTENT ANY SUCH DAMAGES ARE CAUSED BY (A) THE NEGLIGENCE OR WILLFUL MISCONDUCT OF VALERO, OR ANY OF ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, AND REPRESENTATIVES OR (B) ANY FACT, CIRCUMSTANCE, ACTION, OMISSION, OR CONDITION OCCURRING OR EXISTING AND RELATING TO THE SYSTEM PRIOR TO THE EFFECTIVE DATE OF THIS AGREEMENT, AS DETERMINED BY EITHER MUTUAL AGREEMENT OF THE PARTIES OR A FINAL, NON-APPEALABLE JUDGMENT OF A JUDICIAL BODY HAVING PROPER JURISDICTION OVER THE SUBJECT MATTER IN QUESTION. FOR PURPOSES OF THIS SECTION 6.1 AND SECTIONS 6.2 AND 6.3, BELOW, THE TERM "DAMAGES" SHALL MEAN ANY AND ALL (I) OBLIGATIONS, (II) LIABILITIES, (III) DAMAGES (INCLUDING BUT NOT LIMITED TO, INJURY TO OR DEATH OF PERSONS AND DAMAGES TO OR DESTRUCTION OR LOSS OF PROPERTY), (IV) LOSSES, (V) ACTIONS, (VI) SUITS, (VII) CLAIMS, (VIII) JUDGMENTS, ORDERS, DIRECTIVES, INJUNCTIONS, DECREES, FINES, PENALTIES, ASSESSMENTS, OR AWARDS OF ANY AUTHORITY, BUREAU, OR AGENCY, AND (IX) COSTS AND EXPENSES (INCLUDING, BUT NOT LIMITED TO, REASONABLE AND NECESSARY ATTORNEYS' FEES).

6.2 INDEMNIFICATION BY OPERATOR. OPERATOR SHALL RELEASE, INDEMNIFY, HOLD HARMLESS, AND DEFEND VALERO AND ITS SUBSIDIARIES AND CORPORATE AFFILIATES, AS WELL AS THEIR OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, AND REPRESENTATIVES (COLLECTIVELY, THE "VALERO INDEMNITEES") (UPON VALERO'S REQUEST) FROM AND AGAINST ANY AND ALL DAMAGES ARISING OUT OF OR IN ANY WAY RELATING TO THE OPERATION, MAINTENANCE, INSPECTION, TESTING, ALTERATION, REPLACEMENT, CHANGE IN SIZE OF, REPAIR, EXPANSION, TRANSITION, ENVIRONMENTAL REMEDIATION OR MANAGEMENT OF THE SYSTEM, TO THE EXTENT CAUSED BY THE NEGLIGENCE OR WILLFUL MISCONDUCT OF OPERATOR, ITS EMPLOYEES, AGENTS, CONTRACTORS, REPRESENTATIVES, OR ITS AFFILIATES, OR ANY EMPLOYEES, AGENTS, CONTRACTORS, OR REPRESENTATIVES OF ITS AFFILIATES AS DETERMINED BY EITHER MUTUAL AGREEMENT OF THE PARTIES OR A FINAL, NON-APPEALABLE JUDGMENT OF A JUDICIAL BODY HAVING PROPER JURISDICTION OVER THE SUBJECT MATTER IN QUESTION. NOTWITHSTANDING OPERATOR'S INDEMNITY OBLIGATIONS SET FORTH IN THIS SECTION 6.2, UNDER NO CIRCUMSTANCES SHALL SLO OR ANY SLO INDEMNITEE BE LIABLE TO VALERO OR ANY THIRD PARTY FOR, AND SHALL BE SPECIFICALLY RELEASED BY VALERO FROM AND AGAINST, ANY DAMAGES TO THE EXTENT THEY ARE CAUSED BY ANY FACT, CIRCUMSTANCE, ACTION, OMISSION, OR CONDITION OCCURRING OR EXISTING THAT (i) RELATES TO OR IS OTHERWISE ASSOCIATED WITH THE OPERATION, MAINTENANCE, OWNERSHIP, INSPECTION, TESTING, ALTERATION, REPLACEMENT, CHANGE IN SIZE OF, REPAIR, EXPANSION, TRANSITION, ENVIRONMENTAL REMEDIATION, OR MANAGEMENT OF THE SYSTEM PRIOR TO THE EFFECTIVE DATE OF THIS AGREEMENT, AND (ii) WAS CAUSED BY ANY ACT OR OMISSION OF VALERO, ANY VALERO INDEMNITEE, OR ANY PERSON OR ENTITY THAT OWNED OR OPERATED ANY PORTION OF THE SYSTEM PRIOR TO THE EFFECTIVE DATE OF THIS AGREEMENT.

6.3 INDEMNIFICATION BY CONTRACTORS. TO THE SAME EXTENT OPERATOR REQUIRES CONTRACTORS AND SUBCONTRACTORS TO INDEMNIFY OPERATOR WHILE PERFORMING WORK ON OR SERVICES FOR ITS OWN PIPELINE AND TERMINALING ASSETS, OPERATOR SHALL REQUIRE ALL CONTRACTORS AND SUBCONTRACTORS THAT WORK ON OR PROVIDE SERVICES FOR ANY PORTION OF THE SYSTEM (COLLECTIVELY, THE "OPERATOR'S CONTRACTORS") TO INDEMNIFY, DEFEND (UPON OPERATOR'S REQUEST), AND HOLD HARMLESS BOTH OPERATOR,

ITS EMPLOYEES AND ITS AFFILIATES, AND VALERO AND THE VALERO INDEMNITEES FROM AND AGAINST ALL DAMAGES TO THE EXTENT CAUSED BY THE NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH CONTRACTOR OR SUBCONTRACTOR, OR ONE OF THEIR RESPECTIVE EMPLOYEES AS DETERMINED BY EITHER MUTUAL AGREEMENT OF THE AFFECTED PARTIES OR A FINAL, NON-APPEALABLE JUDGMENT OF A JUDICIAL BODY HAVING PROPER JURISDICTION OVER THE SUBJECT MATTER IN QUESTION. .

SECTION 7
PROPERTY ADMINISTRATION

7.1 Operator, in the name of and as agent for Valero, will perform all Property Administration (as hereinafter generally defined) necessary

for the operation of the System. If Operator, in its sole discretion, determines that any part of the Property Administration can be performed more efficiently and economically by a contract agent, Operator may employ such contract agent and review such agent's work at any time and from time to time to ensure that the Property Administration is performed at a reasonable cost. "Property Administration" means the acquisition, maintenance and administration (including, but not limited to, the making of required payments) of all contracts and grants (including, but not limited to, right of way agreements, easements, leases, permits, and licenses) concerning Valero's rights to use or occupy the real property of other parties or rights granted to other parties (other than Operator or affiliates of Operator) to use Valero's real property.

SECTION 8
RECORDS

8.1 RECORDS. Valero shall remain responsible and liable for preparing, filing (where applicable), and maintaining any and all records, reports, data, manuals, policies, procedures or other materials of any kind, nature, or format that was required by applicable law, rule, or regulation for any period of time prior to the effective date of this Agreement. In the event Operator becomes aware of any records, reports, data, manuals, policies, procedures or other materials of any kind, nature, or format that were required by applicable law, rule, or regulation for any period of time prior to the effective date of this Agreement that have not been properly prepared, filed or maintained, Operator will promptly notify Valero of such fact. On a going forward basis after the effective date of this Agreement, Operator will prepare and preserve for and in the name of Valero a complete set of operating records in accordance with the system of accounts prescribed by the Federal Energy Regulatory Commission ("FERC"), and/or any other federal or state agency having regulatory jurisdiction over the System, or as may be reasonably required by Valero. Operator shall furnish all such information and reports

regarding the operation or maintenance of the System as might be reasonably required by Valero or by any federal or state agency having appropriate jurisdiction over the System. Operator shall provide Valero the opportunity to remove and retain a copy of such records at any time during the term of this Agreement or within a reasonable period of time thereafter.

8.2 PERIODIC REPORTS AND STATEMENTS. On a going forward basis, Operator and Valero will act diligently and in good faith to jointly prepare, review, and file with the appropriate regulatory agency, in the name of Valero, all reports required by applicable law in connection with environmental, health and safety matters, construction permits, and/or the ownership and operation of the System (collectively, the "Regulatory Reports"). Notwithstanding the foregoing, Valero shall be solely responsible and liable for preparing, reviewing, filing, and maintaining all Regulatory Reports that were either due to be filed or were based on the ownership or operation of the System prior to the effective time of this Agreement. Operator will promptly notify Valero of any deficiency in the preparation, filing or maintenance of such reports upon discovery thereof by Operator.

SECTION 9
LAWS AND REGULATIONS

9.1 This Agreement is subject to all present and future valid orders, rules, and regulations of any regulatory body having proper jurisdiction over the ownership or operation of the System, and to the laws of the United States or any states having proper jurisdiction over the ownership or operation of the System; and in the event this Agreement or any provision hereof shall be found to be contrary to or in conflict with any such order, rule, regulation, or law, this Agreement shall be deemed modified to the extent necessary to comply with such order, rule, regulation, or law, but only for the period of time such order, rule, regulation or law is in effect.

SECTION 10
FORCE MAJEURE

10.1 To the extent that any Party is rendered unable, wholly or in part, by an event of force majeure (as hereinafter defined) to perform any of its obligations under this Agreement, it is agreed that such Party upon giving notice and full particulars of such event of force majeure (including its known or estimated duration) in writing, or by facsimile transmission or similar electronic transmission device to the other

Parties, as soon as practicable after the occurrence of the cause relied on, shall be relieved of its obligations hereunder during the continuance of the cause of the event of force majeure, but for no longer period. Such Party shall not be liable to the other Parties for any losses or damages regardless of the nature thereof and however so occurring, whether such losses or damages be direct or indirect, immediate or remote, by reason of an event of force majeure. Such Party shall use commercially reasonable efforts to mitigate the effects of such event of force majeure. If an event of force majeure renders a Party unable, wholly or in part, to carry out its obligations under this Agreement, the Parties shall determine if any adjustments are necessary in the charges to be paid as set forth in Section 4 hereof during the period such Party is unable to perform because of the event of force majeure.

The term "force majeure" as employed herein shall mean, cover, and include the following:

(a) Acts of God, including but not limited to, earthquakes, landslides, floods, washouts, lightning, tornadoes, and storms;

(b) Acts of Government including but not limited to, imposition of laws, orders, rules, judgments, judicial actions, and regulations when conformity thereto directly or indirectly renders any Party unable to perform any of its obligations under this Agreement;

(c) Acts of Civil Disorder, including but not limited to, acts of sabotage, acts of the public enemy or terrorists, acts of war (declared or undeclared), insurrections, riots, mass protests, or demonstrations;

(d) Acts or Threats of Industrial Disorders, including but not limited to, strikes, lockouts and picketing, when such acts or threats of industrial disorder directly or indirectly render a Party unable to perform its obligations under this Agreement; provided, however, that the settlement of labor disputes to prevent or end any such industrial disorder shall be entirely within the discretion of such Party that is experiencing or suffering under such disorder and the above requirement that such Party use reasonable efforts to mitigate the effects of an event of force majeure, shall not require settlement of labor disputes by acceding to the demands

of the opposing party when such course is inadvisable in the discretion of the adversely impacted Party;

(e) Shortages of product, equipment, and materials which are beyond the reasonable control of such Party; and

(f) Any other cause (other than the ability to pay money) beyond the reasonable control of such Party declaring force majeure.

SECTION 11
CONFIDENTIALITY

11.1 Operator agrees that any information which has been or shall be disclosed by Valero, directly or indirectly, to Operator, or developed by Operator, and in either case is supplied or generated in the course of performing services hereunder (collectively, "Confidential Information"), shall be maintained in confidence by Operator and shall be used by Operator only for the purposes of performing the services described herein. Except where required by applicable law, rule, regulation, order, judgment, or decree, Operator shall not disclose to others (other than to Valero or its affiliates or designees unless such disclosure is likewise restricted or prohibited by applicable law, rule, regulation, order, judgment, or decree), duplicate, or use in any manner, except as provided herein, all or any part of any Confidential Information. Operator shall limit access to such Confidential Information to those of Operator's employees, agents, contractors, or other representatives who reasonably require the same to carry out the purposes of this Agreement. No Confidential Information disclosed to Operator hereunder shall be passed on to or disclosed by Operator to any of its corporate affiliates (unless such information pertains solely to such affiliate) except with the prior written approval of Valero and the affected shipper on the System. Confidential Information shall not include any information which is acquired by Operator in the course of its activities outside of the scope of this Agreement or which becomes part of the public domain or literature without breach of this Agreement.

SECTION 12

ACTIONS UPON TERMINATION OF OPERATIONS

12.1 RETURN OF SUPPLIES AND MATERIALS. Upon termination of this Agreement, Operator shall provide Valero the opportunity to remove and retain all operating supplies and materials purchased by Operator on Valero's behalf.

12.2 RETURN OF RECORDS. Upon termination of this Agreement, Operator shall deliver to Valero, at a location designated by Valero, all records, data, drawings, and information in Operator's custody that pertain to the System and the prior operation thereof.

SECTION 13
NOTICES

13.1 All notices or other communications required or permitted by this Agreement shall be sufficiently given if in writing (including telex, fax or telegram) and personally delivered or sent by operator telex or by registered or certified mail, return receipt requested, as follows:

To Valero, as follows:

Valero Pipeline Company
One Valero Place
San Antonio, TX 78212-3186
Attention: Rick Bluntzer

With copy of all legal notices to:

Valero Energy Corporation
One Valero Place
San Antonio, TX 78212-3186
Attention: Commercial Law Department

All copies of all invoices to:

Valero Energy Corporation
One Valero Place
San Antonio, TX 78212-3186
Attention: Accounts Payable

To Operator, as follows:

Shamrock Logistics Operations, L.P.
6000 North Loop 1604 West
San Antonio, Texas 78249
Attention: President

With a copy to:

Shamrock Logistics Operations, L.P.
6000 North Loop 1604 West
San Antonio, Texas 78249
Attention: Legal Department

or to such other address as hereafter shall be furnished as provided in this Section.

SECTION 14

ENTIRETY OF AGREEMENTS

14.1 This Agreement, as well as the Lease and AFE policy, constitute the entire agreement between the Parties with respect to the operation, maintenance, and management of the System by Operator, and no modification or amendment hereto shall be binding upon either Party unless expressly agreed to in writing by all Parties.

SECTION 15
FEDERAL COMPLIANCE

15.1 Insofar as applicable hereto, each Party hereto shall comply with Executive Order No. 11246, as amended, and the rules and regulations issued thereunder, to ensure that applicants are employed, and that employees are treated during employment without regard to their race, creed, color, sex or national origin. Also, if applicable, each Party hereto shall comply with all provisions of the Vietnam Era Veterans' Readjustment Assistance Act of 1974 and the rules and regulations issued thereunder, including 41 C.F.R., Chapter 60, Part 60-250. Each Party hereto shall also, if applicable, comply with all provisions of

the Rehabilitation Act of 1973, and the rules and regulations issued thereunder including 41 C.F.R., Chapter 60, Part 60-740. All acts, orders, rules and regulations hereinafter referred to are hereby incorporated by reference unless this Agreement is excepted by appropriate Federal law, rules, regulations or orders.

SECTION 16
CAPTIONS OR HEADINGS

16.1 The headings appearing at the beginning of each Section and at the beginning of various subsections are all inserted and included solely for convenience and shall never be considered or given any effect in construing this Agreement or any provisions hereof or liabilities of the respective parties or in ascertaining intent, if any question of intent should arise.

SECTION 17
ASSIGNABILITY

17.1 The rights, duties and privileges under this Agreement shall not be assigned by either Party without the prior written consent of the other Party.

SECTION 18
GOVERNING LAW

18.1 This Agreement shall be construed in accordance with, and governed by, the laws of the State of Texas without regard to the conflicts-of-laws rules of Texas.

SECTION 19
WAIVER

19.1 No waiver by either party of any default of the other Party under this Agreement shall operate as a waiver of any future default, whether of like or different character.

SECTION 20
CLAIMS; ALTERNATIVE DISPUTE RESOLUTION

20.1 MEDIATION. If there is ever a controversy, dispute, and claim (collectively, "Claim") that arises out of, in connection with, or in relation to the interpretation, performance, nonperformance, validity or breach of this Agreement, or otherwise arising out of, or in any way related to, this Agreement, including any claim based in contract, tort, strict liability, statute, or constitution (collectively, a "Dispute"), the Party initiating the Claim or Dispute shall first give notice of the Claim or Dispute to the other Party. Executives (of each Party) having authority to settle such Claim or Dispute shall then meet and negotiate to resolve the Claim or Dispute. If such executives fail to meet or are unable to resolve all issues surrounding the Claim or Dispute in question within 30 days after the notice from the Party initiating the Claim or Dispute, the Parties shall endeavor to settle the matter by mediation. Each Party shall be liable for fifty percent (50%) of all costs and expense attributed to selecting and retaining a mediator. All other costs of the mediation shall be borne by the Party incurring such costs. If the Claim or Dispute has not been resolved by mediation within 60 days after the mediator has commenced such mediation, either Party shall be free to pursue arbitration as specified under Section 20.2, below

20.2 ARBITRATION. Any Claim or Dispute which could not be fully resolved under the provisions of Section 20.1, above, shall be determined by arbitration conducted in Houston, Texas, before and in accordance with the then-existing Rules for Complex Arbitration (the "Rules") of the American Arbitration Association (the "AAA"), and any judgment rendered by the arbitrators shall be final, binding and unappealable, and judgment may be entered by any state or Federal court having jurisdiction thereof. Valero and Operator shall each select one such arbitrator, and the two arbitrators so selected shall select the third arbitrator. Each arbitrator shall sign an oath agreeing to be bound by the Code of Ethics for Arbitrators in Commercial Disputes promulgated by the AAA for Neutral Arbitrators. It is the intent of the Parties to avoid the appearance of impropriety due to bias or partiality on the part of any arbitrator. Prior to each arbitrator's formal appointment, such arbitrator shall disclose to the Parties and the other arbitrators any financial, fiduciary, kinship or other relationship with any Party. For the purpose of this Section, "appearance of impropriety" shall be defined as such relationship or behavior as would cause a reasonable person to believe that bias or partiality on the part of the arbitrator may exist in favor of any Party. Any award or portion thereof, whether preliminary or final, shall be in a written opinion

containing findings of fact and conclusions of law signed by each arbitrator. The arbitrators shall hear and determine any preliminary issue of law asserted by a Party to be dispositive of any claim or for summary judgment, pursuant to such terms and procedures as the arbitrators deem appropriate. It is the intent of the Parties that, barring extraordinary circumstances, any arbitration hearing shall be concluded within two months of the date the statement of claim is received by the AAA. The arbitrators shall use their best efforts to issue the final award or awards within a period of 30 days after closure of the proceedings. Failure to do so shall not be a basis for challenging the award. The Parties and the arbitrators shall treat all aspects of the arbitration proceedings, including discovery, testimony, and other evidence, briefs and the award, as strictly confidential. The Parties intend that the provisions to arbitrate set forth in this Section be valid, enforceable and irrevocable. In their award, the arbitrators shall allocate, in their discretion, among the parties to the arbitration all costs of the arbitration, including the fees and expenses of the arbitrators and reasonable attorneys' fees, costs and expert witness expense of the Parties. In addition, the arbitrators shall be entitled, if appropriate, to award (i) only actual monetary or compensatory damages or (ii) specific performance as called for under the terms of this Agreement. The undersigned agree to comply with any award made in any such arbitration proceedings that has become final in accordance with the Rules and agree to the entry of a judgment in any jurisdiction upon any award rendered in such proceedings becoming final under the Rules.

IN WITNESS WHEREOF, the parties have executed this agreement effective as of the date first written above.

SHAMROCK LOGISTICS OPERATIONS, L.P.

By and through its General Partner,
Riverwalk Logistics, G.P.

By and Through its General Partner,
Shamrock Logistics GP, L.L.C.

By:/s/ Curtis V. Anastasio

Curtis V. Anastasio,
President

VALERO PIPELINE COMPANY

By:/s/ J. R. Bluntzer

Name: J.R. Bluntzer
Title: Vice President

EXHIBIT 16.1

Office of the Chief Accountant
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

March 25, 2002

Dear Sir/Madam:

We have read Item 9 included in this Form 10-K dated March 25, 2002, of Valero L.P. to be filed with the Securities and Exchange Commission and are in agreement with the statements contained therein.

Very truly yours,

/s/ Arthur Andersen LLP

Exhibit 21.1

List of Subsidiaries

Our only subsidiary is Valero Logistics Operations, L.P.

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated March 5, 2002 included in this Annual Report on Form 10-K, on Valero L.P.'s previously filed Registration Statement File No. 333-81806.

/s/ Arthur Andersen LLP

San Antonio, Texas
March 25, 2002

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
CHARTER

I. PURPOSE

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities regarding the Company's financial reporting and accounting practices. Consistent with this objective, the Audit Committee shall, following consultation with management, including counsel to the Company and the Director of Internal Audit, and the Company's outside auditors, undertake on behalf of the full Board the reviews specified herein and such other actions as the Committee determines, in its sole discretion, to be reasonably related thereto.

While the Committee has the powers and responsibilities set forth in this Charter, it is not the responsibility of the Committee to plan or conduct audits or to determine that the Company's financial statements present fairly the financial position, the results of operations and the cash flows of the Company, in compliance with generally accepted accounting principles, which is the responsibility of management and the outside auditor. Likewise, it is not the responsibility of the Committee to conduct investigations, to resolve disputes, if any, between management and the outside auditor or to assure compliance with laws or the Company's corporate compliance program or code of ethics.

II. COMPOSITION

The Audit Committee shall be comprised of no less than three directors, all of whom shall be free of any relationship that would interfere with their exercise of independent judgment, to the extent provided in, and as determined in accordance with, the requirements of the New York Stock Exchange.

All members of the Committee shall have a practical knowledge of finance and accounting practices and at least one member of the Committee shall have accounting or related financial management expertise, each as determined by the Board in its business judgment.

The Company shall disclose in the proxy statement whether the Board has determined that the members of the Committee are independent as defined above, as well as the nature of the relationships of any non-independent members and the reasons for the Board's determination to appoint such a director.

III. MEETINGS

The Audit Committee shall meet at least quarterly, or more frequently, as circumstances dictate. The Committee may request members of management or

others to attend meetings and provide pertinent information as necessary. The Committee should meet at least annually with management, the Director of Internal Auditing, and the outside auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

IV. FUNCTIONS

The outside auditor is ultimately accountable to the Board and Audit Committee of the Company. To assist in the fulfillment of the Board's responsibilities and duties with respect to the outside auditors, the Audit Committee shall:

1. Meet with the Company's outside auditors on a quarterly and annual basis to discuss the auditor's judgement regarding the quality of the Company's accounting principles as applied to its financial reporting.

2. Review material changes in accounting policies, financial reporting practices and material developments in financial reporting standards brought to the attention of the Committee by the Company's management or outside auditors.

3. Review material questions of choice with respect to the appropriate accounting principles and practices to be used in the preparation of the Company's financial statements and brought to the attention of the Committee by the Company's

management or outside auditors.

4. Review with financial management the overall professional services (including non-audit services), independence and qualifications of the Company's outside auditors and, subject to the procedure set forth in section 5 below, approve the fees for such services.

5. Review and approve any non-audit service fees proposed to be paid by the Company where the type of service has not been previously performed by the outside auditor, and review each fiscal quarter all fees for non-audit services provided by the outside auditor during such quarter.

6. The outside auditors shall not be retained to render non-audit services prohibited by the U.S. Securities and Exchange Commission rules on auditor independence.

7. Actively engage in a dialogue with the outside auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the outside auditor and recommend that the Board take appropriate action.

8. Evaluate and recommend to the Board the selection or replacement of the outside auditor.

9. Review an annual written statement, prepared by the outside auditor and delineating all relationships between the auditor and the Company consistent with the Independence Standards Board, Standard No. 1, regarding relationships and services, which may impact the objectivity and independence of the outside auditor.

10. Review the scope, plan, and procedures to be used on the annual audit as recommended by the Company's outside auditor.

11. Review the results of annual audits and interim financial reviews performed by the outside auditor, including:

    a) The outside auditor's audit of the Company's annual financial statements, accompanying footnotes and its report thereon.

    b) Any significant changes required in the outside auditor's audit plans or scope.

    c) Any material difficulties or disputes with management encountered during the course of the audit.

    d) Any material management letter comments and management's responses to recommendations made by the outside auditor in connection with the audit.

12. Review annually the Internal Audit budget, staffing and audit plan.

13. Review material findings of internal audit reviews and management's responses including:

    a) Any significant changes required in the internal auditors' audit plan or scope.

    b) Any material difficulties or disputes with management encountered during the course of the audit.

14. Review, with the assistance of management, the outside auditors and the internal auditors, internal accounting controls.

15. Review such other matters and do such other things as may be required by law or under NYSE rules as in effect from time to time, or in relation to the accounting and auditing practices and procedures as the Committee may, in its own discretion, deem desirable in connection with the review functions described above.

16. Report its activities to the Board in such manner and at such times as it deems appropriate.

V. OTHER MATTERS

The Committee will review and reassess, with the assistance of

management, the outside auditors and legal counsel, the adequacy of the Committee's charter at least annually.

The Audit Committee shall be empowered to retain at the Company's expense independent counsel, accountants or others for such purposes as the Committee in its sole discretion determines to be appropriate.

March 25, 2002

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20001

Ladies and Gentlemen:

This letter is furnished pursuant to your March 18, 2002 release and procedures relating to companies using Arthur Andersen, LLP as their independent auditor.

Arthur Andersen, LLP audited the financial statements included in our report on Form 10-K filed substantially contemporaneously with this letter. In connection therewith, Arthur Andersen, LLP represented to us that its audit was subject to its quality control system for its U.S. accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards, and that there was appropriate continuity of Arthur Andersen, LLP personnel working on the audit and availability of national office consultation. Availability of personnel at foreign affiliates of Arthur Andersen LLP was not relevant to the audit.

Sincerely,
Valero L.P.
By: Riverwalk Logistics, L.P.,
its General Partner
By: Valero GP, LLC,
its General Partner

/s/ John H. Krueger, Jr.

John H. Krueger, Jr.
Senior Vice President and
Controller