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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2005

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-16417

VALERO L.P.
(Exact name of registrant as specified in its charter)

Delaware	**74-2956831**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Valero Way
San Antonio, Texas
(Address of principal executive offices)

78249
(Zip Code)

Telephone number: (210) 345-2000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). **Yes** ☒ **No** o

The number of common and subordinated units outstanding as of July 31, 2005 was 37,210,823 and 9,599,322, respectively.

VALERO L.P. AND SUBSIDIARIES
FORM 10-Q

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VALERO L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Thousands of Dollars, Except Unit Data)

	June 30, 2005 (Unaudited)	December 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	$ 21,612	$ 16,147
Receivable from Valero Energy	19,666	19,195
Accounts receivable	2,393	3,395
Other current assets	1,658	1,242
Total current assets	45,329	39,979
Property and equipment	995,900	981,360
Less accumulated depreciation and amortization	(213,564)	(196,361)
Property and equipment, net	782,336	784,999
Goodwill	4,715	4,715
Investment in Skelly-Belvieu Pipeline Company	16,360	15,674
Other noncurrent assets, net	19,935	12,140
Total assets	$ 868,675	$ 857,507
Liabilities and Partners' Equity		
Current liabilities:		
Current portion of long-term debt	$ 524	$ 990
Payable to Valero Energy	4,536	4,166
Accounts payable and other accrued liabilities	18,227	16,055
Accrued interest payable	7,799	7,693
Taxes other than income taxes	3,430	4,705
Total current liabilities	34,516	33,609
Long-term debt, less current portion	397,459	384,171
Other long-term liabilities	121	1,416
Partners' equity:		
Common units (13,442,072 outstanding)	309,337	310,507
Subordinated units (9,599,322 outstanding)	117,105	117,968
General partner's equity	10,137	9,836
Total partners' equity	436,579	438,311
Total liabilities and partners' equity	$ 868,675	$ 857,507

See Condensed Notes to Consolidated Financial Statements.

VALERO L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited, Thousands of Dollars, Except Unit Data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Revenues	$ 58,306	$ 55,707	$ 114,941	$ 108,031
Costs and expenses:				
Operating expenses	21,645	20,212	41,330	38,120

General and administrative expenses	3,561	2,646	7,064	4,645
Depreciation and amortization	8,791	8,249	17,523	16,123
Total costs and expenses	33,997	31,107	65,917	58,888
Operating income	24,309	24,600	49,024	49,143
Equity income from Skelly-Belvieu Pipeline Company	421	177	799	730
Interest and other expense, net	(5,878)	(5,071)	(11,707)	(10,197)
Net income	$ 18,852	$ 19,706	$ 38,116	$ 39,676
Allocation of net income:				
Net income	$ 18,852	$ 19,706	$ 38,116	$ 39,676
General partner's interest in net income	(1,847)	(1,484)	(3,323)	(2,973)
Limited partners' interest in net income	$ 17,005	$ 18,222	$ 34,793	$ 36,703
Basic and diluted net income per unit applicable to limited partners	$ 0.74	$ 0.79	$ 1.51	$ 1.59
Weighted-average number of basic and diluted limited partnership units outstanding	23,041,394	23,041,394	23,041,394	23,041,394
Cash distributions per unit applicable to limited partners	$ 0.855	$ 0.800	$ 1.655	$ 1.600

See Condensed Notes to Consolidated Financial Statements.

VALERO L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, Thousands of Dollars)

	Six Months Ended June 30,	
	2005	2004
Cash Flows from Operating Activities:		
Net income	$ 38,116	$ 39,676
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,523	16,123
Equity income from Skelly-Belvieu Pipeline Company	(799)	(730)
Distributions of equity income from Skelly-Belvieu Pipeline Company	113	730
Changes in operating assets and liabilities:		
Increase in receivable from Valero Energy	(471)	(2,169)
Decrease in accounts receivable	1,002	811
Increase in other current assets	(416)	(699)
(Decrease) increase in accounts payable, accrued interest payable and other accrued liabilities	(423)	2,619
Increase (decrease) in payable to Valero Energy	370	(5,769)
Decrease in taxes other than income taxes	(1,275)	(652)
Other, net	76	262
Net cash provided by operating activities	53,816	50,202
Cash Flows from Investing Activities:		
Reliability capital expenditures	(3,893)	(5,038)
Expansion capital expenditures	(10,651)	(16,849)
Acquisitions	—	(28,085)
Pre-acquisition costs for Kaneb Mergers	(3,453)	—
Distributions in excess of equity income from Skelly-Belvieu Pipeline Company	—	58
Other	—	245
Net cash used in investing activities	(17,997)	(49,669)
Cash Flows from Financing Activities:		
Long-term borrowings, net of issuance costs	10,000	43,000
Long-term debt repayments	(466)	(450)
Distributions to unitholders and general partner	(39,888)	(38,352)
Net cash (used in) provided by financing activities	(30,354)	4,198
Net increase in cash and cash equivalents	5,465	4,731
Cash and cash equivalents at the beginning of the period	16,147	15,745
Cash and cash equivalents at the end of the period	$ 21,612	$ 20,476
Supplemental cash flow information:		
Cash paid during the period for interest	$ 12,194	$ 11,989

See Condensed Notes to Consolidated Financial Statements.

VALERO L.P. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION, PRINCIPLES OF CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES

As used in this report, references to "we," "us," "our" or the "Partnership" collectively refer, depending on the context, to Valero L.P. or Valero Logistics Operations, L.P., a wholly owned subsidiary of Valero L.P., or both of them taken as a whole.

These unaudited consolidated financial statements include the accounts of the Partnership and subsidiaries in which it has a controlling interest. Intercompany balances and transactions have been eliminated in consolidation. Investments in 50% or less owned entities are accounted for using the equity method of accounting.

These unaudited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities Exchange Act of 1934. Accordingly, they do not include all of the information and notes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature unless disclosed otherwise. Financial information for the six months ended June 30, 2005 and 2004 included in these Condensed Notes to Consolidated Financial Statements is derived from Valero L.P.'s unaudited consolidated financial statements. Operating results for the six months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

The consolidated balance sheet as of December 31, 2004 has been derived from the audited consolidated financial statements as of that date. You should read these consolidated financial statements in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2004.

FASB Interpretation No. 47

In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" (FIN 47). FIN 47 clarifies that the term "conditional asset retirement obligation" as used in FASB Statement No. 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Since the obligation to perform the asset retirement activity is unconditional, FIN 47 provides that a liability for the fair value of a conditional asset retirement obligation should be recognized if that fair value can be reasonably estimated, even though uncertainty exists about the timing and/or method of settlement. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation under FASB Statement No. 143. FIN 47 is effective for fiscal years ending after December 15, 2005, and is not expected to affect our financial position or results of operations.

2. LONG-TERM DEBT

$175.0 Million Revolving Credit Facility

During the six months ended June 30, 2005, we borrowed $10.0 million under our $175.0 million revolving credit facility primarily to fund reliability and expansion capital expenditures. As of June 30, 2005, we had outstanding borrowings of $38.0 million under our $175.0 million revolving credit facility with a maturity date of January 15, 2006. The $38.0 million of outstanding borrowings under our $175.0 million revolving credit facility is classified as long-term debt in our consolidated balance sheet because effective July 1, 2005 the outstanding amount was paid in full with proceeds from our new five-year $400.0 million Revolving Credit Agreement (2005 Revolving Credit Agreement) which matures on July 1, 2010 (See Note 6 Subsequent Events). The weighted-average interest rate related to outstanding borrowings under the revolving credit facility during the six months ended June 30, 2005 and 2004 was 4.2% and 2.2%, respectively.

Interest Rate Swaps

As of June 30, 2005, the weighted-average interest rate for our interest rate swaps was 5.6%. The aggregate estimated fair value of the interest rate swaps was as follows:

	June 30, 2005	December 31, 2004
	(Thousands of Dollars)	
Other noncurrent assets, net	$ 2,021	$ —
Other long-term liabilities	—	1,217

3. RELATED PARTY TRANSACTIONS

We have related party transactions with Valero Energy Corporation (Valero Energy) for pipeline tariff, terminalling fee, crude oil storage tank rent and fee revenues, certain employee costs, insurance costs, operating expenses, administrative costs and rent expense. The Receivable from Valero Energy in the consolidated balance sheets represents amounts due for pipeline tariff, terminalling fee and tank rent and fee revenues, and the Payable to Valero Energy represents amounts due for employee costs, insurance costs, operating expenses, administrative costs and rent expense.

Under the terms of the amended Services Agreement, we reimburse Valero Energy for payroll costs of employees working on our behalf. Additionally, Valero Energy charges us an administrative services fee.

Our share of allocated Valero Energy employee benefit plan expenses, excluding compensation expense related to restricted common units and unit options, was $3.3 million and $3.1 million for the three months ended June 30, 2005 and 2004, respectively, and was $6.2 and $5.2 million for the six months ended June 30, 2005 and 2004, respectively. These employee benefit plan expenses and the related payroll costs are included in operating expenses and general and administrative expenses.

Summarized results of transactions with Valero Energy were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(Thousands of Dollars)			
Revenues	$ 57,354	$ 54,786	$ 112,695	$ 106,231
Operating expenses	8,620	8,556	16,661	15,513
General and administrative expenses	3,043	2,472	5,800	3,929

4. PARTNERS' EQUITY

Outstanding Equity

We have identified our general partner interest and subordinated units as participating securities and use the two-class method when calculating "net income per unit applicable to limited partners," which is based on the weighted-average number of common and subordinated units outstanding during the period. Net income per unit applicable to limited partners is computed by dividing net income applicable to limited partners, after deducting the general partner's 2% interest and incentive distributions, by the weighted-average number of limited partnership units outstanding. Basic and diluted net income per unit applicable to limited partners is the same because we have no potentially dilutive securities outstanding.

Cash Distributions

On April 26, 2005, we declared a quarterly cash distribution of $0.80 per unit paid on May 13, 2005 to unitholders of record on May 6, 2005. On July 21, 2005, we declared a quarterly cash distribution of $0.855 per unit to be paid on August 12, 2005 to unitholders of record on August 5, 2005.

Allocations of total cash distributions to the general and limited partners applicable to the period in which the distributions were earned were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(Thousands of Dollars, Except Unit Data)			
General partner interest	$ 433	$ 399	$ 832	$ 798
General partner incentive distribution	1,501	1,112	2,613	2,224
Total general partner distribution	1,934	1,511	3,445	3,022
Limited partners' distribution	19,700	18,433	38,133	36,866
Total cash distributions	$ 21,634	$ 19,944	$ 41,578	$ 39,888
Cash distributions per unit applicable to limited partners	$ 0.855	$ 0.800	$ 1.655	$ 1.600

5. SEGMENT INFORMATION

Segment information for our four reportable segments was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(Thousands of Dollars)			
Revenues:				
Crude oil pipelines	$ 12,375	$ 13,439	$ 25,560	$ 26,231
Refined product pipelines	22,678	20,914	44,860	41,440
Refined product terminals	11,484	10,299	21,421	19,109
Crude oil storage tanks	11,769	11,055	23,100	21,251
Total revenues	$ 58,306	$ 55,707	$ 114,941	$ 108,031
Operating expenses:				
Crude oil pipelines	$ 4,186	$ 4,366	$ 8,009	$ 7,600
Refined product pipelines	9,552	9,329	18,855	17,867
Refined product terminals	5,725	4,920	10,222	9,253
Crude oil storage tanks	2,182	1,597	4,244	3,400
Total operating expenses	$ 21,645	$ 20,212	$ 41,330	$ 38,120
Operating income:				
Crude oil pipelines	$ 7,033	$ 7,939	$ 15,249	$ 16,399
Refined product pipelines	9,222	8,075	18,244	16,285
Refined product terminals	3,899	3,638	7,480	6,983
Crude oil storage tanks	7,716	7,594	15,115	14,121
Total segment operating income	$ 27,870	$ 27,246	$ 56,088	$ 53,788
Less general and administrative expenses	3,561	2,646	7,064	4,645
Total operating income	$ 24,309	$ 24,600	$ 49,024	$ 49,143

Total assets by reportable segment were as follows:

	June 30, 2005	December 31, 2004
	(Thousands of Dollars)	
Crude oil pipelines	$ 125,966	$ 127,668
Refined product pipelines	348,333	347,008
Refined product terminals	144,574	145,966
Crude oil storage tanks	208,521	209,919
Total segment assets	$ 827,394	$ 830,561
General partnership assets (including current assets and other noncurrent assets)	41,281	26,946
Total consolidated assets	$ 868,675	$ 857,507

6. SUBSEQUENT EVENTS

On July 1, 2005, we completed our acquisition of Kaneb Services LLC (“KSL”) and Kaneb Pipe Line Partners, L.P. (“KPP”) (collectively, Kaneb Mergers) for an aggregate consideration of approximately $2.7 billion. We acquired all of KSL’s equity securities for cash. We issued approximately 23.8 million of our common units in exchange for all of the outstanding common units of KPP. The general partner of Valero L.P. will continue to be owned by Riverwalk Logistics, L.P., a wholly owned subsidiary of Valero Energy. In connection with the closing of the Kaneb Mergers, we entered into the following transactions:

- Borrowed $525.0 million under the new 2005 Term Credit Agreement dated July 1, 2005. The 2005 Term Credit Agreement expires on July 1, 2010 and bears interest based on either an alternative base rate or LIBOR, which was 4.0% as of July 1, 2005.
- Borrowed $180.0 million under the new $400.0 million 2005 Revolving Credit Agreement. The 2005 Revolving Credit Agreement expires on July 1, 2010 and bears interest based on either an alternative base rate or LIBOR, which was 4.0% as of July 1, 2005. The 2005 Term Credit Agreement and 2005 Revolving Credit Agreement require that we maintain certain financial ratios and include other restrictive covenants and provisions.
- Received $29.2 million from Valero Energy to maintain its 2% general partnership interest as a result of the issuance of our common units in exchange for the outstanding common units of KPP.
- Used proceeds from borrowings under the 2005 Term Credit Agreement and the 2005 Revolving Credit Agreement in combination with the proceeds received from Valero Energy to acquire KSL’s equity securities, to retire approximately $191.5 million of the outstanding indebtedness of KPP and KSL and to repay $38.0 million of indebtedness outstanding on our $175.0 million revolving credit facility.

We previously signed a consent decree with the U.S. Federal Trade Commission (FTC) to resolve FTC staff concerns related to the Kaneb Mergers, which requires us to divest two terminals located in California, handling refined products, blend stocks, and crude oil, three East Coast refined products terminals and a 550-mile refined products pipeline with four truck terminals and related storage in the Rocky Mountains (collectively, the “Held Separate Businesses”). On July 1, 2005, we entered into a definitive agreement to sell the Held Separate Businesses to a wholly owned subsidiary of Pacific Energy Partners L.P. for approximately $455.0 million.

On July 1, 2005, we sold all of our equity interest in Martin Oil LLC, previously a wholly owned subsidiary of KSL, to Valero Marketing and Supply Company (“Valero Marketing”) for approximately $26.8 million. Valero Marketing is a wholly owned subsidiary of Valero Energy.

Effective July 1, 2005, the Service Agreement between the Partnership and Valero Energy was amended to account for significant growth of the Partnership following the closing of the Kaneb Mergers. The amended agreement provides that the annual service fee will be $13.8 million for the first year from July 1, 2005 to June 30, 2006, $14.8 million for the second year and $15.8 million for each of the three years thereafter. Under the amended agreement, the annual service fee will be adjusted to account for Valero Energy’s annual salary increase and may also be adjusted for changed service levels due to our acquisition, sale or construction of assets. Also under the amended agreement, the Partnership has agreed to perform certain services for Valero Energy, including control room services, terminal operations oversight, mapping support and integrity management program planning in exchange for an annual fee of approximately $1.2 million.

On July 1, 2005, we entered into agreements with Pemex-Gas y Petroquimica Basica and P.M.I.(R) Trading Limited (PMI) to construct approximately 110 miles of refined product pipeline in South Texas and Northern Mexico (Dos Paises project). The Dos Paises project is expected to be completed in mid 2006 and is expected to cost approximately $54.0 million. As part of the agreement, PMI agreed to a shipping agreement with us to ship oil products through the pipeline for approximately 10 years once the pipeline is commissioned.

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

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains certain estimates, predictions, projections, assumptions and other forward-looking statements that involve various risks and uncertainties. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of its business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested in this report. These forward-looking statements can generally be identified by the words “anticipates,”

"believes," "expects," "plans," "intends," "estimates," "forecasts," "budgets," "projects," "will," "could," "should," "may" and similar expressions. These statements reflect our current views with regard to future events and are subject to various risks, uncertainties and assumptions including:

- A failure to realize all of the anticipated benefits of the Kaneb Mergers, including expected cost savings and anticipated revenues;
- Any reduction in the quantities of crude oil and refined products transported in our pipelines or handled at our terminals and storage tanks;
- Any significant decrease in the demand for refined products in the markets served by our pipelines and terminals;
- Any material decline in production by any of Valero Energy's McKee, Three Rivers, Corpus Christi East, Corpus Christi West, Texas City, Paulsboro, Benicia, or Ardmore refineries;
- Any downward pressure on market prices caused by new competing refined product pipelines that could cause Valero Energy to decrease the volumes transported in our pipelines;
- Any challenges to our tariffs or changes in state or federal ratemaking methodology;
- Any changes in laws and regulations to which we are subject, including federal, state and local tax laws, safety, environmental and employment laws;
- Overall economic conditions;
- Any material decrease in the supply of or material increase in the price of crude oil available for transport through our pipelines and storage in our storage tanks;
- Inability to expand our business and acquire new assets as well as to attract third-party shippers;
- Conflicts of interest with Valero Energy;
- The loss of Valero Energy as a customer or a significant reduction in its current level of throughput and storage with us;
- Any inability to borrow additional funds;
- Significant increases in interest rates;
- Significant costs attributable to environmental liabilities;
- Any substantial costs related to environmental compliance;
- Any change in the credit ratings assigned to our indebtedness;
- Any change in the credit rating assigned to Valero Energy's indebtedness;
- Any reductions in space allocated to us in interconnecting third-party pipelines;
- Any material increase in the price of natural gas;
- Terrorist attacks, threats of war or terrorist attacks or political or other disruptions that limit crude oil production; and
- Accidents or unscheduled shutdowns affecting our pipelines, terminals, machinery, or equipment, or those of Valero Energy.

If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, our actual results may vary materially from those described in any forward-looking statement. Readers are cautioned not to place undue reliance on this forward-looking information, which is as of the date of the Form 10-Q. We do not intend to update these statements unless it is required by the securities laws to do so, and we undertake no obligation to publicly release the results of any revisions to any such forward-looking statements that may be made to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

Overview

We provide transportation and storage services to Valero Energy and other unrelated customers. We provide these services with our crude oil and refined product pipelines, refined product terminals and crude oil storage tanks located near or connected to eight of Valero Energy's refineries.

Our operations are affected by:

- company-specific factors, such as integrity issues and maintenance requirements that impact throughput rates; and
- factors, such as refinery utilization rates and maintenance turnaround schedules that impact the operations of Valero Energy's refineries served by our assets.

Our profitability and ability to pay distributions to our limited and general partners are substantially determined by throughput volumes moving through our assets and tariffs and fees we charge.

Results of Operations

Three Months Ended June 30, 2005 Compared to Three Months Ended June 30, 2004

Financial Highlights
(Unaudited, Thousands of Dollars, Except Per Unit Data)

	Three Months Ended June 30, 2005	2004	Change
Statement of Income Data:			
Revenues	$ 58,306	$ 55,707	$ 2,599
Costs and expenses:			
Operating expenses	21,645	20,212	1,433
General and administrative expenses	3,561	2,646	915
Depreciation and amortization	8,791	8,249	542
Total costs and expenses	33,997	31,107	2,890
Operating income	24,309	24,600	(291)
Equity income from Skelly-Belvieu Pipeline Company	421	177	244
Interest and other expense, net	(5,878)	(5,071)	(807)
Net income			)

	18,852	19,706	(854
Less net income applicable to general partner	(1,847)	(1,484)	(363)
Net income applicable to limited partners	$ 17,005	$ 18,222	$ (1,217)
Net income per unit applicable to limited partners	$ 0.74	$ 0.79	$ (0.05)
Weighted-average number of limited partnership units outstanding	23,041,394	23,041,394	—

Segment Operating Highlights
(Thousands of Dollars, Except Barrel/Day Information)

	Three Months Ended June 30, 2005	2004	Change
Crude Oil Pipelines:			
Throughput (barrels/day)	324,001	391,749	(67,748)
Revenues	$ 12,375	$ 13,439	$ (1,064)
Operating expenses	4,186	4,366	(180)
Depreciation and amortization	1,156	1,134	22
Segment operating income	$ 7,033	$ 7,939	$ (906)
Refined Product Pipelines:			
Throughput (barrels/day)	438,067	451,735	(13,668)
Revenues	$ 22,678	$ 20,914	$ 1,764
Operating expenses	9,552	9,329	223
Depreciation and amortization	3,904	3,510	394
Segment operating income	$ 9,222	$ 8,075	$ 1,147
Refined Product Terminals:			
Throughput (barrels/day)	251,851	253,439	(1,588)
Revenues	$ 11,484	$ 10,299	$ 1,185
Operating expenses	5,725	4,920	805
Depreciation and amortization	1,860	1,741	119
Segment operating income	$ 3,899	$ 3,638	$ 261
Crude Oil Storage Tanks:			
Throughput (barrels/day)	527,361	492,037	35,324
Revenues	$ 11,769	$ 11,055	$ 714
Operating expenses	2,182	1,597	585
Depreciation and amortization	1,871	1,864	7
Segment operating income	$ 7,716	$ 7,594	$ 122
Consolidated Information:			
Revenues	$ 58,306	$ 55,707	$ 2,599
Operating expenses	21,645	20,212	1,433
Depreciation and amortization	8,791	8,249	542
Total segment operating income	$ 27,870	$ 27,246	$ 624
Less general and administrative expenses	3,561	2,646	915
Consolidated operating income	$ 24,309	$ 24,600	$ (291)

General

Net income for the second quarter of 2005 decreased 4% compared to the second quarter of 2004 despite an increase in revenues of 5% for the same period. This decrease was primarily attributable to the following:

- Planned maintenance turnarounds at Valero Energy's Ardmore and Three Rivers refineries in the second quarter of 2005;
- Increased operating expenses due to:
  - Higher regulatory inspection and repair expense;
  - Higher maintenance expense due to the pipeline integrity inspection costs, including hydrotesting of various product pipelines; and
  - Higher internal overhead costs resulting from increased headcount in anticipation of the Kaneb Mergers.
- Increased general and administrative expenses primarily due to increased headcount in anticipation of the Kaneb Mergers and pre-acquisition costs associated with the Kaneb Mergers.
- Increased depreciation expense relating to the commencement of operations of the Dos Laredos pipeline system in June 2004, and the expansion of the Corpus Christi to Edinburg refined product pipeline in the fourth quarter of 2004.
- Higher net interest expense due mainly to increased interest rates in 2005.

Overall revenues were higher primarily due to the following:

- Increased throughputs in the McKee to Denver refined product pipeline resulting from higher refined product shipments from Valero Energy's McKee refinery to the Denver market;
- Increased crude oil storage tank throughputs at Valero Energy's Texas City, Corpus Christi, and Benicia refineries;
- Increased throughput on higher tariff rate pipelines;
- A full quarter's contribution from the Dos Laredos pipeline system, which commenced operations in June 2004; and
- Increased asphalt throughputs at our asphalt terminals.

Crude Oil Pipelines Segment

Revenues decreased 8% due to the maintenance turnaround at Valero Energy's Ardmore and Three Rivers refineries. These turnarounds resulted in lower throughput and revenues in the Ringgold to Wasson to Ardmore crude oil pipelines and the Corpus to Three Rivers crude oil pipeline.

Operating expenses decreased 4% primarily due to decreased power costs resulting from lower throughputs during the turnarounds at Valero Energy's Ardmore and Three Rivers refineries. Offsetting the decrease in power costs is increased internal overhead resulting from increased headcount.

Refined Product Pipelines Segment

Revenues increased 8%, despite a 3% decrease in throughput, due to the utilization of higher tariff rate pipelines. Increased revenue on the McKee to Denver refined product pipeline, a high tariff rate pipeline, resulted from higher throughputs from Valero Energy's McKee refinery to the Denver market. Revenues also increased due to a full quarter of operations of the Dos Laredos pipeline system. Partially offsetting increases in revenues were lower throughputs in the refined product pipelines that support Valero Energy's Ardmore and Three Rivers refineries during maintenance turnarounds in the second quarter of 2005.

Depreciation and amortization increased 11% due to a full quarter of depreciation of the Dos Laredos pipeline system and expansion of the Corpus Christi to Edinburg refined product pipeline in the fourth quarter of 2004.

Refined Product Terminals Segment

Revenues increased 12%, despite an overall decrease in throughput at our refined product terminals. Throughputs were reduced due to the impact of Valero Energy's Three Rivers refinery turnaround. However, higher asphalt demand increased throughputs at our asphalt terminals, which charge a higher terminalling fee than our other refined product terminals, resulting in increased revenues for the segment as a whole.

Operating expenses increased 16% due to increased regulatory and maintenance expense and a full quarter of operating expenses related to the Nuevo Laredo propane terminal.

Depreciation and amortization increased 7% primarily due to a full quarter of depreciation of the Nuevo Laredo propane terminal.

Crude Oil Storage Tanks Segment

Revenues increased 7% primarily due to higher throughputs at Valero Energy's Texas City, Corpus Christi, and Benicia refineries. The turnaround at Valero Energy's Three Rivers refinery resulted in a decrease of throughput in the Corpus Christi North Beach facility, partially offsetting the increased throughput.

Operating expenses increased 37% primarily due to higher regulatory and maintenance expense on the Corpus Christi and the Texas City crude oil storage tanks.

Six Months Ended June 30, 2005 Compared to Six Months Ended June 30, 2004

Financial Highlights
(Unaudited, Thousands of Dollars, Except Per Unit Data and Percentages)

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004	Change
Statement of Income Data:			
Revenues	$ 114,941	$ 108,031	$ 6,910
Costs and expenses:			
Operating expenses	41,330	38,120	3,210
General and administrative expenses	7,064	4,645	2,419
Depreciation and amortization	17,523	16,123	1,400
Total costs and expenses	65,917	58,888	7,029
Operating income	49,024	49,143	(119)
Equity income from Skelly-Belvieu Pipeline Company	799	730	69
Interest and other expense, net	(11,707)	(10,197)	(1,510)
Net income	38,116	39,676	(1,560)
Less net income applicable to general partner	(3,323)	(2,973)	(350)
Net income applicable to limited partners	$ 34,793	$ 36,703	$ (1,910)
Net income per unit applicable to limited partners	$ 1.51	$ 1.59	$ (0.08)
Weighted-average number of limited partnership units outstanding			

	23,041,394	23,041,394	—

	June 30, 2005	December 31, 2004	Change
Balance Sheet Data:			
Long-term debt, including current portion (1)	$ 397,983	$ 385,161	$ 12,822
Partners' equity (2)	436,579	438,311	(1,732)
Debt-to-capitalization ratio (1) / ((1)+(2))	47.7%	46.8%	0.9%

Segment Operating Highlights
(Thousands of Dollars, Except Barrel/Day Information)

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004	Change
Crude Oil Pipelines:			
Throughput (barrels/day)	352,386	386,790	(34,404)
Revenues	$ 25,560	$ 26,231	$ (671)
Operating expenses	8,009	7,600	409
Depreciation and amortization	2,302	2,232	70
Segment operating income	$ 15,249	$ 16,399	$ (1,150)
Refined Product Pipelines:			
Throughput (barrels/day)	441,014	444,471	(3,457)
Revenues	$ 44,860	$ 41,440	$ 3,420
Operating expenses	18,855	17,867	988
Depreciation and amortization	7,761	7,288	473
Segment operating income	$ 18,244	$ 16,285	$ 1,959
Refined Product Terminals:			
Throughput (barrels/day)(a)	252,686	254,194	(1,508)
Revenues	$ 21,421	$ 19,109	$ 2,312
Operating expenses	10,222	9,253	969
Depreciation and amortization	3,719	2,873	846
Segment operating income	$ 7,480	$ 6,983	$ 497
Crude Oil Storage Tanks:			
Throughput (barrels/day)	516,562	476,570	39,992
Revenues	$ 23,100	$ 21,251	$ 1,849
Operating expenses	4,244	3,400	844
Depreciation and amortization	3,741	3,730	11
Segment operating income	$ 15,115	$ 14,121	$ 994
Consolidated Information:			
Revenues	$ 114,941	$ 108,031	$ 6,910
Operating expenses	41,330	38,120	3,210
Depreciation and amortization	17,523	16,123	1,400
Total segment operating income	$ 56,088	$ 53,788	$ 2,300
Less general and administrative expenses	7,064	4,645	2,419
Consolidated operating income	$ 49,024	$ 49,143	$ (119)

(a) On February 20, 2004, we acquired two asphalt terminals from Royal Trading Company. The throughput related to these assets included in the table above is calculated based on throughput for the period from the date of acquisition through June 30, 2004, divided by the number of days in that period.

General

Net income for the six months ended June 30, 2005 decreased 4% compared to the six months ended June 30, 2004 despite an increase in revenues of 6% for the same period. This decrease was primarily attributable to the following:

- Planned maintenance turnarounds at Valero Energy's Ardmore and Three Rivers refineries in the second quarter of 2005;
- Increased operating expenses due to:
  - Higher internal overhead costs due to increased headcount in anticipation of the Kaneb Mergers and the amendment to the Services Agreement with Valero Energy effective April 1, 2004; and
  - Higher regulatory inspection and repair expense.
- Increased general and administrative expenses primarily due to the amendment to the Services Agreement with Valero Energy effective April 1, 2004. In addition, general and administrative expenses increased due to increased headcount in anticipation of the Kaneb Mergers and pre-acquisition costs associated with the Kaneb Mergers;

- Increased depreciation expense relating to the acquisition of the Royal Trading asphalt terminals on February 20, 2004, the commencement of operations of the Dos Laredos pipeline system on June 1, 2004, and the expansion of the Corpus Christi to Edinburg refined product pipeline in the fourth quarter of 2004; and Higher net interest expense due mainly to increased interest rates in 2005.

Overall revenues were higher primarily due to the following:

- Increased throughputs in the McKee to Denver refined product pipeline resulting from higher refined product shipments from Valero Energy's McKee refinery to the Denver market;
- Increased crude oil storage tank throughputs at Valero Energy's Texas City, Corpus Christi, and Benicia refineries;
- Increased throughput on higher tariff rate pipelines;
- A full six month's contribution from the Dos Laredos pipeline system; and
- A full six month's contribution from the Royal Trading asphalt terminals and an overall increase in asphalt demand at our asphalt terminals.

Crude Oil Pipelines Segment

Revenues decreased 3% due to a 9% overall throughput decrease. Although throughput decreased due to Valero Energy's Ardmore refinery turnaround, revenues on the Ringgold to Wasson crude oil pipeline increased due to increased throughput in this higher tariff rate pipeline. Valero Energy's Three Rivers refinery turnaround resulted in lower throughput and revenues in the Corpus Christi to Three Rivers crude oil pipeline.

Operating expenses increased 5% due to increased regulatory and repair expense relating to our integrity management program on the Corpus Christi to Three Rivers crude oil pipeline, increased chemicals expense relating to line optimization on the Wichita Falls pipeline, and increased internal overhead resulting from increased headcount. Decreased power costs primarily resulting from lower throughputs from the turnaround at Valero Energy's Three Rivers refinery partially offset the operating expenses increases.

Refined Product Pipelines Segment

Revenues increased 8%, despite an overall decrease in throughput, due to the utilization of higher tariff rate pipelines. Increased revenues on the McKee to Denver refined product pipeline, a high tariff rate pipeline, resulted from higher throughputs from Valero Energy's McKee refinery to the Denver market. Revenues also increased due to a full quarter of operations of the Dos Laredos pipeline system. Partially offsetting increases in revenues were lower throughputs in the refined product pipelines that support Valero Energy's Ardmore and Three Rivers refineries during turnarounds in the second quarter of 2005.

Operating expenses increased 6% due to increased regulatory and maintenance expenses resulting from an integrity management program inspection on the Houston and El Paso pipelines and hydrotesting of the Borger Denver pipeline, higher environmental expense related to spills on two refined product pipelines, and increased internal overhead expense resulting from increased headcount.

Depreciation and amortization increased 7% primarily due to a full six months of depreciation of the Dos Laredos pipeline system and expansion of the Corpus Christi to Edinburg refined product pipeline in the fourth quarter of 2004.

Refined Product Terminals Segment

Revenues increased 12%, despite an overall decrease in throughput at our refined product terminals. Throughputs were reduced due to the impact of Valero Energy's Three Rivers refinery turnaround. However, higher asphalt demand increased throughputs at our asphalt terminals, which charge a higher terminalling fee than our other refined product terminals, resulting in increased revenues for the segment as a whole.

Operating expenses increased 11% due to increased maintenance expense relating to roof replacements on two Catoosa Terminal tanks and tank cleaning on the San Antonio and Corpus Christi terminal tanks, a full six months of operations of the Nuevo Laredo propane terminal and increased internal overhead due to increased headcount. Partially offsetting those increases were decreased regulatory and maintenance expense due to the timing of regulatory expense.

Depreciation and amortization increased 29% due to a full six months of depreciation of the Nuevo Laredo propane terminal and the Royal Trading asphalt terminals and the completion of capital projects on various terminals.

Crude Oil Storage Tanks Segment

Revenues increased 9% primarily due to higher throughputs at Valero Energy's Texas City, Corpus Christi, and Benicia refineries. The turnaround at Valero Energy's Three Rivers refinery resulted in a decrease of throughput in the Corpus Christi North Beach facility, partially offsetting the increased throughput in the crude oil storage tanks at Valero Energy's Texas City, Corpus Christi, and Benicia refineries.

Operating expenses increased 25% primarily due to higher regulatory and maintenance expense on the Corpus Christi and Texas City crude oil storage tanks.

Outlook

For the remainder of 2005, we expect earnings to improve principally due to the Kaneb Mergers. The Kaneb Mergers greatly expand our geographic presence and diversify our customer base. As a result, we expect our results to be less dependent upon one customer and expect to enhance our growth prospects.

We also expect our results for the remainder of 2005 to benefit from an increase in our pipeline tariffs, which went into effect on July 1, 2005, higher throughput volumes due to seasonal demand and the lack of scheduled maintenance turnarounds at the Valero Energy refineries we serve in the third quarter of 2005.

We expect to complete the sale of the Held Separate Businesses to Pacific Energy Partners L.P. in the third quarter of 2005. We expect to receive proceeds from the sale of those assets totaling $455.0 million, which we will use to reduce outstanding debt.

We also expect to continue to invest in strategic growth projects. In 2006, we plan to complete the Dos Paises project, which should positively impact our earnings in 2006.

Liquidity and Capital Resources

General

Our primary cash requirements are for reliability and expansion capital expenditures, acquisitions, distributions to partners, debt service and normal operating expenses. We believe the Partnership typically generates sufficient cash from its current operations to fund day-to-day operating and general and administrative expenses, reliability capital expenditures and its distribution requirements. We also have available borrowing capacity under our existing revolving credit facility and, to the extent necessary, can raise additional funds through equity or debt offerings under our $750.0 million universal shelf registration statement to fund strategic capital expenditures, as necessary, or other cash requirements not funded from operations. However, there can be no assurance regarding the availability of any future financings or whether such financings can be made available on terms acceptable to us.

$175.0 Million Revolving Credit Facility

As of June 30, 2005, we had outstanding borrowings of $38.0 million under our $175.0 million revolving credit facility. The weighted-average interest rate related to outstanding borrowings under the revolving credit facility during the six months ended June 30, 2005 and 2004 was 4.2% and 2.2%, respectively.

In connection with the closing of the Kaneb Mergers on July 1, 2005, we entered into the following transactions:

- Borrowed $525.0 million under the new 2005 Term Credit Agreement dated July 1, 2005. The 2005 Term Credit Agreement expires on July 1, 2010 and bears interest based on either an alternative base rate or LIBOR, which was 4.0% as of July 1, 2005.
- Borrowed $180.0 million under the new $400.0 million 2005 Revolving Credit Agreement. The 2005 Revolving Credit Agreement expires on July 1, 2010 and bears interest based on either an alternative base rate or LIBOR, which was 4.0% as of July 1, 2005. The 2005 Term Credit Agreement and 2005 Revolving Credit Agreement require that we maintain certain financial ratios and include other restrictive covenants and provisions.

Cash Flows for the Six Months Ended June 30, 2005 and 2004

Net cash provided by operating activities for the six months ended June 30, 2005 was $53.8 million compared to $50.2 million for the six months ended June 30, 2004. The increase in cash generated from operating activities is primarily due to lower working capital requirements due to the changes in the Receivable from Valero Energy and the Payable to Valero Energy partially offset by a reduction in accounts payable and accrued liabilities.

The net cash generated by operating activities for the six months ended June 30, 2005, combined with available cash on hand, were used primarily to fund distributions to unitholders and the general partner of $39.9 million. Additionally, we used cash from operating activities in combination with proceeds from long-term debt borrowings totaling $10.0 million to fund capital expenditures of $14.5 million and pre-acquisition costs associated with the Kaneb Mergers of $3.5 million.

Net cash provided by operating activities for the six months ended June 30, 2004 was $50.2 million. The net cash provided by operations, combined with available cash on hand, were used primarily to fund distributions to unitholders and the general partner of $38.4 million. Additionally, we used cash from those sources in combination with long-term debt borrowings totaling $43.0 million to fund $21.9 million of capital expenditures, which included construction of the Dos Laredos pipeline project, and the acquisition of asphalt terminals from Royal Trading totaling $28.1 million.

Capital Requirements

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

- reliability capital expenditures, such as those required to maintain equipment reliability and safety and to comply with environmental and safety regulations; and

- expansion capital expenditures, such as those related to pipeline capacity and construction of new pipelines, terminals and storage tanks. In addition, expansion capital expenditures may include acquisitions of pipelines, terminals or storage tank assets.

During the six months ended June 30, 2005, we incurred reliability capital expenditures of $3.9 million primarily related to tank floor and roof replacements. Expansion capital expenditures of $10.6 million during the six months ended June 30, 2005 were primarily related to the Dos Paises project in South Texas.

For 2005, we expect to incur approximately $75.0 million of capital expenditures, which includes the impact of the Kaneb Mergers. These expenditures are comprised of approximately $25.0 million of reliability capital and $50.0 million of expansion capital. The majority of our expansion capital expenditures relate to the Dos Paises project. We continuously evaluate our capital budget and makes changes as economic conditions warrant.

Other

We are subject to extensive federal, state and local environmental and safety laws and regulations, including those relating to the discharge of materials into the environment, waste management, pollution prevention measures, pipeline integrity and operator qualifications. Because environmental and safety laws

and regulations are becoming more complex and stringent and new environmental and safety laws and regulations are continuously being enacted or proposed, the level of future expenditures required for environmental, health and safety matters is expected to increase.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The following table provides information about our long-term debt and interest rate derivative instruments, all of which are sensitive to changes in interest rates. For long-term debt, principal cash flows and related weighted-average interest rates by expected maturity dates are presented. For interest rate swaps, the table presents notional amounts and weighted-average interest rates by expected (contractual) maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. Weighted-average floating rates are based on implied forward rates in the yield curve at the reporting date.

The $38.0 million of outstanding borrowings under our $175.0 million revolving credit facility as of June 30, 2005 is classified as long-term debt in our attached balance sheet because effective July 1, 2005 the outstanding amount was paid in full with proceeds from our 2005 Revolving Credit Agreement, which matures on July 1, 2010.

	June 30, 2005							
	Expected Maturity Dates							
	2005	2006	2007	2008	2009	There-After	Total	Fair Value
	(Thousands of Dollars, Except Interest Rates)							
Long-term Debt:								
Fixed rate	$ 524	$ 566	$ 611	$ 660	$ 713	$ 355,651	$ 358,725	$ 390,413
Average interest rate	8.0%	8.0%	8.0%	8.0%	8.0%	6.3%	6.3%	
Variable rate	$ —	$ —	$ —	$ —	$ —	$ 38,000	$ 38,000	$ 38,000
Average interest rate	—	—	—	—	—	4.2%	4.2%	
Interest Rate Swaps Fixed to Variable:								
Notional amount	$ —	$ —	$ —	$ —	$ —	$ 167,500	$ 167,500	$ 2,021
Average pay rate	5.6%	5.8%	5.8%	6.0%	6.2%	6.1%	5.9%	
Average receive rate	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	

	December 31, 2004							
	Expected Maturity Dates							
	2005	2006	2007	2008	2009	There-after	Total	Fair Value
	(in thousands, except interest rates)							
Long-term Debt:								
Fixed rate	$ 990	$ 566	$ 611	$ 660	$ 713	$ 355,652	$ 359,192	$ 389,933
Average interest rate	8.0%	8.0%	8.0%	8.0%	8.0%	6.3%	6.3%	
Variable rate	$ —	$ 28,000	$ —	$ —	$ —	$ —	$ 28,000	$ 28,000
Average interest rate	—	3.4%	—	—	—	—	3.4%	
Interest Rate Swaps Fixed to Variable:								
Notional amount	$ —	$ —	$ —	$ —	$ —	$ 167,500	$ 167,500	$ (1,217)
Average pay rate	5.1%	5.7%	6.0%	6.2%	6.6%	7.0%	6.4%	
Average receive rate	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Valero L.P.'s management has evaluated, with the participation of the principal executive officer and principal financial officer of Valero GP, LLC, the effectiveness of Valero L.P.'s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report, and has concluded that Valero L.P.'s disclosure controls and procedures were effective as of June 30, 2005 in ensuring that information required to be disclosed by Valero L.P. in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) Changes in internal control over financial reporting.

There has been no change in Valero L.P.'s internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that occurred during Valero L.P.'s last fiscal quarter that has materially affected, or is reasonably likely to materially affect, Valero L.P.'s internal control over financial reporting.

PART II - - OTHER INFORMATION

Item 1. Legal Proceedings

People of the State of Illinois v. Support Terminal Services, Inc., Circuit Court of the Tenth Judicial Circuit, Peoria County, Illinois (filed June 29, 2005). The Attorney General of the State of Illinois, at the request of the Illinois Environmental Protection Agency (Illinois EPA), is suing Support Terminals Services, Inc. (STS) in connection with a leak in an underground product pipeline at the Chillicothe, Illinois terminal owned by its subsidiary, ST Services Chillicothe Terminal LLC. The leak was reported by STS to Illinois Emergency Management Agency in April 2002 and allegedly resulted in contamination of groundwater. Valero L.P. acquired STS, an indirect wholly owned subsidiary of Kaneb Services LLC (KSL) and Kaneb Pipe Line Partners, L.P. (KPP), in its acquisition of KPP and KSL on July 1, 2005. On July 26, 2005, Valero L.P. and the State of Illinois entered into an Agreed Order under which Valero L.P. agreed to remediate the groundwater. Following completion of the remediation, Valero L.P. expects the State of Illinois to seek a final consent order, with a penalty in an amount immaterial to Valero L.P. but in excess of $100,000.

Bay Area Air Quality Management District (BAAQMD) (Selby Terminal). On July 17, 2005, Shore Terminals LLC received notices of violation (NOVs) from the BAAQMD relating to Shore Terminals' Selby Terminal site. The 18 NOVs relate to alleged excess air emissions and assess a penalty of $500,000. Valero L.P. acquired Shore Terminals, an indirect wholly owned subsidiary of KSL and KPP, in its acquisition of KPP and KSL on July 1, 2005. The BAAQMD has offered to settle the NOVs for $381,000. Valero L.P. expects to settle the NOVs for an amount immaterial to Valero L.P., but in excess of $100,000.

Item 6. Exhibits

*Exhibit 2.01	Sale and Purchase Agreement, entered into as of July 1, 2005, among Support Terminals Operating Partnership, L.P.; Kaneb Pipe Line Operating Partnership, L.P.; Shore Terminals LLC; and Pacific Energy Group LLC
*Exhibit 4.01	Amendment No. 2 to Third Amended and Restated Agreement of Limited Partnership of Valero L.P., dated as of July 1, 2005
*Exhibit 4.02	Third Supplemental Indenture, dated as of July 1, 2005, to Indenture dated July 15, 2002, as amended and supplemented, among Valero Logistics Operations, L.P.; Valero L.P.; Kaneb Pipe Line Operating Partnership, L.P; and The Bank of New York
*Exhibit 4.03	Indenture, dated as of February 21, 2002, between Kaneb Pipe Line Operating Partnership, L.P. and JPMorgan Chase Bank (Senior Debt Securities)
*Exhibit 4.04	First Supplemental Indenture, dated as of February 21, 2002, to Indenture dated as of February 21, 2002, between Kaneb Pipe Line Operating Partnership, L.P. and JPMorgan Chase Bank (including form of 7.750% Senior Unsecured Notes due 2012)
*Exhibit 4.05	Second Supplemental Indenture, dated as of August 9, 2002 and effective as of April 4, 2002, to Indenture dated as of February 21, 2002, as amended and supplemented, between Kaneb Pipe Line Operating Partnership, L.P.; Statia Terminals Canada Partnership; and JPMorgan Chase Bank
*Exhibit 4.06	Third Supplemental Indenture, dated and effective as of May 16, 2003, to Indenture dated as of February 21, 2002, as amended and supplemented, between Kaneb Pipe Line Operating Partnership, L.P.; Statia Terminals Canada Partnership; and JPMorgan Chase Bank
*Exhibit 4.07	Fourth Supplemental Indenture, dated and effective as of May 27, 2003, to Indenture dated as of February 21, 2002, as amended and supplemented, between Kaneb Pipe Line Operating Partnership, L.P. and JPMorgan Chase Bank (including form of 5.875% Senior Unsecured Notes due 2013)
*Exhibit 4.08	Fifth Supplemental Indenture, dated and effective as of July 1, 2005, to Indenture dated as of February 21, 2002, as amended and supplemented, among Kaneb Pipe Line Operating Partnership, L.P.; Valero L.P.; Valero Logistics Operations, L.P.; and JPMorgan Chase Bank
*Exhibit 10.01	First Amendment dated as of June 30, 2005 to 5-Year Revolving Credit Agreement, dated as of December 20, 2004, among Valero Logistics Operations, L.P.; Valero L.P.; JPMorgan Chase Bank; and the Lenders party thereto
*Exhibit 10.02	5-Year Term Credit Agreement, dated as of July 1, 2005, among Valero Logistics Operations, L.P.; Valero L.P.; JPMorgan Chase Bank; and the Lenders party thereto
*Exhibit 10.03	Second Amended and Restated Services Agreement among Diamond Shamrock Refining and Marketing Company; Valero Corporate Services Company; Valero L.P.; Valero Logistics Operations, L.P.; Riverwalk Logistics, L.P.; and Valero GP, LLC; effective as of July 1, 2005
*Exhibit 12.01	Statement of Computation of Ratio of Earnings to Fixed Charges

*Exhibit 31.01	Rule 13a-14(a) Certifications (under Section 302 of the Sarbanes-Oxley Act of 2002)
*Exhibit 32.01	Section 1350 Certifications (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

* Filed herewith.

SIGNATURES

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

VALERO L.P.
(Registrant)
By: Riverwalk Logistics, L.P., its general partner
By: Valero GP, LLC, its general partner

By: /s/ Curtis V. Anastasio
Curtis V. Anastasio
President and Chief Executive Officer
August 8, 2005

By: /s/ Steven A. Blank
Steven A. Blank
Senior Vice President and Chief Financial Officer
August 8, 2005

By: /s/ Thomas R. Shoaf
Thomas R. Shoaf
Vice President and Controller
August 8, 2005

SALE AND PURCHASE AGREEMENT

THIS SALE AND PURCHASE AGREEMENT (the "Agreement") is made and entered into as of the 1st day of July, 2005 (the "Effective Date"), by and among SUPPORT TERMINALS OPERATING PARTNERSHIP, L.P. ("STOP"), KANEB PIPE LINE OPERATING PARTNERSHIP, L.P. ("KPOP"), SHORE TERMINALS LLC ("Shore"), and PACIFIC ENERGY GROUP LLC, a Delaware limited liability company ("Purchaser"). STOP, KPOP and Shore are sometimes collectively referred to herein as "Sellers".

PRELIMINARY STATEMENT

STOP owns two terminals located in Philadelphia, PA and one terminal located in Paulsboro, NJ.

KPOP owns a system of pipelines and terminals commonly referred to as the Kaneb West System.

Shore owns a terminal located in Martinez, CA and a terminal located in Richmond, CA.

Sellers are willing to sell, and Purchaser is willing to purchase, the Assets (defined below) in accordance with the terms of this Agreement.

NOW THEREFORE, in consideration of the matters set forth in the Preliminary Statement, the mutual promises and covenants herein set forth, and subject to the terms and conditions hereof, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

The following terms shall have the meanings set forth below for all purposes of this Agreement:

"**Affiliate**" means, with respect to a party, any individual or legal business entity that, directly or indirectly, controls, is controlled by, or is under common control with, such party. The term "control" (including the term "controlled by") as used in the preceding sentence means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies.

"**Agreement**" means this Sale and Purchase Agreement.

"**Assets**" has the meaning specified in Section 2.1.

"Assignment of Permits and Contracts" has the meaning specified in Section 6.2.5.

"Assignments of Easements and Licenses" has the meaning specified in Section 6.2.3.

"Assignments of Leases" has the meaning specified in Section 6.2.2.

"**Assumed Liabilities**" has the meaning specified in Section 4.2.

"Bill of Sale" has the meaning specified in Section 6.2.4.

"CAG" means the Office of the Attorney General of the State of California.

"**CAG Hold Separate Order**" has the meaning specified in Section 14.1.

"California Consent Decree" means the Consent Decree and Final Judgment filed on June 15, 2005 in The State of California v. Valero L.P., Valero Energy Corporation, Kaneb Pipe Line Partners, L.P., and Kaneb Services LLC, Civil Action No. C-05-2419 (U.S. Dist. Ct., N.D. Cal.).

"**Casualty**" has the meaning specified in Section 14.3.1.

"**CBA**" has the meaning specified in Section 16.4.

"Closing" has the meaning specified in Section 6.1.

"Closing Date" has the meaning specified in Section 6.1.

"**Contracts**" has the meaning specified in Section 2.1.4.

"**CPUC**" has the meaning specified in Section 7.1.9.

"Deeds" has the meaning specified in Section 6.2.1.

"Earnest Money L/C" has the meaning specified in Section 3.2.

"**Effective Date**" has the meaning specified in the introductory paragraph of this Agreement.

"**Environmental Claims**" means any known, unknown, contingent or non-contingent loss, liability, claim (including tort claims, claims for personal injury, claims for property damage, natural resource damage claims, claims for injunctive relief, and claims for remediation activities), action,

proceeding (including any notice of non-compliance with or violation of Environmental Law), obligation (including any obligation to perform remediation activities required under Environmental Law in connection with any release of Hazardous Materials), suit, Order (including any compliance order, consent order, cleanup and abatement order and cease-and-desist order), lien, fine, penalty, damages, expense, cost and fees (including reasonable

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attorney and consultant fees and costs for investigation and defense) arising out of or related to a violation of Environmental Law or a release of Hazardous Materials into the environment.

"**Environmental Laws**" shall mean all applicable federal, state, and local Laws, common law, standards, prohibitions, restrictions, directives, interpretations, Orders, guidelines, permits, licenses, approvals and entitlements that relate to safety, the protection of human health and/or the environment or create rights or obligations in connection with the presence or release of Hazardous Materials.

"**Excluded Property**" has the meaning specified in Section 2.2.

"**Expenses**" has the meaning specified in Section 6.4.1.

"FTC" means the United States Federal Trade Commission.

"**FTC Hold Separate Order**" has the meaning specified in Section 14.1.

"FTC Order" means the FTC's proposed Decision and Order dated June 14, 2005, in the matter of Valero L.P., Valero Energy Corporation, Kaneb Services LLC, and Kaneb Pipe Line Partners, L.P., Docket No. C-4141.

"**Governmental Authority**" means any federal, state or local governmental authority, agency, board, commission, judicial body or other body having jurisdiction over the matter.

"**Hazardous Materials**" means any substance which is listed, regulated or defined as a hazardous substance, hazardous material, toxic substance, hazardous waste, hazardous chemical, hazardous air pollutant, contaminant or pollutant under any Environmental Laws.

"**Improvements**" has the meaning specified in Section 2.1.2.

"**Hold Separate Orders**" has the meaning specified in Section 14.1.

"**Income Taxes**" means any individual, partnership or corporate income or franchise tax based on net income.

"**Indemnitee(s)**" has the meaning specified in Section 12.1.

"**Indemnitor(s)**" has the meaning specified in Section 12.1.

"Intellectual Property" means all patents, patent rights, trademarks, service marks, trade names, and copyrights, and all applications for the foregoing, and all trade secrets, know-how, inventions, research records, confidential information, product designs, engineering specifications and drawings, technical information and other intellectual property rights.

"**Interim Period**" has the meaning specified in Section 14.2.

"**Interim Policies**" has the meaning specified in Section 14.2.

"Laws" means all laws, rules, regulations, statutes, ordinances, codes, plans, Orders, decrees, rulings and charges of any Governmental Authority, including Environmental Laws.

"**Loss**" means any loss, liability, claim, action, proceeding, obligation, suit, judgment, decree, lien, fine, penalty, Tax, damages (excluding special, consequential, indirect or loss of profit damages, except as noted herein), expense, cost and fee. "Loss" shall include Environmental Claims and, in each instance, shall include all reasonable costs of investigating and defending any claim.

"**Obligated Party**" has the meaning specified in Section 6.4.5.

"**Order**" means any judgment, order, writ, injunction or decree of any Governmental Authority having jurisdiction over the matter.

"Outside Closing Date" has the meaning specified in Section 6.1.

"**Permits**" means the permits, licenses, registrations, and certificates from any Governmental Authority required to own or operate, and relating exclusively to the operation or ownership of the Assets.

"**Permitted Encumbrances**" has the meaning specified in Section 11.1.

"**Personal Property**" has the meaning specified in Section 2.1.3.

"**Purchase Price**" has the meaning specified in Section 3.1.

"**Purchaser**" has the meaning specified in the introductory paragraph.

"**Purchaser Default**" has the meaning specified in Section 19.3.

"**Real Property**" means all real property interests (including leasehold, easement and right of way interests) included in the Assets.

"RP Agreements" means the leases, easements, licenses and rights of way included within the definition of "Real Property".

"**Receiving Party**" has the meaning specified in Section 6.4.5.

"**Retained Liabilities**" has the meaning specified in Section 4.1.

"**Sellers**" has the meaning specified in the introductory paragraph.

"**Sellers' Knowledge**" means the actual knowledge of any of the persons listed on Schedule 1-S as of the date a particular representation or warranty is made without any review of files or other due diligence on the part of such persons.

"**Sharing Party**" has the meaning specified in Section 6.4.5.

"**Taxes**" means any and all federal, state, local and foreign taxes, charges, fees, levies, imposts, assessments, withholdings, impositions, or other similar governmental charges and any interest, liens, additions to tax or penalties thereon; provided, however that "Taxes" shall not include any of the foregoing items which were imposed due to Environmental Claims or violation of Environmental Laws.

"Taking" has the meaning specified in Section 14.3.1.

"**Third Party**" means any person, group or entity (including any corporation, partnership or other business entity) other than an Indemnitee.

"**Title Company**" has the meaning specified in Section 11.2.

"**Title Commitment**" has the meaning specified in Section 11.2.

"**Title Objections**" has the meaning specified in Section 11.3.1.

"**Title Objections Notice**" has the meaning specified in Section 11.3.1.

"**Transfer Taxes**" has the meaning specified in Section 6.4.3.

"**Transferred Employee**" has the meaning specified in Section 16.1.

"**Transferred Intellectual Property**" has the meaning specified in Section 2.1.6.

"**Union**" has the meaning specified in Section 16.4.

"**WPSC**" has the meaning specified in Section 7.1.9.

ARTICLE II

SALE AND PURCHASE OF ASSETS

2.1 **Sale of Assets**. On the terms and subject to the conditions of this Agreement and for the consideration stated herein, at the Closing, Purchaser shall purchase and receive from Sellers, and Sellers shall sell and deliver to Purchaser, all of Sellers' right, title and interest in and to the following properties and assets (collectively, the **"Assets"**):

2.1.1 The Real Property, as more particularly described in Attachment I hereto;

2.1.2 The improvements located on the Real Property, including buildings, facilities, fixtures, aboveground and underground storage tanks, aboveground and underground piping and related on-site facilities and appurtenances (the **"Improvements"**);

2.1.3 All supplies, machinery, equipment, rolling stock, computers, spare parts, tools, drawings, plats, equipment manuals, operating records and data, books and records, cost and pricing information, training materials and records, maintenance and inspection reports and furniture and other personal property used exclusively in the operation of the Assets as currently operated by Sellers (the **"Personal Property"**);

2.1.4 Subject to Article XVII, all of Sellers' rights and obligations under all contracts used exclusively in the operation of the Assets (but excluding the RP Agreements) (the **"Contracts"**);

2.1.5 Subject to Article XVII, the Permits; and

2.1.6 The Intellectual Property listed on Attachment III (the **"Transferred Intellectual Property"**).

2.2 **Excluded Property.** Notwithstanding anything else in this Agreement, the Assets exclude the following (collectively, the **"Excluded Property"**):

2.2.1 Intra-company accounts and contracts of Sellers including, without limitation, any accounts and contracts between any Seller and any of its Affiliates, other than the contracts set forth on Schedule 2.2.1;

2.2.2 Cash or bank accounts of Sellers;

2.2.3 Accounts receivable, notes receivable, employee receivables and other receivables;

2.2.4 Proprietary trade names, trademarks, service marks, logos, trade dress, insignia, and imprints of Sellers and all signs whose purpose is to display any of the foregoing and all forms and documents which incorporate any of the foregoing;

2.2.5 All Intellectual Property other than the Transferred Intellectual Property.

2.2.6 All rights to any of Sellers' claims (whether or not filed) for any federal, state, local, or foreign Income Tax or Tax refunds or carrybacks.

2.2.7 The following documents: (A) all minute books, tax returns, partnership documents of Sellers or any of their Affiliates as well as other business records or related documents of Sellers or any of their Affiliates that are not related to the Assets; and (B) all records that are (i) covered by the attorney-client privilege or work product doctrine, except to the extent such documents relate to claims or litigation included in the Assumed Liabilities

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(provided that such documents shall be subject to a joint defense agreement to be entered by Sellers and Purchaser before such documents are provided), (ii) not readily severable from Sellers' general records through diligent efforts, or (iii) required by applicable Law to be retained by Sellers or any of Sellers' Affiliates in its care, custody, or control.

2.2.8 All rights in connection with and assets of any employee benefit or similar plans.

2.2.9 All insurance policies and rights thereunder, except as provided in Section 14.2.

2.2.10 The capital stock of any Affiliate of any Seller.

2.2.11 Any other properties or assets of Sellers not specifically described herein as being part of the "Assets."

2.3 As-Is Sale. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEEMENT, ALL ASSETS TO BE CONVEYED HEREUNDER WILL BE CONVEYED ON AN "AS IS", "WHERE IS", AND "WITH ALL FAULTS" BASIS AT THE CLOSING, INCLUDING ANY ENVIROMENTAL CONDITIONS, AND SELLER MAKES NO, AND HEREBY DISCLAIMS ALL, REPRESENTATIONS OR WARRANTIES, EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, CONCERNING THE PHYSICAL CONDITION, UTILITY OR OPERATABILIY OF ANY OF THE ASSETS, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR PARTICULAR OR ORDINARY USES OR PURPOSES.

PURCHASER HAS INSPECTED (AND UPON CLOSING SHALL BE DEEMED TO HAVE WAIVED ITS RIGHT TO INSPECT), THE ASSETS FOR ALL PURPOSES AND SATISFIED ITSELF AS TO THEIR PHYSICAL AND ENVIRONMENTAL CONDITION, BOTH SURFACE AND SUBSURFACE, INCLUDING, BUT NOT LIMITED TO, CONDITIONS SPECIFICALLY RELATED TO THE PRESENCE, RELEASE, OR DISPOSAL OF HAZARDOUS MATERIALS IN, ON, OR UNDER THE ASSETS. PURCHASER IS RELYING SOLELY UPON ITS OWN INSPECTION OF THE ASSETS. WITHOUT LIMITATION OF THE FOREGOING, SELLER MAKES NO, AND HEREBY DISCLAIMS ANY, WARRANTY OR REPRESENTATION, EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE, AS TO THE ACCURACY OR COMPLETENESS OF ANY DATA, REPORTS, RECORDS, PROJECTIONS, INFORMATION, OR MATERIALS NOW, HERETOFORE, OR HEREAFTER FURNISHED OR MADE AVAILABLE TO PURCHASER IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. ANY AND ALL SUCH DATA, RECORDS, REPORTS, PROJECTIONS, INFORMATION, AND OTHER MATERIALS (WRITTEN OR ORAL) FURNISHED BY SELLER OR OTHERWISE MADE AVAILABLE OR DISCLOSED TO PURCHASER ARE PROVIDED TO PURCHASER AS A CONVENIENCE AND SHALL NOT CREATE OR GIVE RISE TO ANY LIABILITY OF OR AGAINST SELLER, AND ANY RELIANCE ON OR USE OF THE SAME SHALL BE AT PURCHASER'S SOLE RISK TO THE MAXIMUM EXTENT PERMITTED BY LAW.

2.4 Use of Names. By no later than ninety (90) days after Closing, Purchaser shall remove or cause to have removed the names and marks used by Sellers and Sellers' Affiliates (including replacement of Sellers' and their Affiliates name and number on any applicable pipeline markers) and all variations and derivations thereof and logos relating thereto from the Assets. After expiration of such time period specified above, Purchaser shall not make any use whatsoever of those names, marks, and logos. If Purchaser has not completed such removal within ninety (90) days after Closing, Sellers shall have the right, but not the obligation, to take such steps as are required to complete such name change and removal or cause such name change and removal to be completed and Purchaser shall promptly reimburse Sellers for any costs or expenses incurred by Sellers in connection therewith.

2.5 Accounts Receivable; Revenue; Expenses. From and after the Closing, Purchaser will use its commercially reasonable efforts to assist Sellers and their authorized representatives in collecting the amounts due with respect to the accounts receivable of Sellers from use of the Assets prior to the Closing, which efforts shall include, without limitation, commercially reasonable assistance in billing for such accounts receivable and reasonable access to customer files and records with respect to such accounts receivable. Purchaser agrees that it will pay to Sellers within thirty (30) days of receipt by Purchaser (i) any amounts received by Purchaser with respect to such accounts receivable, and (ii) any revenues attributable to the Assets prior to the month of Closing to the extent same are paid to Purchaser. Sellers agree that they will promptly pay to Purchaser within thirty (30) days of receipt by Sellers any amounts received by Seller with respect to the operation of the Assets after the Closing Date, including, without limitation, revenues and accounts receivable.

2.6 FTC Order. The Assets described herein are consistent with the terms "Philadelphia Area Terminals", "San Francisco Bay Terminals" and "West Pipeline System" in the FTC Order, it being understood that nothing in this Section 2.6 is intended to enlarge or contract the Assets to be conveyed pursuant to this Agreement.

ARTICLE III

PURCHASE PRICE

3.1 **Consideration**. The cash price to be paid by Purchaser for the transfer, sale and assignment by Sellers of the Assets is Four Hundred Fifty Five Million Dollars ($455,000,000) (subject to adjustments as expressly provided for in this Agreement) (the **"Purchase Price"**). On the Closing Date, Purchaser shall pay the Purchase Price to Sellers by wire transfer of immediately available funds to the account designated by Sellers. If the capital projects described on Schedule 3.1 are not completed before the Closing, then the Purchase Price shall be reduced by the budgeted amount remaining to be paid to complete such capital projects.

3.2 **Earnest Money L/C.** Within one business day after the Effective Date, Purchaser shall deliver to Sellers an irrevocable stand-by letter of credit drawn on a bank acceptable to Sellers and in form and substance satisfactory to Sellers, in the amount of Five Percent (5%) of the Purchase Price (the **"Earnest Money L/C"**) as consideration for Seller's entry into this Agreement. The Earnest Money L/C shall provide that it may be drawn upon by

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Sellers upon Sellers' certification to the issuing bank of a Purchaser Default under this Agreement. In the event the Closing occurs, Sellers shall return the Earnest Money L/C to Purchaser as a condition to payment of the Purchase Price. In the event the Closing does not occur by the Outside Closing Date and the failure to close is not the result of a Purchaser Default hereunder, then Sellers shall return the Earnest Money L/C to Purchaser on the third business day following the Outside Closing Date. If the Closing does not occur by the Outside Closing Date and the failure to close is the result of Purchaser Default hereunder, then Sellers shall be entitled to draw the full amount of the Earnest Money L/C in accordance with Section 19.3.

3.3 **Allocation of Purchase Price**. Sellers and Purchaser agree that subsequent to the execution of this Agreement they will discuss the proper allocation for purposes of IRS Form 8594 of amounts paid in connection with the transactions contemplated hereunder. If the parties are able to reach an agreement, it shall be attached hereto as Attachment IV, and the parties shall file IRS Forms 8594 consistently with the terms of such Attachment IV. If the parties are not able to reach an agreement, each party shall make such filings as are required of it under applicable tax laws applying the requirements of Section 1060 of the Code in its own discretion. The parties agree that they shall promptly advise each other regarding the existence of any tax audit, controversy or litigation related to such allocation, and, upon request from the other party, shall from time to time provide further information concerning the tax positions being asserted by the Internal Revenue Service and, if any settlement of the issue is reached, the amount(s) so determined.

ARTICLE IV

RETAINED LIABILITIES; ASSUMED LIABILITIES; PURCHASER'S RELEASE

4.1 **Sellers' Retained Liabilities**. Sellers shall retain only the following liabilities (the **"Retained Liabilities"**):

4.1.1 except for certain multiemployer plan withdrawal liability expressly assumed by Purchaser as provided in Section 4.2 below, all liabilities and obligations for: (i) salary, wages and benefits for any current or former employees of Sellers and their Affiliates pertaining to their employment by Sellers at or in connection with the Assets (including liabilities to the Pension Benefit Guaranty Corporation or to any plan, including a multiemployer plan, under Title IV of the Employee Retirement Income Security Act of 1974, as amended arising, in whole or in part, out of events or conduct that occurred on or prior to the Closing, including but not limited to any liability that is triggered by the closing of the transactions contemplated by this Agreement), and (ii) any violations of law by Sellers relating to the hiring, employment or termination of employment of any current or former employees of Sellers pertaining to their employment by Sellers at the Assets;

4.1.2 all costs for property furnished or services rendered to or for the benefit of the Assets on or before the Closing Date, and all indebtedness for borrowed money and related liens;

4.1.3 any (1) liability of Sellers and their Affiliates for Income Taxes and (2) liability of Sellers for Taxes arising during, or relating to, any period (or portion thereof) ended on or before the Closing Date; provided, however, that Purchaser shall assume those Taxes set forth in Sections 6.4.2 and 6.4.3; and

4.1.4 all liabilities and obligations arising out of any of the Excluded Property.

4.2 **Purchaser's Assumed Obligations**. Except for the Retained Liabilities, Purchaser shall assume, and pay, perform and discharge when due, all liabilities and obligations relating to the Assets, whether arising before or after the Closing, whether known or unknown, including all Environmental Claims relating to the pre- and post-Closing ownership or operation of the Assets, and including any withdrawal liability under any multiemployer plan which is triggered by an action or event after the Closing (the **"Assumed Liabilities"**).

4.3 **Purchaser's Release**. Effective as of the Closing, Purchaser hereby unconditionally releases and discharges Sellers, Sellers' Affiliates, and the partners, employees, officers and directors of Sellers and Sellers' Affiliates, from all of the Assumed Liabilities, which include all environmental liabilities (including all Environmental Claims) relating to or arising out of the Assets, whether existing or asserted before or after the Closing Date, whether based on past, present or future conditions or events, whether or not known to Purchaser on the Closing Date and wherever located. This release includes, but is not limited to, any environmental liabilities under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Resource Conservation and Recovery Act of 1976, as amended, the federal Clean Air Act, as amended, and other Environmental Laws, and environmental liabilities for injury, death, destruction, loss or damage to the person or property of Purchaser and its employees arising out (i) the environmental condition of the Assets, and (ii) the existence of Hazardous Materials at the Assets.

In connection with this release, Purchaser hereby expressly waives the benefits of any statute limiting the waiver of unknown claims, including Section 1542 of the California Civil Code which reads as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release which if known to him must have materially affected his settlement with the debtor."

For the avoidance of doubt, nothing in Sections 4.2 or 4.3 are intended to deprive Purchaser of its rights against Sellers under Sections 6.4 or 12.1 (as limited by Section 12.3).

ARTICLE V

RELATED AGREEMENTS

At the Closing, Sellers and Purchaser shall enter into the following agreement:

5.1 Transition Services Agreement substantially in the form of Exhibit A.

ARTICLE VI

CLOSING

6.1 Time and Place. The closing of the transaction contemplated hereby (the **"Closing"**) shall be held at Seller's offices in San Antonio, Texas, on or before the day which is the tenth business day to occur following the satisfaction or waiver of the conditions set forth in Article VII unless another time, place or date is agreed to in writing by the parties hereto (the day of the Closing being referred to herein as the **"Closing Date"**). If the Closing does not occur by December 15, 2005 (the **"Outside Closing Date"**), a party that is not then in material default under this Agreement may, by written notice to the other party, terminate this Agreement without further obligation to the other party, and if Purchaser is not then in material default under this Agreement, Seller shall return the Earnest Money L/C to Purchaser within 3 business days after giving or receiving notice of termination pursuant to this Section 6.1.

6.2 Sellers' Deliveries. At the Closing, Sellers shall do the following:

6.2.1 deliver to the Title Company special warranty deeds for Seller's right, title and interest to the fee-owned portions of the Real Property, subject to the Permitted Encumbrances, in the forms attached as Exhibit B (**"Deeds"**), executed and acknowledged by Sellers, which documents shall also be executed and acknowledged by Purchaser;

6.2.2 deliver to the Title Company assignments of leases for the leased portions of the Real Property, in the forms attached as Exhibit C (**"Assignments of Leases"**), executed and acknowledged by Sellers, which documents shall also be executed and acknowledged by Purchaser;

6.2.3 deliver to the Title Company assignments of easements and licenses for the easement and license portions of the Real Property, in the forms attached as Exhibit D (**"Assignments of Easements and Licenses"**), executed and acknowledged by Sellers, which documents shall also be executed and acknowledged by Purchaser;

6.2.4 deliver to Purchaser a bill of sale for the Personal Property, in the form attached as Exhibit E (**"Bill of Sale"**), executed by Sellers, which document shall also be executed by Purchaser;

6.2.5 deliver to Purchaser an assignment of Permits and Contracts, in the form attached as Exhibit F (**"Assignment of Permits and Contracts"**), executed by Sellers, which document shall also be executed by Purchaser;

6.2.6 deliver to Purchaser possession of the Assets, subject to the Permitted Encumbrances;

6.2.7 deliver to Purchaser counterparts executed by Sellers of those agreements required by the provisions of Article V;

6.2.8 deliver to Purchaser certified copies of each Seller's duly executed organizational documents or governing instruments, and certified copies of appropriate partnership or limited liability company action by Sellers authorizing the transactions contemplated by this Agreement and authorizing the person(s) executing the documents referenced in this Section 6.2 to enter into this Agreement and such other documents on behalf of Sellers;

6.2.9 deliver to Purchaser a certificate that the representations and warranties made by Sellers in this Agreement are true and correct in all material respects as of the Closing Date, as though made at and as of the Closing Date;

6.2.10 deliver to Purchaser a certificate of non-foreign status substantially in the form attached as Exhibit G and a California Form 597W, in the form attached as Exhibit H, executed by Sellers; and

6.2.11 deliver to the Title Company such affidavits and certificates as the Title Company shall reasonably require; provided, however, that such affidavits and certificates do not require any increase in the liability of Sellers under this Agreement.

6.3 Purchaser's Deliveries. At the Closing, Purchaser shall do the following:

6.3.1 pay the Purchase Price to Sellers in accordance with Section 3.1, and reimburse Sellers for sales tax as provided in Section 6.4.2;

6.3.2 deliver to Sellers counterparts executed by Purchaser of all those agreements required by the provisions of Article V;

6.3.3 deliver to Sellers an assumption of all Assumed Liabilities in the form of Exhibit I;

6.3.4 deliver to Sellers certified copies of appropriate partnership action by Purchaser authorizing the transactions contemplated by this Agreement and authorizing the person(s) executing the documents referenced in this Section 6.3 to enter into this Agreement and such other documents on behalf of Purchaser;

6.3.5 deliver to Sellers a certificate that the representations and warranties made by Purchaser in this Agreement are true and correct in all material respects as of the Closing Date, as though made at and as of the Closing Date; and

6.3.6 deliver to Sellers counterparts of the documents identified in Section 6.2, executed (and acknowledged where required) by Purchaser.

6.4 Apportionment of Taxes and Utilities.

6.4.1 The following items relating to the Assets: (i) general real estate ad valorem taxes for the then current fiscal year, (ii) personal property taxes, (iii) charges for utilities or municipal charges, and (iv) other prepaid expenses related to the Assets and their operations (collectively, **"Expenses"**), shall be prorated as of the Closing Date and shall be adjusted at the Closing. Subject to such pro-ration, Sellers shall pay all Expenses assessed against the Assets for periods on or before the Closing Date; *provided, however*, that if any Expenses are payable in installments, Sellers shall be responsible for paying only those installments that relate to periods on or before the Closing Date. Subject to such pro-ration, Purchaser shall pay all Expenses assessed against the Assets for all periods after the Closing Date.

6.4.2 Sellers (i) shall collect from Purchaser at Closing sales tax reimbursement in such amount (which shall be in addition to the Purchase Price provided for herein) as is determined by applying the applicable sales tax rate to the taxable value of the personal property included within the Assets, and (ii) shall pay such sales tax reimbursement to the applicable Governmental Authority in accordance with applicable legal requirements.

6.4.3 Purchaser shall pay and assume all liability for the sales tax, documentary transfer tax, real property filing fees, and any other similar Taxes (other than Income Taxes) (collectively, **"Transfer Taxes"**), whether imposed on Sellers or Purchaser, and whether paid with a return or imposed by a Governmental Authority upon audit, arising from the transfer of Assets contemplated by this Agreement.

6.4.4 If any of the Expenses to be apportioned in Section 6.4.1 are not readily determinable as of the time of Closing, such apportionments shall, to the extent necessary, be based on the parties' reasonable estimate thereof. The parties shall cooperate with each other in making the calculations upon which any Expenses are to be allocated in favor of Sellers or Purchaser, as the case may be. Such apportionments made on the basis of estimates shall be recalculated as soon as possible after the availability of required information, but in any event within one (1) year of the time of delivery of this Agreement, and any overpayments or underpayments due a party shall be adjusted by suitable payments from the applicable party.

6.4.5 After the Closing Date, if either Purchaser or Sellers (as applicable, the **"Receiving Party"**) receives a bill for Expenses that covers periods both before and after the Closing Date, the Receiving Party shall pay such bill and invoice the other party (the **"Sharing Party"**) for the portion of the Expenses payable by such other party in accordance with the principles of proration set forth in Section 6.4.1, in which event the Sharing Party shall promptly

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reimburse the Receiving Party upon receipt of such invoice. After the Closing Date, if a Receiving Party receives a bill for Expenses that covers only a period for which the Receiving Party is not responsible under the terms of this Agreement, then the Receiving Party shall forward the bill to the party who is responsible for such Expenses in accordance with the terms of this Agreement (the **"Obligated Party"**) for payment directly by the Obligated Party. The Obligated Party shall pay such bill in timely fashion (except to the extent that it is being protested through proper procedures and the Obligated Party uses reasonable best efforts to cause the governmental authority or other person issuing such bill to correct the name on the account).

6.4.6 Any refunds received in respect of Expenses apportioned pursuant to this Section shall be paid to the party to whom such Expenses are apportioned pursuant to this Section if received from the payor by another party.

6.4.7 Sellers and Purchaser will provide each other with such cooperation and information as each may reasonably request of the other with regard to the preparation and filing of returns, or the conduct of an audit or other proceeding in respect of Taxes.

6.5 Lease Payments. At or prior to the Closing, Sellers shall pay or cause to be paid all rental payments for the period from June 1, 1998 through December 31, 2004, under that certain Contra Costa County Submerged Lands General Lease (Lease No. PRC 4769.1)(such payments being at the annual rate of Seventy Nine Thousand Three Hundred Seventy Dollars ($79,370) for a total of Five Hundred Twenty Two Thousand Two Hundred Fifty Five Dollars ($522,255) for the period), less the actual annual rental payments made during such period and the cash bond of Fifty Thousand Dollars ($50,000) being held by the State of California under the existing "hold-over" lease.

ARTICLE VII

CONDITIONS PRECEDENT TO CLOSING

Subject to the terms hereof, the obligations of Sellers and Purchaser at the Closing are subject to the satisfaction or waiver at or prior to the Closing of each of the respective conditions set forth below.

7.1 Conditions to Purchaser's Obligations. The obligations of Purchaser at the Closing are subject to the following conditions:

7.1.1 Sellers shall have performed (a) in all material respects those covenants required by this Agreement to be performed by it at or prior to the Closing that are not qualified by materiality, and (b) in all respects those covenants required by this Agreement that are qualified by materiality to be performed by it at or prior to the Closing;

7.1.2 Sellers shall have delivered to Purchaser all agreements, instruments, certificates and documents required to be so delivered under this Agreement, including those listed in Section 6.2;

7.1.3 There shall not be in effect any Order barring the consummation of the transactions contemplated by this Agreement;

7.1.4 The FTC and the CAG shall have approved the transaction contemplated by this Agreement and the Purchaser as required by the FTC Order and the California Consent Decree in accordance with Section 19.1;

7.1.5 Purchaser shall have received the Title Commitments described in Section 11.2 of this Agreement;

7.1.6 Any Title Objections shall have been resolved in accordance with the provisions of Section 11.3 of this Agreement;

7.1.7 Sellers' representations and warranties set forth in Article VIII shall be true and correct in all material respects on and as if made on the Closing Date;

7.1.8 The transactions contemplated by the following two agreements have been consummated: (i) the Agreement and Plan of Merger dated as of October 31, 2004, by and among Valero L.P., Riverwalk Logistics, L.P., Valero GP, LLC, VLI Sub A LLC, and Kaneb Services LLC; and (ii) the Agreement and Plan of Merger dated as of October 31, 2004, by and among Valero L.P., Riverwalk Logistics, L.P., Valero GP, LLC, VLI Sub B LLC, Kaneb Pipe Line Partners L.P., and Kaneb Pipe Line Company LLC; and

7.1.9 The Colorado Public Utilities Commission (the **"CPUC"**) and the Wyoming Public Service Commission (the **"WPSC"**) shall have approved the transaction contemplated by this Agreement.

7.2 Conditions to Sellers' Obligations. The obligations of Sellers at the Closing are subject to the following conditions:

7.2.1 Purchaser shall have performed (a) in all material respects those covenants required by this Agreement to be performed by it at or prior to the Closing that are not qualified by materiality, and (b) in all respects those covenants required by this Agreement to be performed by it at or prior to the Closing that are qualified by materiality;

7.2.2 Purchaser shall have delivered to Sellers the Purchase Price and all agreements, instruments, certificates and documents required to be so delivered under this Agreement or such other agreements or instruments, including those listed in Section 6.3;

7.2.3 There shall not be in effect any Order barring the consummation of the transactions contemplated by this Agreement;

7.2.4 The FTC and the CAG shall have approved the transaction contemplated by this Agreement and the Purchaser as required by the FTC Order and the California Consent Decree in accordance with Section 19.1;

7.2.5 Purchaser's representations and warranties set forth in Article VIII shall be true and correct in all material respects on and as if made on the Closing Date;

7.2.6 The transactions contemplated by the following two agreements have been consummated: (i) the Agreement and Plan of Merger dated as of October 31, 2004, by and among Valero L.P., Riverwalk Logistics, L.P., Valero GP, LLC, VLI Sub A LLC, and Kaneb Services LLC; and (ii) the Agreement and Plan of Merger dated as of October 31, 2004, by and among Valero L.P., Riverwalk Logistics, L.P., Valero GP, LLC, VLI Sub B LLC, Kaneb Pipe Line Partners L.P., and Kaneb Pipe Line Company LLC; and

7.2.7 The CPUC and the WPSC shall have approved the transaction contemplated by this Agreement.

ARTICLE VIII

SELLERS' REPRESENTATIONS AND WARRANTIES

Sellers hereby warrant and represent to Purchaser that, except as set forth on the schedules attached hereto:

8.1 Organization. STOP is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware and is in good standing and duly qualified to do business in each state in which the character of the Assets or the nature of its business relating to the Assets requires it to be so qualified, except for states as to which the failure to be so qualified or in good standing would not have a material adverse affect on the Assets. KPOP is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware and is in good standing and is duly qualified to do business in each state in which the character of the Assets or the nature of its business relating to the Assets requires it to be so qualified, except for states as to which the failure to be so qualified or in good standing would not have a material adverse affect on the Assets. Shore is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and is in good standing and is duly qualified to do business in each state in which the character of the Assets or the nature of its business relating to the Assets requires it to be so qualified, except for states as to which the failure to be so qualified or in good standing would not have a material adverse affect on the Assets.

8.2 Authority; Enforceability. Sellers have the partnership or limited liability company (as applicable) power and authority to execute and deliver this Agreement and each agreement and instrument delivered or to be delivered by Sellers pursuant hereto, and to carry out its obligations hereunder and thereunder. The execution, delivery and performance of this Agreement and each agreement and instrument delivered or to be delivered pursuant hereto by Sellers, and the consummation of the transactions provided for hereby and thereby, have been duly authorized and approved by all requisite partnership or limited liability company (as

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applicable) action of Sellers and no other act or proceeding on the part of Sellers or their Affiliates is necessary to authorize the execution, delivery or performance of this Agreement or of such other agreements and instruments, or the transactions contemplated hereby or thereby; and each of this Agreement

and such agreements and instruments is, or upon its execution and delivery will be, legal, valid, binding and enforceable against Sellers in accordance with its respective terms, subject to the effects of bankruptcy, insolvency, reorganization, moratorium, and other laws of general application relating to creditors' rights and equitable remedies.

8.3 **No Breach**. The execution and delivery of this Agreement and each agreement and instrument delivered or to be delivered pursuant hereto by Sellers, and the consummation of the transactions provided for hereby and thereby and the compliance by Sellers with any of the provisions hereof or thereof does not and will not violate, or conflict with, or result in a breach of, any provisions of the constituent documents of Sellers.

8.4 **Actions and Proceedings**. There is no legal action pending, or, to Sellers' Knowledge, threatened, against Sellers or any of their Affiliates involving the ownership or operation of any of the Assets that would be material to the Assets, and Sellers have not received written notice from any applicable Governmental Authority of any pending or threatened condemnation against all or any material part of the Real Property.

8.5 **Brokers**. All negotiations relating to this Agreement, the agreements and instruments delivered pursuant hereto, and the transactions contemplated hereby and thereby have been carried on without the intervention of any person acting on behalf of Sellers or their Affiliates in such manner as to give rise to any valid claim against Purchaser for any broker's or finder's fee or similar compensation in connection with the transactions contemplated hereby or thereby.

8.6 **Compliance with Laws; Permits**.

8.6.1 To Sellers' Knowledge, Sellers are in material compliance with all applicable Laws in connection with the ownership and operation of the Assets and, to Sellers' Knowledge, except as has already been disclosed to Purchaser or is known by Purchaser, no event has occurred or condition exists on the Assets that would constitute a violation of or require any remediation or clean up under any Environmental Law as the Assets are currently operated by Sellers; Sellers have provided Purchaser with copies of all material excess emissions reports and Title V compliance certifications for the past five (5) years for all terminals included in the Assets; and

8.6.2 Attachment II lists all material Permits currently held by Sellers with respect to the Assets.

8.7 **Employee Matters**.

8.7.1 Other than the CBA, Sellers are not party to any collective bargaining agreement or similar agreement with respect to employees of Sellers employed at the Assets; and

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8.7.2 There is no labor strike, slowdown, work stoppage or lockout in effect or, to Sellers' Knowledge, threatened against or otherwise affecting the employees of Sellers involved in the operations at the Assets.

8.8 **Material Contracts; Notice of Defaults**. All contracts (but specifically excluding any RP Agreements) that are material to the ownership or operation of the Assets or that would impose a material obligation or liability on Purchaser are set forth on Schedule 8.8. To Sellers' Knowledge, there is no existing material default under, or event or circumstance which with notice or lapse of time would give rise to a material default on the part of Sellers or any other party under, any of the material contracts (but specifically excluding any RP Agreements). No Seller has received written notice of any continuing or uncured default on the part of such Seller with respect to any material contract (but specifically excluding any RP Agreements), which default or defaults would, singly or in the aggregate, materially adversely affect the ownership, operation or value of such Seller's interest in any of the Assets.

ARTICLE IX

PURCHASER'S REPRESENTATIONS AND WARRANTIES

Purchaser hereby warrants and represents to Sellers that:

9.1 **Organization**. Purchaser is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware.

9.2 **Authority; Enforceability**. Purchaser has the partnership power and authority to execute and deliver this Agreement and each agreement and instrument delivered or to be delivered by Purchaser pursuant hereto, and to carry out its obligations hereunder and thereunder. The execution, delivery and performance of this Agreement and each agreement and instrument delivered or to be delivered pursuant hereto by Purchaser, and the consummation of the transactions provided for hereby and thereby, have been duly authorized and approved by all requisite partnership action of Purchaser, and no other act or proceeding on the part of Purchaser or its Affiliates is necessary to authorize the execution, delivery or performance of this Agreement or of such other agreements and instruments, or of the transactions contemplated hereby or thereby; and each of this Agreement and such agreements and instruments is, or upon its execution and delivery will be, legal, valid, binding and enforceable against Purchaser in accordance with its respective terms, subject to the effects of bankruptcy, insolvency, reorganization, moratorium, and other laws of general application relating to creditor's rights and equitable remedies.

9.3 **No Breach**. The execution and delivery of this Agreement and each agreement and instrument delivered or to be delivered pursuant hereto by Purchaser, and the consummation of the transactions provided for hereby and thereby and the compliance by Purchaser with any of the provisions hereof or thereof does not and will not violate, or conflict with, or result in a breach of, any provisions of the constituent documents of Purchaser.

9.4 **Brokers**. All negotiations relating to this Agreement, the agreements and instruments delivered pursuant hereto, and the transactions contemplated hereby and thereby have been carried on without the intervention of any person acting on behalf of Purchaser or its Affiliates in such manner as to give rise to any valid claim against Sellers for any broker's or finder's fee or similar compensation in connection with the transactions contemplated hereby or thereby.

9.5 **Financing**. Purchaser has obtained a financing commitment for, and will have available to it at the Closing immediately available funds necessary to consummate, the transactions contemplated by this Agreement.

ARTICLE X

CHANGES IN REPRESENTATIONS AND WARRANTIES

If either Sellers or Purchaser discovers on or before the Closing that any representation or warranty made by it was or becomes not true and correct in any material respect, it shall so notify the other party in writing. The representations and warranties made in this Agreement shall be deemed to be modified by any matter contained in such notice. In the case of any such change in the representations or warranties by Sellers, if the cumulative changes so made would adversely affect the fair market value of the Assets by 0.5% or more of the Purchase Price, Purchaser may object thereto by written notice to Sellers within ten days after receipt of the notice. If such objection notice is not given within the ten day period, or the cumulative changes do not have such adverse effect, then such change shall not give rise to any right or remedy. If such objection notice is timely given and the effect of the cumulative changes on the fair market value of the Assets exceeds such amount, and Sellers determine that they cannot cure such adverse effect prior to the Closing by using commercially reasonable efforts, then the parties shall negotiate in good faith a reduction of the Purchase Price to fairly reflect the impact of the change on the fair market value of the Assets. In the event that the parties are unable to agree on a reduction of the Purchase Price prior to the Closing, then the parties agree to submit the matter to binding arbitration under the Commercial Arbitration Rules of the American Arbitration Association for resolution after the Closing.

ARTICLE XI

TITLE MATTERS

11.1 **Definition of Permitted Encumbrances**. As used herein, the term **"Permitted Encumbrances"** means any or all of the following:

11.1.1 All liens and encumbrances that will be released at Closing.

11.1.2 Liens for current Taxes or assessments not yet due or delinquent on the Closing Date or, if delinquent, that are being contested in good faith in the ordinary course of business;

11.1.3 Materialmen's, mechanic's, repairman's, employee's, contractor's, operator's and other similar liens or charges arising in the ordinary course of business for amounts not yet delinquent;

11.1.4. All rights to consent by, required notices to, filings with, or other actions by governmental agencies in connection with the sale or conveyance of the Real Property if the same are customarily obtained subsequent to such sale or conveyance;

11.1.5 Easements, rights of way, servitudes, covenants, conditions, restrictions, reservations and other rights on, over or with respect to any of the Real Property which do not materially interfere with the current use or operations on the properties; and

11.1.6 Any encumbrances which do not, individually or in the aggregate, materially interfere with the current use or ownership of the Real Property subject thereto or affected thereby.

11.2 **Title Commitments**. Sellers have caused or shall cause Fidelity National Title Insurance Company (**"Title Company"**), whose address is Fidelity National Title Insurance Company – National Title Services, 1900 West Loop South, Suite 650, Houston, Texas, 77027, Attn: Rhonda Obaugh, to issue standard commitments for title insurance (**"Title Commitments"**) for the fee-owned portions of those tracts of Real Property listed on Attachment V. The Title Commitments shall commit the Title Company to issue to Purchaser an owner title insurance policy on the basic form of policy then commonly in use by the Title Company in the applicable state. Seller shall pay the basic premium for such policies in the amounts listed on Attachment V. If Purchaser requires: (a) any "comprehensive," "extended coverage" or similar endorsement (if available), (b) the deletion of any exception from the policies, or (c) the issuance of any other endorsements to the policies, any additional premium charged therefor shall be borne by Purchaser. Sellers shall be under no obligation to make any additional payments, assume any additional liabilities or take any additional actions beyond those required in this Agreement in order to facilitate the issuance of any endorsements or the making of any modifications to the policies. The issuance of any such endorsements or deletions shall not be a condition to Closing.

11.3 **Title Objections.**

11.3.1 Within fifteen (15) days after receiving the Title Commitments, but in no event earlier than ten (10) days after the Effective Date of this Agreement, Purchaser shall notify Sellers in writing of any encumbrance or defect to the fee-owned portions of the Real Property listed on Attachment V (excluding Permitted Encumbrances) that, in Purchaser's judgment, are unacceptable (the **"Title Objections"**). Purchaser may not object to any Permitted Encumbrances. The notice of Purchaser's Title Objections (the **"Title Objections Notice"**) shall include (i) a description of the alleged Title Objections, and (ii) the Real Property affected.

11.3.2 Seller shall elect, in its sole discretion, to do one of the following with regard to such Title Objections: (i) cause such encumbrance or defect to be removed,

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(ii) indemnify the Title Company against liability from such Title Objection so that the Title Company insures around such encumbrance or defect, or (iii) indemnify the Purchaser against any Losses arising from such Title Objection. Sellers shall notify Purchaser of their election at least five days prior to Closing.

11.3.3 Purchaser's sole and exclusive remedy with regard to objections regarding the state of title of the Real Property shall be the procedure set forth in this Article XI. Purchaser's sole and exclusive remedy for any Title Objections shall be the remedy set forth in Section 11.3.2 above.

ARTICLE XII

INDEMNIFICATION

12.1 **Indemnification Obligations**. Sellers and Purchaser (**"Indemnitor(s)"**) each shall release, defend, indemnify and hold harmless the other and its or their Affiliates, as well as the partners, officers, directors and employees of any of them (**"Indemnitee(s)"**), from and against each and every Loss, which results from, arises out of or is attributable in any way to any of the following:

12.1.1 any liability or obligation expressly assumed or retained by the Indemnitor pursuant to this Agreement;

12.1.2 any breach of a representation or warranty made by the Indemnitor in this Agreement or in documents delivered by the Indemnitor at the Closing; or

12.1.3 any breach of the obligations, covenants or agreements made by the Indemnitor in this Agreement or in documents delivered by the Indemnitor at the Closing.

12.2 **Procedures**.

12.2.1 In the event that any officer or registered agent of Indemnitee receives actual notice of any written claim by a Third Party giving rise to a right of indemnification of such Indemnitee hereunder, the Indemnitee shall, within sixty (60) days after receipt of such notice, give written notice thereof to the Indemnitor setting forth the facts and circumstances giving rise to such claim for indemnification and shall tender the defense of such claim to the Indemnitor. If the Indemnitee fails to give such notice and tender such defense within such 60-day period, the Indemnitee shall be solely responsible for any Loss with respect to such claim to the extent the Loss is attributable to such failure; but failure to give such notice and tender such defense within such 60-day period shall not result in a forfeiture or waiver of any rights to indemnification for any Loss with respect to such claim to the extent the Loss is not attributable to such failure.

12.2.2 The Indemnitor shall be solely responsible for selecting the attorneys to defend any matter subject to indemnification and/or taking all actions necessary or appropriate to

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resolve, defend, and/or settle such matters, and shall be entitled to contest, on its own behalf and on the Indemnitee's behalf, the existence or amount of any obligation, cost, expense, debt or liability giving rise to such claim. The Indemnitor shall keep the Indemnitee fully and timely informed as to actions taken on such matters. The Indemnitee shall cooperate fully with the Indemnitor and its counsel and shall provide them reasonable access to the Indemnitee's employees, consultants, agents, attorneys, accountants, and files to the extent necessary or appropriate to defend or resolve the matter, the Indemnitor reimbursing the Indemnitee with respect to the cost of any such access. The Indemnitee shall have the right, but not the duty, to participate with attorneys of its own choosing, at its own expense, in the defense of any Loss for which the Indemnitor is obligated to defend and indemnify it, and to approve any settlement that affects it, without relieving the Indemnitor of any obligations hereunder.

12.3 **Certain Limitations**. Notwithstanding anything to the contrary in this Article XII or elsewhere in this Agreement, the Indemnitor shall not have any obligation with respect to Losses subject to indemnification by the Indemnitor hereunder as a result of a breach(es) of the representations or warranties set forth in any of Sections 8.4, 8.6, 8.7 or 8.8 (i) unless the cumulative, aggregate amount of all such Losses exceeds or is reasonably expected to exceed $500,000, in which case only the excess shall be subject to indemnification under this Article XII, (ii) unless written notice of such Loss, in reasonable detail, is delivered to the Indemnitor within 12 months of Closing, and (iii) to the extent the cumulative, aggregate amount of all such Losses that such Indemnitor has paid or would be obligated to pay exceeds $10,000,000. For purposes of the $10,000,000 limitation set forth in clause (iii) of the preceding sentence, Sellers shall be deemed to be one "Indemnitor" such that the maximum aggregate amount of Losses with respect to which Sellers collectively shall be obligated to indemnify all Indemnitees shall be limited to such $10,000,000. To the extent Losses are incurred as a result of claims of a Third Party and such Third Party is determined to be entitled to consequential, special, punitive or indirect damages, the Indemnitee shall be entitled to indemnification from such damages notwithstanding the exclusion of such damages generally from the definition of "Losses." For purposes of determining if a breach of a representation or warranty qualified by materiality in this Agreement has occurred, the materiality qualifier shall apply; provided that for purposes of calculating the Loss incurred or suffered by the Indemnitee, the materiality qualifier shall not apply.

12.4 **Exclusive Remedy**. Except as otherwise provided in Article XIX, the indemnification provided for in this Article XII be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party to this Agreement with respect to any provision of this Agreement, the transactions contemplated by this Agreement and/or any document or instrument delivered in connection with or pursuant to this Agreement, provided that nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement or any such other document or instrument. Purchaser hereby waives, to the fullest extent permitted under applicable law, any and all other rights, claims and causes of action, known or unknown, it or any indemnified person may have against Sellers relating to this Agreement or the transactions pursuant to this Agreement. Any indemnity payment under this Article XII shall be treated as an adjustment to the Purchase Price for tax purposes unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its Affiliates

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causes any such payment not to be treated as an adjustment to the Purchase Price for U.S. Federal income tax purposes.

ARTICLE XIII

RECORDS & ACCESS

13.1 **Access to Records**. The records relating to the Assets will be made available to Purchaser and its representatives at the places where they are normally kept during regular business hours for inspection and review through the Closing Date. Prior to Closing, Sellers shall have the right to copy any records relating to the Assets.

13.2 **Preservation of Records**. Purchaser and Sellers shall not destroy or otherwise dispose of any records acquired, removed, or retained hereunder for a period of seven years following the Closing Date or such longer period as required by applicable regulations, laws, statutes, or court orders, except upon 30 day's prior written notice to the other party (upon receipt of such notice, the other party (the **"receiving party"**) may elect that such records be transferred to the receiving party at the sole cost and expense of the receiving party). During such seven year period, Sellers and Purchaser shall make such records available to the other party or its authorized representatives (at such other party's sole expense) upon reasonable request for any business, legal or technical need in a manner which does not unreasonably interfere with the record holder's business operations.

13.3 **Access to Assets After Closing.** Purchaser shall afford duly authorized representatives of Sellers reasonable access to the Assets and the employees after the Closing Date with respect to any legal, technical or operational matter relating to (a) Sellers' obligations under this Agreement, (b) the operation of the Assets before the Closing, and (c) Sellers' removal of any Excluded Property from the Assets; provided in each case that Sellers give Purchaser reasonable prior notice, and provided further that such access does not unreasonably interfere with Purchaser's normal operations. It is understood and agreed that Sellers shall remove all Excluded Property from the Assets prior to the Closing, or, if necessary, as soon as practicable thereafter.

ARTICLE XIV

SELLERS' INTERIM OPERATIONS; CASUALTY; CONDEMNATION

14.1 **Interim Operations**. From and after the Effective Date until the Closing Date, Sellers will comply with the provisions of the FTC's Order to Hold Separate and Maintain Assets dated June 14, 2005 (the **"FTC Hold Separate Order"**) and the Order to Hold Separate and Maintain Assets filed with the U.S. District Court for the Northern District of California on June 15, 2005 (the **"CAG Hold Separate Order,"** and, together with the FTC Hold Separate Order, the **"Hold Separate Orders"**) and, except as otherwise expressly contemplated or permitted

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hereby, or to the extent required under the Hold Separate Orders, or otherwise with the prior written consent of Purchaser (which consent shall not be unreasonably delayed or withheld):

14.1.1 Sellers shall conduct their business relating to the Assets in all material respects in the ordinary course of business and shall use commercially reasonable efforts to:

(i) preserve intact the Assets and the operation thereof and keep available its key employees involved in the operation of the Assets;

(ii) maintain in effect all material Permits, including all material Permits that are required for Sellers to carry on the operations of the Assets; and

(iii) maintain (including performing scheduled maintenance) and repair all of the material Assets in a manner consistent with past practices.

14.2 **Interim Insurance Arrangements.** Sellers shall use commercially reasonable efforts to maintain in effect the insurance policies listed on Part I of Schedule 14.2 (the **"Interim Policies"**) with regard to the Assets from the Effective Date through the Closing **(**the **"Interim Period")** under the same terms and conditions as were in effect before the Effective Date. Subject to the balance of this paragraph, Sellers shall cause Purchaser to be listed as an additional insured on the Interim Policies during the Interim Period. In order to partially compensate Sellers for the premiums payable under the Interim Polices during the Interim Period: (i) if the Closing occurs on or before October 1, 2005, the Purchase Price shall be increased by $261,530; or (ii) if the Closing occurs after October 1, 2005, the Purchase Price shall be increased by $261,530, plus an amount equal to 50% of the premium paid by Sellers to maintain such Interim Policies in effect from October 1, 2005 until Closing, provided that if Sellers cannot extend such Interim Policies on a commercially reasonable basis past October 1, 2005, Sellers will instead cause Purchaser to be named as an additional insured with regard to the Assets on the Valero excess liability policies listed on Part II of Schedule 14.2 for such remaining portion of the Interim Period.

14.3 **Casualty or Condemnation.**

14.3.1 Sellers shall give Purchaser prompt notice of (i) any fire or other casualty materially affecting a material portion of the Assets (a **"Casualty"**) between the Effective Date and the Closing Date and (ii) any actual, pending or proposed condemnation of a material portion of the Assets, as to which Sellers have received written notice from the condemning authority (**"Taking"**).

14.3.2 In the event the Assets suffer a Casualty subsequent to the Effective Date, but prior to the Closing Date, Purchaser's obligation to close hereunder shall not be affected, and Sellers shall elect either (i) to repair or make adequate provision for the repair (with an appropriate reduction or reimbursement of the Purchase Price for any post-Closing interruption of the operation of the Assets resulting from the post-Closing portion of such repairs, if such repairs are not completed before Closing, provided that Purchaser does nothing to delay the expeditious completion of such repairs by the applicable party post-Closing) of such Assets prior

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to Closing, or (ii) to provide Purchaser with a credit against the Purchase Price in an amount agreed upon by Sellers and Purchaser to represent the reduction in the value of the Assets by reason of the Casualty, taking into account any repairs actually made by Sellers to such Assets prior to the Closing Date.

14.3.3 In the event of a Taking, Purchaser's obligation to close hereunder shall not be affected, but all sums of money (or other consideration) awarded as damages or otherwise received on account of such Taking shall be applied as a credit to Purchaser to the Purchase Price, and all claims for any such award shall be assigned to Purchaser.

14.4 **Access to Properties**. Upon advance notice to Sellers, Sellers hereby consent to Purchaser conducting, at Purchaser's sole risk and expense, on-site visual inspections of the Assets. In connection with any such on-site visual inspections, Purchaser agrees not to interfere with the normal operation of the Assets in any material respect and agrees to comply with all requirements and safety policies of the operator of which Purchaser has notice. In connection with the granting of such access, Purchaser represents that it is adequately insured and, except to the extent caused by a Seller's gross

negligence or willful misconduct, waives, releases and agrees to indemnify, defend and save and hold harmless Sellers and Sellers' respective representatives against all claims for injury to, or death of, persons or for damage to property or other claims arising in any way from the access afforded to Purchaser hereunder or the activities of Purchaser. This waiver, release and indemnity by Purchaser shall survive termination of this Agreement.

ARTICLE XV

PUBLICITY

At all times prior to the Closing, no party will make any press release or other public statement concerning this Agreement or the transactions contemplated hereby, except upon mutual agreement, or as required by law. No public statement or third-party disclosure will be made without advance notice to and prior approval of the other party, except as required by law. No such approval will be unreasonably withheld or delayed.

ARTICLE XVI

EMPLOYEE MATTERS

16.1 Sellers' Employees. Purchaser agrees to offer employment to each of Sellers' employees employed with respect to the Assets, a list of such employees is set forth on Schedule 16.1. Any such employee who accepts employment with Purchaser and who is not covered by a collective bargaining agreement is referred to herein as a "**Transferred Employee.**" Any such employee who accepts employment with Purchaser and who is covered by a collective bargaining agreement is referred to herein as a **"Transferred Union Employee"**. Purchaser further agrees that it will take no employment action, including, without limitation, any plant

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closing, mass layoff, change of conditions of employment, or employment loss within the meaning of the WARN Act, for a period of at least ninety (90) days after Closing, which causes Losses to any Seller under the Worker Adjustment Retraining Notification Act, 29 U.S.C. Sec. 2101 et. seq. Purchaser shall employ each Transferred Employee for a period of at least 12 months beginning on the Closing Date (unless earlier terminated for cause or unless Purchaser pays salary and severance as provided in Section 16.3).

16.2 Benefits.

16.2.1 Purchaser shall cause benefits to be provided to each Transferred Employee for a period of at least 12 months beginning on the Closing Date (unless earlier terminated for cause). These benefits, as well as the compensation applicable to each Transferred Employee, shall be, in the aggregate, substantially comparable to those offered by Sellers to such employees prior to the Closing Date, which benefits are described on Schedule 16.2. Purchaser shall ensure that all of its benefit plans, other than Purchaser's 401(k) plan, in which the Transferred Employees participate after Closing recognize the years of service with Sellers and/or its Affiliates (together with any predecessors thereof that previously employed any such Transferred Employees and as to which Sellers recognize such years of service) prior to the Closing for eligibility, vesting and benefit determination purposes, but Purchaser shall have no obligation to recognize such years of service for benefit accrual purposes. Purchaser shall ensure that its 401(k) plan shall recognize years of service with Sellers and/or its Affiliates (together with any predecessors thereof that previously employed any such Transferred Employees and as to which Sellers recognize such years of service) prior to the Closing for eligibility and vesting under such 401(k) plan but not for calculating the employer matching contribution under such 401(k) plan.

16.2.2 With respect to each Transferred Employee who elects to participate in Purchaser's welfare plans, Purchaser shall waive any pre-existing condition exclusions to coverage, any evidence of insurability provisions, any active at work requirement and any waiting period or service requirements that did not exist or had been waived or otherwise satisfied under Sellers' welfare plans, provided the Transferred Employee enrolls within 30 days after the Closing. For each Transferred Employee who enrolls in Purchaser's health plan, Purchaser shall also apply towards any deductible requirements and out-of-pocket maximum limits under its health plans applicable to the year of Closing, any amounts paid by such Transferred Employee toward such requirements and limits under Sellers' health plans. Sellers will provide the necessary information to Purchaser within 30 days after the end of the calendar month following the calendar month in which the Closing occurs.

16.2.3 Purchaser shall honor the Transferred Employees' accrued vacation entitlement.

16.2.4 Purchaser agrees to accept as a direct rollover employees' account balances from Sellers' savings plans for any Transferred Employee who so elects. Purchaser shall hold Sellers harmless from any claims by employees for adverse Tax treatment to the extent relating to improper roll-overs performed by or on behalf of Purchaser in connection with this Agreement.

16.3 Severance. Purchaser shall provide Transferred Employees terminated by Purchaser or any of its Affiliates without cause within one-year after the Closing (a) severance at least equal to the amount payable under Sellers' severance plan attached hereto as Attachment VI, based on the Transferred Employees' rate of pay as of the Closing, together with (b) an amount equal to the salary or wages that such terminated Transferred Employee would have received (based on his or her salary or wages on the date of termination) through the 12-month anniversary of the Closing Date had he not been terminated.

16.4 Transferred Union Employees. Purchaser agrees to continue to recognize United Steelworkers Union Local 2-0286 (the "**Union**") as the exclusive representative for the employees in the bargaining unit covered by the collective bargaining agreement referenced on Schedule 8.7 (the "**CBA**"). Subject to any limitations imposed by applicable Law or applicable memoranda or letters of understanding, Purchaser shall maintain the CBA in full force and effect during its current term, except for changes permitted under the CBA, applicable memoranda or letters of understanding or mutually agreed to between Purchaser and the Union, and except that Purchaser shall not be required to continue any employee benefits currently provided to the Transferred Union Employees, but shall be entitled to establish such benefits as may be allowed by the CBA. Purchaser shall employ each Transferred Union Employee for a period of at least 12 months beginning on the Closing Date (unless earlier terminated for cause or unless Purchaser pays salary and severance as provided in this Section 16.4). Provided that it will not violate the terms of the CBA, Purchaser shall provide Transferred Union Employees terminated by Purchaser or any of its Affiliates without cause within one year after the Closing (a) severance payable under the CBA, plus an amount to make the aggregate severance at least equal to the amount payable under Sellers' severance plan attached hereto as Attachment VI, based on the Transferred Employees' rate of

pay as of the Closing, together with (b) an amount equal to the salary or wages that such terminated Transferred Union Employee would have received (based on his or her salary or wages on the date of termination) through the 12-month anniversary of the Closing Date had he not been terminated.

ARTICLE XVII

TRANSFER OF PERMITS AND ASSIGNMENT OF CONTRACTS

17.1 Permits and Contracts. Each of Sellers and Purchaser agrees to use its commercially reasonable efforts to obtain the transfer of the Permits, Contracts and RP Agreements from Sellers to Purchaser prior to Closing. If there are prohibitions against, or conditions to, the conveyance of any Permits, Contracts or RP Agreements, without the prior written consent of third parties either as a result of the provisions thereof or the requirements of applicable Law, and such written consents are not obtained on or prior to the Closing, then (i) any provision contained in this Agreement to the contrary withstanding, the transfer of title to, or interest in, such Permits, Contracts or RP Agreements pursuant to this Agreement shall not become effective unless and until such consent requirement is satisfied, waived or no longer applies, (ii) until such consent requirement is satisfied, waived or no longer applies, Seller shall (without infringing on the legal rights of any third party, breaching any such Permit, Contract or RP Agreement, or violating any Law) provide Purchaser with the equivalent benefits of the

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Permit, Contract or RP Agreement, by subcontract, sublease or otherwise, on the condition that Purchaser shall cooperate and assist in such efforts and shall bear all economic burdens and other obligations and liabilities of Seller regarding this post-Closing period under the Permit, Contract or RP Agreement, notwithstanding the fact that the same has not been transferred to Purchaser, and (iii) Closing shall not be delayed pending satisfaction, waiver or expiration of such consent requirement. When and if such consent requirement is so satisfied, waived or no longer applies, to the extent permitted by applicable Law, the assignment of such Permits, Contracts or RP Agreements shall become effective automatically as of the Closing Date, without further action on the part of Sellers or Purchaser and without payment of further consideration. After Closing, Sellers shall reasonably cooperate with Purchaser, at Purchaser's request and expense, to procure the transfer of any Permits, Contracts or RP Agreements not transferred to Purchaser at Closing.

17.2 Acquisition Contracts with Prior Owners. Sellers agree to use commercially reasonable efforts to obtain consent to assignment of Sellers' rights under the acquisition contracts with prior owners listed on Schedule 8.8 at Closing. If consent is obtained, Sellers will convey such rights to Purchaser at Closing.

ARTICLE XVIII

COVENANTS

18.1 Cooperation. Each of the parties shall assist and cooperate with one another to effect promptly, and shall give any notices to, make any filings with, and use its respective reasonable best efforts to obtain, all consents, approvals, and authorizations of, or any exemptions by, all Governmental Authorities in connection with the transactions contemplated by this Agreement. Each of the parties shall as promptly as practicable use its best efforts to (i) prepare and furnish all necessary applications, information and documentation (including furnishing all information requested by any Governmental Authorities); (ii) take all other actions that may be necessary to demonstrate to the FTC and CAG that Purchaser is an acceptable purchaser of the Assets, and that Purchaser will effectively compete in the marketplace using the Assets; and (iii) obtain FTC and CAG approval of Purchaser as an acceptable purchaser of the Assets and assist in causing the FTC Order and the California Consent Decree to become final without adverse modification. Without limiting the generality of the foregoing, Purchaser shall do whatever is necessary, proper or advisable to assist and cooperate with Sellers in obtaining necessary consents, approvals or orders of all Governmental Authorities necessary to consummate the transactions contemplated by this Agreement.

18.2 Transition. In addition to the specific obligations created by the Transition Services Agreement, to the extent consistent with applicable Laws, each of the parties shall reasonably cooperate with each other and shall cause its officers, employees, agents and representatives to reasonably cooperate with each other for a period of 60 days after Closing to ensure the orderly transition of the Assets and the Assumed Liabilities to Purchaser and to minimize the disruption to the respective businesses of the parties hereto (including the parties' relationships with customers and suppliers) resulting from the transactions contemplated hereby.

18.3 Access to Financial Information.

(a) Purchaser shall use reasonable commercial efforts to obtain written confirmation from the staff of the United States Securities and Exchange Commission that neither Purchaser nor its Affiliates are required to disclose historical financial statement information regarding or relating to the Assets, for any period prior to the Closing Date, as required under Rule 3-05 of Regulation S-X promulgated under the Securities Exchange Act of 1934.

(b) To the extent Purchaser is unable to obtain the written confirmation contemplated in Section 18.3(a), then upon the written request of Purchaser, at Purchaser's sole cost and expense and only to the extent necessary to comply with the disclosure obligations of Purchaser or its Affiliates under Rule 3-05 of Regulation S-X, Sellers shall use reasonable commercial efforts to provide Purchaser and its representatives (including its legal counsel and independent auditors) reasonable access during normal business hours to such historical financial information as may then be in Sellers' possession or control or to which Sellers' have rights of access that is necessary to allow Purchaser to prepare the historical financial statements required by Rule 3-05 of Regulation S-X, and to enable the audit thereof.

(c) The obligations of Sellers to disclose or provide reasonable access to any such historical financial information shall terminate three (3) years after the Effective Date. Sellers shall have no liability whatsoever to Purchaser or any other person for information provided or disclosed hereunder, or the accuracy or sufficiency thereof or in connection with any claim arising out of such information. Purchaser acknowledges that Sellers make no representation or warranty with respect to any such information and expressly disclaim any implied or constructive representation or warranty. Purchaser shall reimburse Sellers for any actual costs incurred by Sellers in performing the obligations under this Section 18.3 and shall indemnify Sellers for any and all Losses incurred by Sellers with respect to such matter.

18.4 Amendments. Without limiting the other provisions of this Article XVIII, and subject to Article XIX, each of the parties agrees to make any and all amendments or modifications to this Agreement and the Transition Services Agreement as are required by the FTC or the CAG in order to obtain

FTC and CAG approval of this Agreement and of Purchaser as an acceptable purchaser of the Assets, provided that any such amendments are not, individually or in the aggregate, materially adverse to Sellers taken as a whole (or any one of them), or Pacific Energy Partners, L.P. and its Affiliates, taken as a whole.

ARTICLE XIX

TERMINATION; DEFAULT; REMEDIES

19.1 **Termination for Adverse Conditions**. Notwithstanding anything contained herein to the contrary, this Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to Closing by Sellers if (i) either the FTC or CAG conditions its approval of this Agreement or the transaction contemplated hereby in a manner that is materially adverse to STOP, KPOP or Shore; or (ii) the FTC or CAG staff advise the parties that Purchaser is not an acceptable purchaser of the Assets or that the Agreement is not acceptable, and despite the parties' good faith efforts to modify such agreement, negotiations with the FTC

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or CAG staff have terminated without a mutually acceptable resolution. Notwithstanding anything contained herein to the contrary, this Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to Closing by Purchaser if the FTC or CAG conditions its approval of this Agreement or the transaction contemplated hereby in a manner that is materially adverse to Pacific Energy Partners, L.P. and its Affiliates, taken as a whole.

19.2 **FTC Mandated Termination or Rescission**. If the FTC, at the time it determines to make final the FTC Order, notifies Sellers (or any one of them) that Purchaser is not an acceptable acquirer of the Assets or that the manner in which the divestiture was accomplished is not acceptable, then Sellers shall have the right to effect the rescission of this Agreement upon written notice to Purchaser of such notice received from the FTC. Within three business days after receipt of any such notice, Sellers shall return the Earnest Money L/C to Purchaser unless a Purchaser Default caused such notification.

19.3 **Purchaser Default.** In the event of material non-performance, default or breach of this Agreement by Purchaser that results in the failure to consummate this Agreement (a **"Purchaser Default"**), then Sellers may, at their sole option and as their sole remedy, take any of the following courses of action:

19.3.1 terminate this Agreement and draw upon the Earnest Money L/C as liquidated damages, as follows:

IF PURCHASER DEFAULTS IN ITS OBLIGATIONS UNDER THIS AGREEMENT RESULTING IN A FAILURE TO CLOSE THE TRANSACTION ON OR BEFORE THE OUTSIDE CLOSING DATE, THEN PURCHASER AGREES THAT SELLERS WILL INCUR DAMAGES BY REASON OF SUCH DEFAULT WHICH ARE IMPRACTICAL AND EXTREMELY DIFFICULT TO ASCERTAIN OR QUANTIFY. PURCHASER AND SELLERS, IN A REASONABLE EFFORT TO ASCERTAIN SELLERS' DAMAGES, HAVE AGREED BY PLACING THEIR INITIALS BELOW THAT AN AMOUNT EQUAL TO THE FULL AMOUNT OF THE EARNEST MONEY L/C SHALL BE DEEMED TO CONSTITUTE A REASONABLE ESTIMATE OF SELLERS' DAMAGES UNDER APPLICABLE LAW, INCLUDING CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1671. ACCORDINGLY, IF PURCHASER SO DEFAULTS IN ITS OBLIGATIONS UNDER THIS AGREEMENT, SELLERS SHALL HAVE THE RIGHT TO DRAW DOWN THE FULL AMOUNT OF THE EARNEST MONEY L/C AS LIQUIDATED DAMAGES.

Initials for Seller Initials for Purchaser;

or

19.3.2 enforce specific performance of this Agreement and the transaction provided for herein according to the terms hereof by all means available at law or in equity.

19.4 **Election of Remedies.** In the event Sellers elect first to enforce this Agreement by specific performance and at any time during pursuit of enforcement elects not to pursue specific performance, then Sellers shall be entitled to pursue their remedies under this Article XIX as if it had elected to do so as above set forth, and such subsequent election to pursue its courses of action under this Article XIX shall be deemed to be an election of remedies at that time and not before.

19.5 **Sellers' Default.** In the event of non-performance, default or breach of this Agreement by Sellers that results in the failure to consummate this Agreement, then Purchaser may, at its sole option, as its exclusive remedy, enforce specific performance of this Agreement and the transaction provided for herein according to the terms hereof by all means available at law or in equity.

ARTICLE XX

BULK SALES

Sellers and Purchaser hereby waive compliance with any applicable bulk sales or similar laws.

ARTICLE XXI

ASSIGNMENT

Provided that Purchaser remains liable for all of its obligations under this Agreement, Purchaser may assign at Closing to up to three (3) of its Affiliates title to all or a portion of the Assets with at least ten (10) days prior notice to Sellers. Except as provided in the immediately preceding sentence, this Agreement may not be assigned by any party, in whole or in part without the prior written consent of the other party, which consent shall not be unreasonably withheld.

This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective heirs, legal representatives, successors and permitted assigns. This agreement is not intended to, and does not create, any rights in any third parties.

ARTICLE XXII

PAYMENTS

22.1 **Terms of Payment**. Unless otherwise specified herein, any payment to be made hereunder shall be made in U.S. dollars by wire transfer of immediately available funds, without discount or deduction, or by such other means as the parties may agree.

22.2 **Interest**. Any amount not paid by any party when due hereunder shall bear interest from the date upon which payment was due through the date of payment at a rate equal

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to one percent (1%) above the prime rate of interest as announced by Chase Manhattan Bank N.A. in New York City from time to time.

ARTICLE XXIII

NOTICES

23.1 **Notices**. All notices or other communications required hereunder shall be in writing, shall be addressed as specified below and shall be deemed to have been given: (a) at the time of delivery when delivered personally; (b) upon receipt when sent by Federal Express, or similar recognized overnight service; or (c) upon completion of successful transmission (with electronic confirmation of receipt) when sent by facsimile (unless transmission is completed outside recipient's normal working hours, in which case such notice shall be deemed given at the start of recipient's next business day), immediately followed by U.S. posting, postage prepaid.

Sellers:

Valero L.P.
c/o Richard Lashway
Director - Corporate Development, Economic Analysis
Valero Energy Corporation
One Valero Way
San Antonio, Texas 78249-1616
Phone: (210) 345-2901
Fax: (210) 345-2270

Purchaser:

5900 Cherry Avenue
Long Beach, California 90805-4408
Attn: General Counsel
Phone: (562) 728-2800
Fax: (562) 728-2823

Any Party may change its address or facsimile number by providing written notice to the others in accordance with the foregoing.

ARTICLE XXIV

GENERAL; ADDITIONAL COVENANTS

24.1 **Entire Agreement**. This Agreement, including all of the Attachments, Exhibits and Schedules hereto, constitutes the entire understanding between the parties with respect to the subject matter contained herein and supersedes any prior understandings, negotiations or

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agreements, whether written or oral, between them respecting such subject matter (other than the Confidentiality Agreement dated May 10, 2005, between Valero L.P. and Purchaser, which shall continue in full force and effect).

24.2 **Construction**. Words of any gender used in this Agreement shall be construed to include any other gender, and words in the singular number shall include the plural, and vice versa, unless the context requires otherwise. The use of the phrase "including," or phrases of similar import, shall be deemed to include the phrase "without limitation".

24.3 **Captions**. The captions used in connection with the Articles and Sections of this Agreement are for convenience only and shall not be deemed to enlarge, limit or otherwise modify the meaning or interpretation of the language of this Agreement. Any references to "Articles", "Sections", "Attachments", "Exhibits", and "Schedules" are to Articles, Sections, Attachments, Exhibits, and Schedules of this Agreement. Each Attachment, Exhibit, and Schedule referred to herein is incorporated into this Agreement by such reference; provided that to the extent of any conflict or inconsistency between any of the Attachments, Exhibits or Schedules and this Agreement, this Agreement will prevail.

24.4 **Severability**. If any provision of this Agreement is held illegal, invalid or unenforceable, such illegality, invalidity or unenforceability will not affect any other provision hereof. This Agreement shall in such circumstances be deemed modified to the extent necessary to render enforceable the provisions hereof.

24.5 **No Waiver**. The failure of any party to insist upon strict performance of any of the terms or conditions of this Agreement will not constitute a waiver of any of its rights hereunder.

24.6 **Parties in Interest; No Third Party Beneficiary**. This Agreement shall inure to the benefit of and be binding upon Purchaser and Sellers and their respective successors and assigns. Except as otherwise provided herein, nothing in this Agreement will be construed as conferring upon any person or entity other than Purchaser and Sellers, and their respective successors in interest, any right, remedy or claim under or by reason of this Agreement.

24.7 **Governing Law; Choice of Forum**. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas applicable to agreements made and to be performed entirely in the State of Texas. Any claims arising from or related to this Agreement (whether in contract, tort or otherwise) shall be governed by the laws of the State of Texas. The parties irrevocably submit to the exclusive jurisdiction of the United States District Court for the Western District of Texas for any such claims, except for those matters over which that Court does not have subject matter jurisdiction. Where the United States District County for the Western District of Texas does not have subject matter jurisdiction, the parties irrevocably submit to the exclusive jurisdiction of a state district court sitting in Bexar County, Texas.

24.8 **Best Efforts; Time of Essence**. Except as otherwise specifically provided herein, Purchaser and Sellers shall each use its best efforts to satisfy the conditions to Closing and

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otherwise consummate the transactions contemplated by this Agreement as promptly as practical. Time is of the essence with respect to the Closing of this Agreement.

24.9 **Counterparts**. This Agreement may be executed in any number of counterparts and any party hereto may execute any such counterpart, each of which when executed by both parties and delivered shall be deemed to be an original.

24.10 **Extensions of Time; Waiver**. It is agreed that any party to this Agreement may extend time for performance by any other party hereto or waive the performance of any obligation of any other party hereto or waive any inaccuracies in the representations and warranties of any other party, but any such waiver shall be in writing, and shall not constitute or be construed as a waiver of any other obligation, condition, representation or warranty under this Agreement.

24.11 **Further Assurances**. Purchaser and Sellers shall take such additional action, and shall cooperate with one another, as may be reasonably necessary to effectuate the terms of this Agreement and any agreement or instrument delivered pursuant hereto.

24.12 **No Presumption Against Drafter**. Purchaser and Sellers have each fully participated in the negotiation and drafting of this Agreement. If an ambiguity, question of intent or question of interpretation arises, this Agreement must be construed as if drafted jointly, and there must not be any presumption, inference or conclusion drawn against any party by virtue of the fact that its representative has authored this Agreement or any of its terms.

24.13 **Amendments** This Agreement cannot be altered, amended, changed or modified in any respect or particular unless each such alteration, amendment, change or modification shall have been agreed to by each of the parties hereto and reduced to writing in its entirety and signed and delivered by each party.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed as of the Effective Date.

SELLERS:

SUPPORT TERMINALS OPERATING PARTNERSHIP, L.P.,
a Delaware limited partnership

By: Support Terminal Services, Inc., its general partner

By: /s/ Curtis V. Anastasio
Curtis V. Anastasio,
President and Chief Executive Officer

KANEB PIPE LINE OPERATING PARTNERSHIP, L.P.,
a Delaware limited partnership

By: Kaneb Pipe Line Company LLC, its general partner

By: /s/ Curtis V. Anastasio
Curtis V. Anastasio,
President and Chief Executive Officer

SHORE TERMINALS LLC,
a Delaware limited liability company

By: Kaneb Pipe Line Operating Partnership, L.P., its sole member

By: Kaneb Pipe Line Company LLC, its general partner

By: /s/ Curtis V. Anastasio
Curtis V. Anastasio,
President and Chief Executive Officer

PURCHASER:

PACIFIC ENERGY GROUP LLC,
a Delaware limited liability company

By: /s/ Irvin Toole, Jr.
Irvin Toole, Jr.,
President and Chief Executive Officer

AMENDMENT NO. 2
TO
THIRD AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF
VALERO L.P.

This Amendment No. 2, dated as of July 1, 2005 (this "*Amendment*"), to the Third Amended and Restated Agreement of Limited Partnership of Valero L.P. (the "*Partnership Agreement*"), is entered into by and among Riverwalk Logistics L.P., a Delaware limited partnership, as the General Partner, and the Limited Partners as provided herein. Each capitalized term used but not otherwise defined herein shall have the meaning assigned to such term in the Partnership Agreement.

W I T N E S S E T H:

WHEREAS, Section 13.1(d) of the Partnership Agreement provides that the General Partner, without the approval of any Partner, may amend any provision of the Partnership Agreement to reflect a change that, in the discretion of the General Partner, does not adversely affect the Limited Partners in any material respect; and

WHEREAS, the General Partner deems it in the best interest of the Partnership to amend the Partnership Agreement as set forth below; and

WHEREAS, the General Partner, as the sole general partner, on behalf of itself and the Limited Partners, now desires to, and hereby does, amend the Partnership Agreement to reflect such amendment;

NOW, THEREFORE, the Partnership Agreement is hereby amended as follows:

Section 10.4(c) is hereby amended to add a new paragraph (c) to read in its entirety as follows:

(c) Notwithstanding anything to the contrary contained in this Section 10.4, in accordance with Section 17-101(12)(a)(ii) of the Delaware Act, upon surrender of its certificate representing limited partnership interests in Kaneb Pipe Line Partners, L.P. ("KPP Certificate") in accordance with the Agreement and Plan of Merger, dated as of October 31, 2004, by and among the Partnership, the General Partner, Valero GP, VLI Sub B LLC, Kaneb Pipe Line Partners, L.P. and Kaneb Pipe Line Company LLC (the "KPP Merger Agreement") (or upon a waiver of the requirement to surrender KPP Certificate granted by the General Partner in its sole discretion) and the recording of the name of such Person as a limited partner of the Partnership on the books and records of the Partnership, each holder of KPP Certificates shall automatically and effective as of the Effective Time specified in the KPP Merger Agreement be admitted to the Partnership as an Additional Limited Partner and by its surrender of a KPP Certificate or acceptance of Common Units be bound by the terms and conditions of this Agreement.

As amended hereby, the Partnership Agreement is in all respects ratified, confirmed and approved and shall remain in full force and effect.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.

GENERAL PARTNER:

RIVERWALK LOGISTICS, L.P.

By: Valero GP, LLC, its General Partner

/s/ Curtis V. Anastasio
Name: Curtis V. Anastasio
Title: Chief Executive Officer and President

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 the Limited Partners pursuant to the Powers of Attorney granted pursuant to Section 2.6

By: Valero GP, LLC, its General Partner

/s/ Curtis V. Anastasio

Name: Curtis V. Anastasio
Title: Chief Executive Officer and President

VALERO LOGISTICS OPERATIONS, L.P.,
ISSUER

VALERO L.P.,
GUARANTOR

KANEB PIPE LINE OPERATING PARTNERSHIP, L.P.,
AFFILIATE GUARANTOR

AND

THE BANK OF NEW YORK TRUST COMPANY, N.A.
AS SUCCESSOR TRUSTEE TO
THE BANK OF NEW YORK,
TRUSTEE

THIRD SUPPLEMENTAL INDENTURE

DATED AS OF JULY 1, 2005

TO

INDENTURE
DATED AS OF JULY 15, 2002

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THIRD SUPPLEMENTAL INDENTURE, dated as of July 1, 2005 (this "Third Supplemental Indenture"), among Valero Logistics Operations, L.P., a Delaware limited partnership having its principal office at One Valero Way, San Antonio, Texas 78249 (the "Partnership"), Valero L.P., a Delaware limited partnership (the "Guarantor"), Kaneb Pipe Line Operating Partnership, L.P., a Delaware limited partnership and an Affiliate of the Partnership (the "Affiliate Guarantor"), and The Bank of New York Trust Company, N.A. as successor trustee to The Bank of New York, a New York banking corporation, as trustee (the "Trustee").

RECITALS OF THE PARTNERSHIP

The Partnership, the Guarantor and the Trustee have heretofore executed and delivered the Indenture dated as of July 15, 2002 (the "Original Indenture,"), as amended and supplemented by (i) the First Supplemental Indenture thereto dated as of July 15, 2002 (the "First Supplemental Indenture") and (ii) the Second Supplemental Indenture thereto dated as of March 18, 2003 (the "Second Supplemental Indenture") (the Original Indenture, as supplemented from time to time, including without limitation pursuant to the First Supplemental Indenture, the Second Supplemental Indenture and this Third Supplemental Indenture, being referred to herein as the "Indenture"), providing for the issuance from time to time of one or more series of the Partnership's Securities, each to be guaranteed by the Guarantor and the terms of which are to be determined as set forth in Section 301 of the Original Indenture.

Section 901 of the Original Indenture provides, among other things, that the Partnership, the Guarantor and the Trustee may enter into indentures supplemental to the Original Indenture without the consent of any Holders for, among other things, the purpose of making any provisions with respect to matters or questions arising under the Indenture which shall not adversely affect the interests of the Holders of Securities of any series in any material respect.

Each of the Partnership, the Guarantor and the Affiliate Guarantor desires that the Affiliate Guarantor execute and deliver to the Trustee a supplemental indenture pursuant to which the Affiliate Guarantor shall guarantee the payment of each and every series of Securities issued under the Indenture pursuant to a guarantee on the terms and conditions set forth herein.

All acts and things necessary to make this Third Supplemental Indenture the valid and binding obligation of the Partnership, the Guarantor and the Affiliate Guarantor, and to constitute these presents a valid and binding supplemental indenture and agreement according to its terms, have been done and performed.

Pursuant to Section 901 of the Original Indenture, the Trustee is authorized to execute and deliver this Third Supplemental Indenture.

Now, Therefore, This Third Supplemental Indenture Witnesseth:

That in consideration of the premises, the Partnership, the Guarantor, the Affiliate Guarantor and the Trustee mutually covenant and agree, for the equal and proportionate benefit of all Holders of each and every series of Securities, as follows:

ARTICLE I

AMENDMENTS TO THE INDENTURE

SECTION 1.01 Definitions. Section 101 of the Indenture is hereby amended and supplemented by inserting, in the appropriate alphabetical position, the following definitions:

"Affiliate Guarantees" has the meaning specified in Section 1501.

"Affiliate Guarantor" means Kaneb Pipe Line Operating Partnership, L.P., a Delaware limited partnership, until a successor Affiliate Guarantor shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Affiliate Guarantor" shall mean or include each Person who is then an Affiliate Guarantor hereunder.

SECTION 1.02 Unconditional Affiliate Guarantee. The Indenture is hereby amended and supplemented by inserting the following new Article XV immediately after Article XIV of the Indenture:

"ARTICLE XV

SECTION 1501. Unconditional Affiliate Guarantee.

For value received, the Affiliate Guarantor hereby fully, irrevocably, unconditionally and absolutely guarantees to the Holders and to the Trustee the due and punctual payment of the principal of, and premium, if any, and interest on the Securities and all other amounts due and payable under this Indenture and the Securities by the Partnership (including, without limitation, all costs and expenses (including reasonable legal fees and disbursements) incurred by the Trustee or the Holders in connection with the enforcement of this Indenture and the Affiliate Guarantees) (collectively for the purposes of this Article XV, the "Indenture Obligations"), when and as such principal, premium, if any, and interest and such other amounts shall become due and payable, whether at the Stated Maturity, upon redemption or by declaration of acceleration or otherwise, according to the terms of the Securities and this Indenture. The guarantees by the Affiliate Guarantor set forth in this Article XV are referred to herein as the "Affiliate Guarantees." Without limiting the generality of the foregoing, the Affiliate Guarantor's liability shall extend to all amounts that constitute part of the Indenture Obligations and would be owed by the Partnership under this Indenture and the Securities but for the fact that they are unenforceable, reduced, limited, impaired, suspended or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Partnership.

Failing payment when due of any amount guaranteed pursuant to the Affiliate Guarantees, for whatever reason, the Affiliate Guarantor will be obligated (to the fullest extent permitted by applicable law) to pay the same immediately to the Trustee, without set-off or counterclaim or other reduction whatsoever (whether for taxes, withholding or otherwise). Each Affiliate Guarantee hereunder is intended to be a general, unsecured, senior obligation of the Affiliate Guarantor and will rank pari passu in right of payment with all indebtedness of the Affiliate Guarantor that is not, by its terms, expressly subordinated in right of payment to the Affiliate Guarantee of the Affiliate Guarantor. The Affiliate Guarantor hereby agrees that to the fullest extent permitted by applicable

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law, its obligations hereunder shall be full, irrevocable, unconditional and absolute, irrespective of the validity, regularity or enforceability of the Securities, the Affiliate Guarantees or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder with respect to any provisions hereof or thereof, the recovery of any judgment against the Partnership, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of the Affiliate Guarantor. The Affiliate Guarantor hereby agrees that in the event of a default in payment of the principal of, or premium, if any, or interest on the Securities of any series or any other amounts payable under this Indenture and the Securities by the Partnership, whether at the Stated Maturity, upon redemption or by declaration of acceleration or otherwise, legal proceedings may be instituted by the Trustee on behalf of the Holders or, subject to Section 507 hereof, by the Holders, on the terms and conditions set forth in this Indenture, directly against the Affiliate Guarantor to enforce the Affiliate Guarantees without first proceeding against the Partnership.

To the fullest extent permitted by applicable law, the obligations of the Affiliate Guarantor under this Article XV shall be as aforesaid full, irrevocable, unconditional and absolute and shall not be impaired, modified, discharged, released or limited by any occurrence or condition whatsoever, including, without limitation, (i) any compromise, settlement, release, waiver, renewal, extension, indulgence or modification of, or any change in, any of the obligations and liabilities of the Partnership, the Guarantor or the Affiliate Guarantor contained in any of the Securities or this Indenture, (ii) any impairment, modification, release or limitation of the liability of the Partnership, the Guarantor, the Affiliate Guarantor or any of their estates in bankruptcy, or any remedy for the enforcement thereof, resulting from the operation of any present or future provision of any applicable Bankruptcy Law, as amended, or other statute or from the decision of any court, (iii) the assertion or exercise by the Partnership, the Guarantor, the Affiliate Guarantor or the Trustee of any rights or remedies under any of the Securities or this Indenture or their delay in or failure to assert or exercise any such rights or remedies, (iv) the assignment or the purported assignment of any property as security for any of the Securities,

including all or any part of the rights of the Partnership, the Guarantor or the Affiliate Guarantor under this Indenture, (v) the extension of the time for payment by the Partnership, the Guarantor or the Affiliate Guarantor of any payments or other sums or any part thereof owing or payable under any of the terms and provisions of any of the Securities or this Indenture or of the time for performance by the Partnership, the Guarantor or the Affiliate Guarantor of any other obligations under or arising out of any such terms and provisions or the extension or the renewal of any thereof, (vi) the modification or amendment (whether material or otherwise) of any duty, agreement or obligation of the Partnership, the Guarantor or the Affiliate Guarantor set forth in this Indenture, (vii) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshaling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of, or other similar proceeding affecting, the Partnership, the Guarantor, the Affiliate Guarantor or any of their respective assets, or the disaffirmance of any of the Securities, the Guarantees, the Affiliate Guarantees or this Indenture in any such proceeding, (viii) the release or discharge of the Partnership, the Guarantor or the Affiliate Guarantor from the performance or observance of any agreement, covenant, term or condition contained in any of such instruments by operation of law, (ix) the unenforceability of any of the Securities, the Guarantees, the Affiliate Guarantees or this Indenture, (x) any change in

the name, business, capital structure, corporate existence, or ownership of the Partnership, the Guarantor or the Affiliate Guarantor, or (xi) any other circumstance which might otherwise constitute a defense available to, or a legal or equitable discharge of, a surety or the Affiliate Guarantor.

To the fullest extent permitted by applicable law, the Affiliate Guarantor hereby (i) waives diligence, presentment, demand of payment, notice of acceptance, filing of claims with a court in the event of the merger, insolvency or bankruptcy of the Partnership, the Guarantor or the Affiliate Guarantor, and all demands and notices whatsoever, (ii) acknowledges that any agreement, instrument or document evidencing the Affiliate Guarantees may be transferred and that the benefit of its obligations hereunder shall extend to each Holder of the Securities without notice to them and (iii) covenants that its Affiliate Guarantees will not be discharged except by complete performance of the Affiliate Guarantees. The Affiliate Guarantor further agrees that to the fullest extent permitted by applicable law, if at any time all or any part of any payment theretofore applied by any Person to any Affiliate Guarantee is, or must be, rescinded or returned for any reason whatsoever, including without limitation, the insolvency, bankruptcy or reorganization of the Affiliate Guarantor, such Affiliate Guarantee shall, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence notwithstanding such application, and the Affiliate Guarantees shall continue to be effective or be reinstated, as the case may be, as though such application had not been made.

The Affiliate Guarantor shall be subrogated to all rights of the Holders and the Trustee against the Partnership in respect of any amounts paid by the Affiliate Guarantor pursuant to the provisions of this Indenture; *provided*, *however*, that the Affiliate Guarantor shall not be entitled to enforce or to receive any payments arising out of, or based upon, such right of subrogation with respect to any of the Securities until all of the Securities and the Affiliate Guarantees thereof shall have been indefeasibly paid in full or discharged.

A director, officer, employee, stockholder, partner, member or unitholder, as such, of the Affiliate Guarantor shall not have any liability for any obligations of the Affiliate Guarantor under this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation.

No failure to exercise and no delay in exercising, on the part of the Trustee or the Holders, any right, power, privilege or remedy under this Article XV and the Affiliate Guarantees shall operate as a waiver thereof, nor shall any single or partial exercise of any rights, power, privilege or remedy preclude any other or further exercise thereof, or the exercise of any other rights, powers, privileges or remedies. The rights and remedies herein provided for are cumulative and not exclusive of any rights or remedies provided in law or equity. Nothing contained in this Article XV shall limit the right of the Trustee or the Holders to take any action to accelerate the maturity of the Securities pursuant to Article V or to pursue any rights or remedies hereunder or under applicable law."

ARTICLE II

MISCELLANEOUS

SECTION 2.01 Execution as Supplemental Indenture. By its execution and delivery of this Third Supplemental Indenture, the undersigned Affiliate Guarantor agrees to be bound by the provisions of the Indenture, including those of Article XV thereof. This Third Supplemental Indenture is executed and shall be construed as an indenture supplemental to the Indenture and, as provided in the Indenture, this Third Supplemental Indenture forms a part thereof. Except as herein expressly otherwise defined, the use of the terms and expressions herein is in accordance with the definitions, uses and constructions contained in the Indenture.

SECTION 2.02 Responsibility for Recitals, Etc. The recitals herein and in the Securities (except in the Trustee's certificate of authentication) shall be taken as the statements of the Partnership, and the Trustee assumes no responsibility for the correctness thereof. The Trustee makes no representations as to the validity or sufficiency of this Third Supplemental Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Partnership of the Securities or of the proceeds thereof.

SECTION 2.03 Provisions Binding on Partnership's, Guarantor's and Affiliate Guarantor's Successors. All the covenants, stipulations, promises and agreements contained in this Third Supplemental Indenture by each of the Partnership, the Guarantor and the Affiliate Guarantor shall bind its respective successors and assigns whether so expressed or not.

SECTION 2.04 Governing Law. **THIS THIRD SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.**

SECTION 2.05 Execution and Counterparts. This Third Supplemental Indenture may be executed with counterpart signature pages or in any number of counterparts, each of which shall be an original but such counterparts shall together constitute but one and the same instrument.

SECTION 2.06 Capitalized Terms. Capitalized terms not otherwise defined in this Third Supplemental Indenture shall have the respective meanings assigned to them in the Indenture.

(*The remainder of this page is intentionally blank.*)

IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed, all as of the day and year first above written.

Partnership:

VALERO LOGISTICS OPERATIONS, L.P.

By: Valero GP, Inc.,
Its General Partner

By: /s/ Curtis V. Anastasio
Name: Curtis V. Anastasio
Title: President

Guarantor:

VALERO L.P.

By: Riverwalk Logistics, L.P.,
Its General Partner

By: Valero GP, LLC,
Its General Partner

By: /s/ Curtis V. Anastasio
Name: Curtis V. Anastasio
Title: President

Affiliate Guarantor:

KANEB PIPE LINE OPERATING PARTNERSHIP, L.P.

By: Kaneb Pipe Line Company LLC,
Its General Partner

By: /s/ Steven A. Blank
Name: Steven A. Blank
Title: Senior Vice President

Trustee:

THE BANK OF NEW YORK TRUST COMPANY, N.A. AS SUCCESSOR TRUSTEE TO THE BANK OF NEW YORK, AS TRUSTEE

By: /s/ Patrick T. Giordano
Name: Patrick T. Giordano
Title: Vice President

EXHIBIT 4.03

KANEB PIPE LINE OPERATING PARTNERSHIP, L.P.

ISSUER

JPMORGAN CHASE BANK

TRUSTEE

INDENTURE

DATED AS OF FEBRUARY 21, 2002

SENIOR DEBT SECURITIES

Senior Indenture

Reconciliation and Tie between Trust Indenture Act of 1939 and Indenture Trust Indenture

TIA Section		Indenture Section
Section 310	(a)(1)	7.10
	(a)(2)	7.10
	(a)(3)	N/A
	(a)(4)	N/A
	(a)(5)	7.10
	(b)	7.03; 7.10
	(c)	N.A.
Section 311	(a)	7.11
	(b)	7.11
	(c)	N.A.
Section 312	(a)	5.01
	(b)	5.01
	(c)	5.02
Section 313	(a)	5.04
	(b)	5.04
	(c)	1.07
	(d)	5.04
Section 314	(a)(1)	5.03
	(a)(2)	5.03
	(a)(3)	5.03
	(a)(4)	4.05
	(b)	N.A.
	(c)(1)	1.09
	(c)(2)	1.09
	(c)(3)	N.A.
	(d)	N.A.
	(e)	1.09
	(f)	N.A.
Section 315	(a)	7.01
	(b)	6.07; 1.07
	(c)	7.01
	(d)	7.01
	(e)	6.08
Section 316	(a) (last sentence)	1.01
	(a)(1)(A)	6.06
	(a)(1)(B)	6.06
	(a)(2)	9.01(f)
	(b)	6.04
	(c)	5.05
Section 317	(a)(1)	6.02
	(a)(2)	6.02

	(b)	4.04
Section 318	(a)	1.11
	(b)	N/A
	(c)	1.03; 1.11

NOTE: This Reconciliation and Tie shall not, for any purpose, be deemed to be a part of this Indenture.

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INDENTURE dated as of February 21, 2002, among KANEB PIPE LINE OPERATING PARTNERSHIP, L.P., a Delaware limited partnership (the "PARTNERSHIP"), and JPMORGAN CHASE BANK, a New York banking corporation (the "TRUSTEE").

WITNESSETH:

WHEREAS, Kaneb Pipe Line Company, LLC, a Delaware limited liability company (the "GENERAL PARTNER"), as the general partner of the Partnership, has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its debentures, notes, bonds or other evidences of indebtedness to be issued in one or more series in an unlimited aggregate principal amount (herein called the "DEBT SECURITIES"), as in this Indenture provided; and

WHEREAS, all things necessary to make this Indenture a valid agreement of the Partnership, in accordance with its terms, have been done;

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for good and valuable consideration, the sufficiency of which is hereby acknowledged, the Partnership and the Trustee hereby agree with each other, for the equal and proportionate benefit of the respective Holders from time to time of the Debt Securities or any series thereof, as follows:

ARTICLE 1
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.01. CERTAIN TERMS DEFINED.

The terms defined in this Section 1.01 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any Indenture supplemental hereto shall have the respective meanings specified in this Section 1.01. All other terms used in this Indenture which are defined in the Trust Indenture Act or which are by reference therein defined in the Securities Act (except as herein otherwise expressly provided or unless the context otherwise requires), shall have the meanings assigned to such terms in the Trust Indenture Act and in the Securities Act as in force as of the date of original execution of this Indenture.

"BANKRUPTCY LAW" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors.

"BOARD OF DIRECTORS" means the board of directors of the General Partner, or with respect to any determination or resolution required or permitted to be made hereunder, any duly authorized committee or subcommittee of such board or any directors or officers of the General Partner to whom such board of directors or such committee or subcommittee shall have delegated its authority to act hereunder. If the Partnership changes its form of entity to other than as limited partnership, the references to the board of directors of the General Partner shall mean the board of directors (or other comparable governing body) of the Partnership.

"BOARD RESOLUTION" means a copy of a resolution certified by the appropriate person to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification.

"BUSINESS DAY" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in the Borough of Manhattan, the City of New York, New York, or the city in which the Corporate Trust Office of the Trustee is located, are authorized or obligated by law or executive order to close.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time and any successor statute.

"COMMISSION" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"CORPORATE TRUST OFFICE OF THE TRUSTEE" means the principal corporate trust office of the Trustee, at which at any particular time its corporate trust business shall be administered, which office at the date of execution of this Indenture is located at Chase Tower 600 Travis Street, Suite 1150, Houston, Texas 77002, Attention: Mauri Cowen.

"CURRENCY" means Dollars or Foreign Currency.

"DEBT" of any Person at any date means any obligation created or assumed by such Person for the repayment of borrowed money or any guarantee therefor.

"DEBT SECURITY" or "DEBT SECURITIES" has the meaning stated in the first recital of this Indenture and more particularly means any debt security or debt securities, as the case may be, of any series authenticated and delivered under this Indenture.

"DEFAULT" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"DEPOSITARY" means, unless otherwise specified by the Partnership pursuant to either Section 2.03 or 2.15, with respect to registered Debt Securities of any series issuable or issued in whole or in part in the form of one or more Global Securities, The Depository Trust Company, New York, New York, or any successor thereto registered as a clearing agency under the Exchange Act or other applicable statute or regulations.

"DOLLAR" or "$" means such currency of the United States as at the time of payment is legal tender for the payment of public and private debts.

"DOLLAR EQUIVALENT" means, with respect to any monetary amount in a Foreign Currency, at any time for the determination thereof, the amount of Dollars obtained by converting such Foreign Currency involved in such computation into Dollars at the spot rate for the purchase of Dollars with the applicable Foreign Currency as quoted by Citibank, N.A. (unless another comparable financial institution is designated by the Partnership) in New York, New York at approximately 11:00 a.m. (New York time) on the date two business days prior to such determination.

"EQUITY INTERESTS" means:

(i) in the case of a corporation, corporate stock;

(ii) in the case of an association or a business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(iii) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited);

(iv) any other interest or participation (howsoever designated) that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person; and

(v) all warrants, options or other rights to acquire any of the interests described in clauses (i) through (iv) above (but excluding any debt security that is convertible into, or exchangeable for, any of the interests described in clauses (i) through (iv) above).

"EVENT OF DEFAULT" has the meaning specified in Section 6.01.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended, or any successor statute.

"FLOATING RATE SECURITY" means a Debt Security that provides for the payment of interest at a variable rate determined periodically by reference to an interest rate index specified pursuant to Section 2.03.

"FOREIGN CURRENCY" means a currency issued or adopted by the government of any country other than the United States or a composite currency the value of which is determined by reference to the values of the currencies of any group of countries.

"GAAP" means United States generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect from time to time.

"GENERAL PARTNER" means Kaneb Pipe Line Company, LLC, a Delaware limited liability company, and its successors and permitted assigns as general partner of the Partnership.

"GLOBAL SECURITY" means with respect to any series of Debt Securities issued hereunder, a Debt Security that is executed by the Partnership and authenticated and delivered by the Trustee to the Depositary or pursuant to the Depositary's instruction, all in accordance with this Indenture and any Indentures supplemental hereto, or the applicable Board Resolution and set forth in an Officers' Certificate, which shall be registered in the name of the Depositary or its nominee and which shall represent, and shall be denominated in an amount equal to the aggregate principal amount of, all the Outstanding Debt Securities of such series or any portion thereof, in either case having the same terms, including, without limitation, the same original issue date, date or dates on which principal is due and interest rate or method of determining interest.

"HOLDER," "HOLDER OF DEBT SECURITIES" or other similar terms mean, with respect to a Registered Security, the Registered Holder.

"INDENTURE" means this instrument as originally executed, or, if amended or supplemented as herein provided, as so amended or supplemented, and shall include the form and terms of particular series of Debt Securities as contemplated hereunder, whether or not a supplemental Indenture is entered into with respect thereto.

"ISSUER ORDER" means a written order of the Partnership, signed by the Chairman of the Board, President or any Vice President of the General Partner and by the Treasurer, Secretary, any Assistant Treasurer or any Assistant Secretary of the General Partner.

"LIEN" means, with respect to any asset, any mortgage, lien (statutory or otherwise), pledge, charge, security interest, hypothecation, assignment for security, claim, preference, priority or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement or any lease in the nature thereof, any option or other agreement to grant a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statute) of any jurisdiction, other than a precautionary financing statement respecting a Lien not intended as a security agreement.

"OFFICERS' CERTIFICATE" means a certificate signed by the Chairman of the Board of Directors, President or any vice President of the General Partner and by the Treasurer, Secretary, any Assistant Treasurer or any Assistant Secretary of the General Partner. Each such certificate shall include the statements provided for in Section 1.09, if applicable.

"OPINION OF COUNSEL" means an opinion in writing signed by legal counsel for the Partnership (which counsel may be an employee of the Partnership or outside counsel for the Partnership). Each such opinion shall include the statements provided for in Section 1.09, if applicable.

"ORIGINAL ISSUE DISCOUNT DEBT SECURITY" means any Debt Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration or acceleration of the maturity thereof pursuant to Section 6.01.

"OUTSTANDING" when used with respect to any series of Debt Securities, means, as of the date of determination, all Debt Securities of that series theretofore authenticated and delivered under this Indenture, except:

(i) Debt Securities of that series theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(ii) Debt Securities of that series for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any paying agent (other than the Partnership) in trust or set aside and segregated in trust by the Partnership (if the Partnership shall act as its own paying agent) for the holders of such Debt Securities; provided, that, if such Debt Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and

(iii) Debt Securities of that series which have been paid pursuant to Section 2.09 or in exchange for or in lieu of which other Debt Securities have been authenticated and delivered pursuant to this Indenture, other than any such Debt Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such

Debt Securities are held by a bona fide purchaser in whose hands such Debt Securities are valid obligations of the Partnership;

provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Debt Securities of any series have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Debt Securities owned by the Partnership or any other obligor upon the Debt Securities or any Subsidiary of the Partnership or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Debt Securities which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded. Debt Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Debt Securities and that the pledgee is not the Partnership or any other obligor upon the Debt Securities or a Subsidiary of the Partnership or of such other obligor. In determining whether the Holders of the requisite principal amount of outstanding Debt Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, the principal amount of an Original Issue Discount Debt Security that shall be deemed to be Outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the maturity thereof pursuant to Section 6.01. In determining whether the Holders of the requisite principal amount of the Outstanding Debt Securities of any series have given any request, demand, authorization, direction, notice, consent or waiver hereunder, the principal amount of a Debt Security denominated in one or more Foreign Currencies or currency units that shall be deemed to be Outstanding for such purposes shall be the Dollar Equivalent, determined in the manner provided as contemplated by Section 2.03 on the date of original issuance of such Debt Security, of the principal amount (or, in the case of any Original Issue Discount Security, the Dollar Equivalent on the date of original issuance of such Security of the amount determined as provided in the preceding sentence above) of such Debt Security.

"PARENT PARTNERSHIP" means Kaneb Pipe Line Partners, L.P., a Delaware limited partnership, and its successors and assigns.

"PARTNERSHIP" means Kaneb Pipe Line Operating Partnership, L.P., a Delaware limited partnership, and, subject to the provisions of Article 10, shall also include its successors and assigns.

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

"PLACE OF PAYMENT" means, when used with respect to the Debt Securities of any series, the place or places where the principal of, and premium, if any, and interest on, the Debt Securities of that series are payable as specified pursuant to Section 2.03.

"REGISTERED HOLDER" means the Person in whose name a Registered Security is registered in the Debt Security Register (as defined in Section 2.07(a)).

"REGISTERED SECURITY" means any Debt Security registered as to principal and interest in the Debt Security Register (as defined in Section 2.07(a)).

"REGISTRAR" has the meaning set forth in Section 2.07(a).

"RESPONSIBLE OFFICER" when used with respect to the Trustee, means any officer within the Corporate Trust Office of the Trustee or any other officer of the Trustee performing functions similar to those performed by the persons who at the time shall be such officers, and any other officer of the Trustee to whom corporate trust matters are referred because of his knowledge of and familiarity with the particular subject.

"SECURITIES ACT" means the Securities Act of 1933, as amended, or any successor statute.

"STATED MATURITY" means, at any time, with respect to any installment of interest or principal on any series of Debt Securities, the date on which such payment of interest or principal was scheduled to be paid in the original documentation governing such indebtedness or such later date as such documentation shall provide at that time, and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"SUBSIDIARY" means, with respect to any Person:

(i) any corporation, association or other business entity of which more than 50% of the Voting Stock is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(ii) any partnership (whether general or limited) or limited liability company (a) the sole general partner or the managing general partner or managing member of which is such Person or a Subsidiary of such Person, or (b) if there are more than a single general partner or member, either (y) the only general partners or managing members of which are such Person and/or one or more Subsidiaries of such Person (or any combination thereof) or (z) such Person owns or controls, directly or indirectly, a majority of the outstanding general partner interests, member interests or other Voting Stock of such partnership, limited liability company or joint venture, respectively.

"TRUST INDENTURE ACT" (except as herein otherwise expressly provided) means the Trust Indenture Act of 1939 as in force at the date of this Indenture as originally executed and, to the extent required by law, as amended, or any successor statute.

"TRUSTEE" initially means First Union National Bank and any other Person or Persons appointed as such from time to time pursuant to Section 7.08, and, subject to the provisions of Article VII, includes its or their successors and assigns. If at any time there is more than one such Person, "Trustee" as used with respect to the Debt Securities of any series shall mean the Trustee with respect to the Debt Securities of that series.

"UNITED STATES" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

"U.S. GOVERNMENT OBLIGATIONS" means securities that are (i) direct obligations of the United States for the payment of which its full faith and credit is pledged; (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States, which, in either case, under clause (i) or (ii) above, are not callable or

redeemable at the option of the issuers thereof; or (iii) depository receipts issued by a bank or trust company as custodian with respect to any such U.S. Government Obligations or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation evidenced by such depository receipt.

"VOTING STOCK" of any Person as of any date means the Equity Interests of such Person pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers, general partners or trustees of any Person (regardless of whether, at the time, Equity Interests of any other class or classes shall have, or might have, voting power by reason of the occurrence of any contingency) or, with respect to a partnership (whether general or limited), any general partner interest in such partnership.

"YIELD TO MATURITY" means the yield to maturity calculated at the time of issuance of a series of Debt Securities, or, if applicable, at the most recent redetermination of interest on such series and calculated in accordance with accepted financial practice.

SECTION 1.02. OTHER DEFINITIONS.

Term	Section in which Defined
"DEFAULTED INTEREST"	2.17
"DESIGNATED CURRENCY"	2.18
"MANDATORY SINKING FUND PAYMENT"	3.04
"OPTIONAL SINKING FUND PAYMENT"	3.04
"SUCCESSOR COMPANY"	10.01

SECTION 1.03. INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT.

This Indenture is subject to the mandatory provisions of the Trust Indenture Act which are incorporated by reference in and made a part of this Indenture. The following Trust Indenture Act terms have the following meanings:

"INDENTURE SECURITIES" means the Debt Securities.

"INDENTURE SECURITY HOLDER" means a Holder.

"INDENTURE TO BE QUALIFIED" means this Indenture.

"INDENTURE TRUSTEE" or "INSTITUTIONAL TRUSTEE" means the Trustee.

"OBLIGOR" on this Indenture securities means the Partnership and any other obligor on the Debt Securities.

All other Trust Indenture Act terms used in this Indenture that are defined by the Trust Indenture Act, reference to another statute or defined by rules of the Securities and Exchange Commission have the meanings assigned to them by such definitions.

SECTION 1.04. RULES OF CONSTRUCTION.

Unless the context otherwise requires:

(i) a term has the meaning assigned to it;

(ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(iii) "or" is not exclusive;

(iv) "including" (in all of its forms) means including without limitation;

(v) words in the singular include the plural and words in the plural include the singular;

(vi) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision;

(vii) unless the contract otherwise requires, any references to an Article or a Section refers to an Article or a Section, respectively, of this Indenture;

(viii) any gender used in this Indenture shall be deemed to include the neuter, masculine or feminine genders; and

(ix) when used with references to the Debt Securities, the expression "of like tenor" refers to Debt Securities of the same series.

SECTION 1.05. SUCCESSORS AND ASSIGNS OF THE PARTNERSHIP BOUND BY THIS INDENTURE.

All the covenants, stipulations, promises and agreements in this Indenture contained by or in behalf of the Partnership or the Trustee shall bind its successors and assigns, whether so expressed or not.

SECTION 1.06. ACTS OF BOARD, COMMITTEE OR OFFICER OF SUCCESSOR COMPANY VALID.

Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any Board Resolution, committee thereof or officer of the General Partner, as applicable, shall and may be done and performed with like force and effect by the like Board of Directors, committee thereof or officer of any Successor Company.

SECTION 1.07. REQUIRED NOTICES OR DEMANDS.

Except as otherwise expressly provided in this Indenture, any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Holders to or on the Partnership may be given or served by being deposited postage prepaid in a post office letter box in the United States addressed (until another address is filed by the Partnership with the Trustee) as follows: Kaneb Pipe Line Operating Partnership, L.P., 2435 North Central Expressway, Richardson, Texas 75080, Attention: Edward Doherty. Except as otherwise expressly provided in this Indenture, any notice, direction, request or demand by the Partnership or by any Holder to or upon the Trustee may be given or made, for all purposes, by

being deposited, postage prepaid, in a post office letter box in the United States addressed to the Corporate Trust Office of the Trustee initially at Chase Tower, 600 Travis St., Suite 1150, Houston, Texas 77002, Attention: Mauri Cowen. The Partnership or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice required or permitted to a Registered Holder by the Partnership or the Trustee pursuant to the provisions of this Indenture shall be deemed to be properly mailed by being deposited postage prepaid in a post office letter box in the United States addressed to such Holder at the address of such Holder as shown on the Debt Security Register. Any report pursuant to Section 313 of the Trust Indenture Act shall be transmitted in compliance with subsection (c) therein. Notwithstanding the foregoing, any notice to Holders of Floating Rate Securities regarding the determination of a periodic rate of interest, if such notice is required pursuant to Section 2.03, shall be sufficiently given in the manner specified pursuant to Section 2.03.

In the event of suspension of regular mail service or by reason of any other cause it shall be impracticable to give notice by mail, then such notification as shall be given with the approval of the Trustee shall constitute sufficient notice for every purpose hereunder.

Failure to mail a notice or communication to a Holder or any defect in it or any defect in any notice by publication as to a Holder shall not affect the sufficiency of such notice with respect to other Holders. If a notice or communication is mailed or published in the manner provided above, it is conclusively presumed duly given.

SECTION 1.08. INDENTURE AND DEBT SECURITIES TO BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

This Indenture and each Debt Security shall be deemed to be New York contracts, and for all purposes shall be construed in accordance with the laws of said State (without reference to principles of conflicts of law).

SECTION 1.09. OFFICERS' CERTIFICATE AND OPINION OF COUNSEL TO BE FURNISHED UPON APPLICATION OR DEMAND BY THE PARTNERSHIP.

Upon any application or demand by the Partnership to the Trustee to take any action under any of the provisions of this Indenture, the Partnership shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with, except that in the case of any such application or demand as to which the furnishing of such document is specifically required by any provision of this Indenture relating to such particular application or demand, no additional certificate or opinion need be furnished.

Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture shall include (i) a statement that the Person making such certificate or opinion has read such covenant or condition, (ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based, (iii) a statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with and (iv) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

SECTION 1.10. PAYMENTS DUE ON LEGAL HOLIDAYS.

In any case where the date of maturity of interest on or principal of and premium, if any, on the Debt Securities of a series or the date fixed for redemption or repayment of any Debt Security or the making of any sinking fund payment shall not be a business day at any Place of Payment for the Debt Securities of such series, then payment of interest or principal and premium, if any, or the making of such sinking fund payment need not be made on such date at such Place of Payment, but may be made on the next succeeding business day at such Place of Payment with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date. If a record date is not a business day, the record date shall not be affected.

SECTION 1.11. PROVISIONS REQUIRED BY TRUST INDENTURE ACT TO CONTROL.

If and to the extent that any provision of this Indenture limits, qualifies or conflicts with a provision of the Trust Indenture Act or with another provision included in this Indenture which is required to be included in this Indenture by any of Sections 310 to 318, inclusive, of the Trust Indenture Act, such required provision shall control.

SECTION 1.12. COMPUTATION OF INTEREST ON DEBT SECURITIES.

Interest, if any, on the Debt Securities shall be computed on the basis of a 360-day year of twelve 30-day months, except as may otherwise be provided pursuant to Section 2.03.

SECTION 1.13. RULES BY TRUSTEE, PAYING AGENT AND REGISTRAR.

The Trustee may make reasonable rules for action by or a meeting of Holders. The Registrar and any paying agent may make reasonable rules for their functions.

SECTION 1.14. NO RECOURSE AGAINST OTHERS.

Neither the Parent Partnership nor the General Partner, nor any past, present or future director, officer, partner, employee, incorporator, manager, stockholder, unitholder or member of the Partnership, the General Partner, the Parent Partnership or any other Person an obligor on the Debt Securities of any series, as such, shall have any liability for any obligations of the Partnership or any other obligors under the Debt Securities or this Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Debt Security waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Debt Securities.

SECTION 1.15. SEVERABILITY.

In case any provision in this Indenture or the Debt Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.16. EFFECT OF HEADINGS.

The article and section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.17. INDENTURE MAY BE EXECUTED IN COUNTERPARTS.

This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

ARTICLE 2
DEBT SECURITIES

SECTION 2.01. FORMS GENERALLY.

The Debt Securities of each series shall be in substantially the form established without the approval of any Holder by or pursuant to a Board Resolution of the Partnership or in one or more Indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as the Partnership may deem appropriate (and, if not contained in a supplemental Indenture entered into in accordance with Article 9, as are not prohibited by the provisions of this Indenture) or as may be required or appropriate to comply with any law or with any rules made pursuant thereto or with any rules of any securities exchange on which such series of Debt Securities may be listed, or to conform to general usage, or as may, consistently herewith, be determined by the officers executing such Debt Securities as evidenced by their execution of the Debt Securities.

The definitive Debt Securities of each series shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Debt Securities, as evidenced by their execution of such Debt Securities.

SECTION 2.02. FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

The Trustee's Certificate of Authentication on all Debt Securities authenticated by the Trustee shall be in substantially the following form:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Debt Securities of the series designated therein referred to in the within-mentioned Indenture.

JPMORGAN CHASE BANK,
As Trustee

By _____
Authorized Signatory

Dated: February , 2002

SECTION 2.03. PRINCIPAL AMOUNT; ISSUABLE IN SERIES.

The aggregate principal amount of Debt Securities which may be issued, executed, authenticated, delivered and outstanding under this Indenture is unlimited.

The Debt Securities may be issued in one or more series. There shall be established, without the approval of any Holders, in or pursuant to a Board Resolution of the Partnership and set forth in an Officers' Certificate of the Partnership, or established in one or more Indentures supplemental hereto, prior to the issuance of Debt Securities of any series any or all of the following:

(1) the form and title of the Debt Securities of the series (which shall distinguish the Debt Securities of the series from all other Debt Securities);

(2) any limit upon the aggregate principal amount of the Debt Securities of the series which may be authenticated and delivered under this Indenture (except for Debt Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Debt Securities of the series pursuant to this Article 2);

(3) the date or dates on which the Debt Securities may be issued; the date or dates on which the principal and premium, if any, of the Debt Securities of the series are payable;

(4) the rate or rates (which may be fixed or variable) at which the Debt Securities of the series shall bear interest, if any, or the method of determining such rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable, or the method by which such date will be determined, and in the case of Registered Securities, the record dates for the determination of Holders thereof to whom such interest is payable; and the basis upon which interest will be calculated if other than that of a 360-day year of twelve thirty-day months;

(5) the Place or Places of Payment, if any, in addition to or instead of the Corporate Trust Office of the Trustee where the principal of, and premium, if any, and interest on, Debt Securities of the series shall be payable;

(6) the price or prices at which, the period or periods within which and the terms and conditions upon which Debt Securities of the series may be redeemed, in whole or in part, at the option of the Partnership or otherwise;

(7) the obligation, if any, of the Partnership to redeem, purchase or repay Debt Securities of the series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof, and the price or prices at which and the period or periods within which and the terms and conditions upon which Debt Securities of the series shall be redeemed, purchased or repaid, in whole or in part, pursuant to such obligations;

(8) the terms, if any, upon which the Debt Securities of the series may be convertible into or exchanged for Equity Interests, other Debt Securities or other securities of any kind of the Partnership or any other obligor or issuer and the terms and conditions upon which such conversion or exchange shall be effected, including the

initial conversion or exchange price or rate, the conversion or exchange period and any other provision in addition to or in lieu of those described herein;

(9) if other than denominations of $1,000 and any integral multiple thereof, the denominations in which Debt Securities of the series shall be issuable;

(10) if the amount of principal of or any premium or interest on Debt Securities of the series may be determined with reference to an index or pursuant to a formula, the manner in which such amounts will be determined;

(11) if the principal amount payable at the Stated Maturity of Debt Securities of the series will not be determinable as of any one or more dates prior to such Stated Maturity, the amount which will be deemed to be such principal amount as of any such date for any purpose, including the principal amount thereof which will be due and payable upon any maturity other than the Stated Maturity or which will be deemed to be Outstanding as of any such date (or, in any such case, the manner in which such deemed principal amount is to be determined); and the manner of determining the equivalent thereof in the currency of the United States of America for purposes of the definition of Dollar Equivalent;

(12) any changes or additions to Article 11, including the addition of additional covenants that may be subject to the covenant defeasance option pursuant to Section 11.02(b);

(13) if other than Dollars, the coin or Currency or Currencies or units of two or more Currencies in which payment of the principal of and premium, if any, and interest on, Debt Securities of the series shall be payable;

(14) if other than the principal amount thereof, the portion of the principal amount of Debt Securities of the series which shall be payable upon declaration of acceleration of the maturity thereof pursuant to Section 6.01 or provable in bankruptcy pursuant to Section 6.02;

(15) the terms, if any, of the transfer, mortgage, pledge or assignment as security for the Debt Securities of the series of any properties, assets, moneys, proceeds, securities or other collateral, including whether certain provisions of the Trust Indenture Act are applicable and any corresponding changes to provisions of this Indenture as currently in effect;

(16) any addition to or change in the Events of Default with respect to the Debt Securities of the series and any change in the right of the Trustee or the Holders to declare the principal of and interest on, such Debt Securities due and payable;

(17) if the Debt Securities of the series shall be issued in whole or in part in the form of a Global Security or Securities, the terms and conditions, if any, upon which such Global Security or Securities may be exchanged in whole or in part for other individual Debt Securities in definitive registered form; and the Depositary for such Global Security or Securities and the form of any legend or legends to be borne by any such Global Security or Securities in addition to or in lieu of the legend referred to in Section 2.15;

(18) any trustees, authenticating or paying agents, transfer agents or registrars;

(19) the applicability of, and any addition to or change in the covenants and definitions currently set forth in this Indenture or in the terms currently set forth in Article 10, including conditioning any merger, conveyance, transfer or lease permitted by Article 10 upon the satisfaction of an indebtedness coverage standard by the Partnership and any Successor Company (as defined in Article 10);

(20) the terms, if any, of any guarantee of the payment of principal of, and premium, if any, and interest on, Debt Securities of the series and any corresponding changes to the provisions of this Indenture as currently in effect;

(21) with regard to Debt Securities of the series that do not bear interest, the dates for certain required reports to the Trustee;

(22) any other terms of the Debt Securities of the series (which terms shall not be prohibited by the provisions of this Indenture); and

(23) applicable CUSIP Numbers.

All Debt Securities of any one series appertaining thereto shall be substantially identical except as to denomination and except as may otherwise be provided in or pursuant to such Board Resolutions and as set forth in such Officers' Certificates or in any such Indenture supplemental hereto.

SECTION 2.04. EXECUTION OF DEBT SECURITIES.

The Debt Securities shall be signed on behalf of the Partnership by the Chairman of the Board, the President or a Vice President of the General Partner. Such signatures upon the Debt Securities may be the manual or facsimile signatures of the present or any future such authorized officers and may be imprinted or otherwise reproduced on the Debt Securities. The seal of the Partnership, if any, may be in the form of a facsimile thereof and may be impressed, affixed, imprinted or otherwise reproduced on the Debt Securities.

Only such Debt Securities as shall bear thereon a certificate of authentication substantially in the form hereinbefore recited, signed manually by the Trustee, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee upon any Debt Security executed by the Partnership shall be conclusive evidence that the Debt Security so authenticated has been duly authenticated and delivered hereunder.

In case any officer of the General Partner who shall have signed any of the Debt Securities shall cease to be such officer before the Debt Securities so signed shall have been authenticated and delivered by the Trustee, or disposed of by the Partnership, such Debt Securities nevertheless may be authenticated and delivered or disposed of as though the Person who signed such Debt Securities had not ceased to be such officer of the General Partner; and any Debt Security may be signed on behalf of the Partnership by such Persons as, at the actual date of the execution of such Debt Security, shall be the proper officers of the General Partner although at the date of such Debt Security or of the execution of this Indenture any such Person was not such officer.

SECTION 2.05. AUTHENTICATION AND DELIVERY OF DEBT SECURITIES.

At any time and from time to time after the execution and delivery of this Indenture, the Partnership may deliver Debt Securities of any series executed by the Partnership to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Debt Securities to or upon an Issuer Order. The Debt Securities shall be dated the date of their authentication. In authenticating such Debt Securities and accepting the additional responsibilities under this Indenture in relation to such Debt Securities, the Trustee shall be entitled to receive, and (subject to Section 7.01) shall be fully protected in relying upon:

(i) a copy of any Board Resolution of the Partnership, certified by the Secretary or Assistant Secretary of the General Partner of the Partnership, authorizing the terms of issuance of any series of Debt Securities;

(ii) an executed supplemental Indenture, if any;

(iii) an Officers' Certificate; and

(iv) an Opinion of Counsel prepared in accordance with Section 1.09 substantially to the effect that:

(a) the form of such Debt Securities has been established by or pursuant to a Board Resolution of the Partnership or by a supplemental Indenture as permitted by Section 2.01 in conformity with the provisions of this Indenture;

(b) the terms of such Debt Securities have been established by or pursuant to a Board Resolution of the Partnership or by a supplemental Indenture as permitted by Section 2.03 in conformity with the provisions of this Indenture; and

(c) such Debt Securities, when authenticated and delivered by the Trustee and issued by the Partnership in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Partnership, enforceable in accordance with their terms except as (y) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and (z) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability.

Such Opinion of Counsel need express no opinion as to whether a court in the United States would render a money judgment in a Currency other than Dollars.

The Trustee shall have the right to decline to authenticate and deliver any Debt Securities under this Section 2.05 if the Trustee, being advised by counsel, determines that such action may not lawfully be taken or if the Trustee in good faith by its board of directors or trustees, executive committee or a trust committee of directors, trustees or vice presidents shall determine that such action would expose the Trustee to personal liability to existing Holders.

The Trustee may appoint an authenticating agent reasonably acceptable to the Partnership to authenticate Debt Securities of any series. Unless limited by the terms of such appointment, an authenticating agent may authenticate Debt Securities whenever the Trustee may do so. Each

reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as any Registrar, paying agent or agent for service of notices and demands.

Unless otherwise provided in the form of Debt Security for any series, each Debt Security shall be dated the date of its authentication.

SECTION 2.06. DENOMINATION OF DEBT SECURITIES.

Unless otherwise provided in the form of Debt Security for any series, the Debt Securities of each series shall be issuable only as Registered Securities in such denominations as shall be specified or contemplated by Section 2.03. In the absence of any such specification with respect to the Debt Securities of any series, the Debt Securities of such series shall be issuable in denominations of $1,000 and any integral multiple thereof.

SECTION 2.07. GENERAL PROVISIONS FOR REGISTRATION OF TRANSFER AND EXCHANGE.

The Partnership shall keep or cause to be kept a register for each series of Registered Securities issued hereunder (hereinafter collectively referred to as the "DEBT SECURITY REGISTER"), in which, subject to such reasonable regulations as it may prescribe, the Partnership shall provide for the registration of Registered Securities and the transfer of Registered Securities as in this Article 2 provided. At all reasonable times the Debt Security Register shall be open for inspection by the Trustee. Subject to Section 2.15, upon due presentment for registration of transfer of any Registered Security at any office or agency to be maintained by the Partnership in accordance with the provisions of Section 4.02, the Partnership shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Registered Security or Registered Securities of authorized denominations for a like aggregate principal amount.

Unless and until otherwise determined by a Board Resolution of the Partnership, the register of the Partnership for the purpose of registration, exchange or registration of transfer of the Registered Securities shall be kept at the Corporate Trust Office of the Trustee and, for this purpose, the Trustee shall be designated "REGISTRAR". No prior notice to the Holders of Debt Securities is required to effect the designation of a substitute Registrar by the Partnership.

Registered Securities of any series (other than a Global Security, except as set forth below) may be exchanged for a like aggregate principal amount of Registered Securities of the same series of other authorized denominations. Subject to Section 2.15, Registered Securities to be exchanged shall be

surrendered at the office or agency to be maintained by the Partnership as provided in Section 4.02, and the Partnership shall execute and the Trustee shall authenticate and deliver in exchange therefor the Registered Security or Registered Securities that the Holder making the exchange shall be entitled to receive.

All Registered Securities presented or surrendered for registration of transfer, exchange or payment shall (if so required by the Partnership, the Trustee or the Registrar) be duly endorsed or be accompanied by a written instrument or instruments of transfer, in form satisfactory to the Partnership, the Trustee and the Registrar, duly executed by the Registered Holder or his attorney duly authorized in writing.

All Debt Securities issued in exchange for or upon transfer of Debt Securities shall be the legal, valid and binding obligations of the Partnership, evidencing the same debt, and entitled to

the same benefits under this Indenture as the Debt Securities surrendered for such exchange or transfer.

No service charge shall be made for any exchange or registration of transfer of Debt Securities (except as provided by Section 2.09), but the Partnership may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto, other than those expressly provided in this Indenture to be made at the Partnership's own expense or without expense or without charge to the Holders.

The Partnership shall not be required (i) to issue, register the transfer of or exchange any Debt Securities for a period of 15 days next preceding any mailing of notice of redemption of Debt Securities of such series or (ii) to register the transfer of or exchange any Debt Securities selected, called or being called for redemption.

Specific procedures for registration of transfer and exchange of any series of Debt Securities may be set forth in the applicable supplemental Indenture for such Debt Securities.

SECTION 2.08. TEMPORARY DEBT SECURITIES.

Pending the preparation of definitive Debt Securities of any series, the Partnership may execute and the Trustee shall authenticate and deliver temporary Debt Securities (printed, lithographed, photocopied, typewritten or otherwise produced) of any authorized denomination, and substantially in the form of the definitive Debt Securities in lieu of which they are issued, in registered form and with such omissions, insertions and variations as may be appropriate for temporary Debt Securities, all as may be determined by the Partnership with the concurrence of the Trustee. Temporary Debt Securities may contain such reference to any provisions of this Indenture as may be appropriate. Every temporary Debt Security shall be executed by the Partnership and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Debt Securities.

If temporary Debt Securities of any series are issued, the Partnership will cause definitive Debt Securities of such series to be prepared without unreasonable delay. After the preparation of definitive Debt Securities of such series, the temporary Debt Securities of such series shall be exchangeable for definitive Debt Securities of such series upon surrender of the temporary Debt Securities of such series at the office or agency of the Partnership at a Place of Payment for such series, without charge to the Holder thereof, except as provided in Section 2.07 in connection with a transfer, and upon surrender for cancellation of any one or more temporary Debt Securities of any series, the Partnership shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Debt Securities of the same series of authorized denominations and of like tenor. Until so exchanged, temporary Debt Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Debt Securities of such series, except as otherwise specified as contemplated by Section 2.03(17) with respect to the payment of interest on Global Securities in temporary form.

Upon any exchange of a portion of a temporary Global Security for a definitive Global Security or for the individual Debt Securities represented thereby pursuant to Section 2.07 or this Section 2.08, the temporary Global Security shall be endorsed by the Trustee to reflect the reduction of the principal amount evidenced thereby, whereupon the principal amount of such temporary Global Security shall be reduced for all purposes by the amount so exchanged and endorsed.

SECTION 2.09. MUTILATED, DESTROYED, LOST OR STOLEN DEBT SECURITIES.

If (i) any mutilated Debt Security is surrendered to the Trustee at the Corporate Trust Office of the Trustee (in the case of Registered Securities) or (ii) the Partnership and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Debt Security, and there is delivered to the Partnership and the Trustee such security or indemnity as may be required by them to save each of them and any paying agent harmless, and neither the Partnership nor the Trustee receives written notice that such Debt Security has been acquired by a bona fide purchaser, then the Partnership shall execute and, upon an Issuer Order, the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Debt Security, a new Debt Security of the same series of like tenor, form, terms and principal amount, bearing a number not contemporaneously Outstanding. Upon the issuance of any substituted Debt Security, 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 connected therewith. In case any Debt Security which has matured or is about to mature or which has been called for redemption shall become mutilated or be destroyed, lost or stolen, the Partnership may, instead of issuing a substituted Debt Security, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Debt Security) if the applicant for such payment shall furnish the Partnership and the Trustee with such security or indemnity as either may require to save it harmless from all risk, however remote, and, in case of destruction, loss or theft, evidence to the satisfaction of the Partnership and the Trustee of the destruction, loss or theft of such Debt Security and of the ownership thereof.

Every substituted Debt Security of any series issued pursuant to the provisions of this Section 2.09 by virtue of the fact that any Debt Security is destroyed, lost or stolen shall constitute an original additional contractual obligation of the Partnership, whether or not the destroyed, lost or stolen Debt Security shall be found at any time, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Debt Securities of that series duly issued hereunder. All Debt Securities shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Debt Securities, and shall preclude any and all other rights or remedies,

notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 2.10. CANCELLATION OF SURRENDERED DEBT SECURITIES.

All Debt Securities surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to the Partnership or any paying agent or a Registrar, be delivered to the Trustee for cancellation by it, or if surrendered to the Trustee, shall be canceled by it, and no Debt Securities shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. All canceled Debt Securities held by the Trustee shall be disposed of (subject to the record retention requirements of the Exchange Act) by the Trustee in its customary manner. On request of the Partnership, the Trustee shall deliver to the Partnership canceled Debt Securities held by the Trustee. If the Partnership shall acquire any of the Debt Securities, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented thereby unless and until the same are delivered or surrendered to the Trustee for cancellation. The Partnership may not issue new Debt Securities to replace Debt Securities it has redeemed, paid or delivered to the Trustee for cancellation.

SECTION 2.11. PROVISIONS OF THIS INDENTURE AND DEBT SECURITIES FOR THE SOLE BENEFIT OF THE PARTIES AND THE HOLDERS.

Nothing in this Indenture or in the Debt Securities, expressed or implied, shall give or be construed to give to any Person, other than the parties hereto, the Holders or any Registrar or paying agent, any legal or equitable right, remedy or claim under or in respect of this Indenture, or under any covenant, condition or provision herein contained, all its covenants, conditions and provisions being for the sole benefit of the parties hereto, the Holders and any Registrar and paying agents.

SECTION 2.12. PAYMENT OF INTEREST; RIGHTS PRESERVED.

Interest on any Registered Security that is payable and is punctually paid or duly provided for on any interest payment date shall be paid to the Person in whose name such Registered Security is registered at the close of business on the regular record date for such interest notwithstanding the cancellation of such Registered Security upon any transfer or exchange subsequent to the regular record date. Payment of interest on Registered Securities shall be made at the Corporate Trust Office of the Trustee (except as otherwise specified pursuant to Section 2.03), or at the option of the Partnership, by check mailed to the address of the Person entitled thereto as such address shall appear in the Debt Security Register or, if provided pursuant to Section 2.03 and in accordance with arrangements satisfactory to the Trustee, at the option of the Registered Holder by wire transfer to an account designated by the Registered Holder.

Subject to the foregoing provisions of this Section 2.12 and Section 2.17, each Debt Security of a particular series delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Debt Security of the same series shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Debt Security.

SECTION 2.13. SECURITIES DENOMINATED IN FOREIGN CURRENCIES.

Except as otherwise specified pursuant to Section 2.03 for Registered Securities of any series, payment of the principal of, and premium, if any, and interest on, Registered Securities of such series will be made in Dollars.

For the purposes of calculating the principal amount of Debt Securities of any series denominated in a Foreign Currency or in units of two or more Foreign Currencies for any purpose under this Indenture, the principal amount of such Debt Securities at any time Outstanding shall be deemed to be the Dollar Equivalent of such principal amount as of the date of any such calculation.

In the event any Foreign Currency or currencies or units of two or more Currencies in which any payment with respect to any series of Debt Securities may be made ceases to be a freely convertible Currency on United States Currency markets, for any date thereafter on which payment of principal of, or premium, if any, or interest on, the Debt Securities of a series is due, the Partnership shall select the Currency of payment for use on such date, all as provided in the Debt Securities of such series. In such event, the Partnership shall, as provided in the Debt Securities of such series, notify the Trustee of the Currency which they have selected to constitute the funds necessary to meet the Partnership's obligations or such payment date and of the amount of such Currency to be paid. Such amount shall be determined as provided in the Debt Securities of such series. The payment to the Trustee with respect to such payment date shall be made by the Partnership solely in the Currency so selected.

SECTION 2.14. WIRE TRANSFERS.

Notwithstanding any other provision to the contrary in this Indenture, the Partnership may make any payment of monies required to be deposited with the Trustee on account of principal of, or premium, if any, or interest on, the Debt Securities (whether pursuant to optional or mandatory redemption payments, interest payments or otherwise) by wire transfer of immediately available funds to an account designated by the Trustee on or before the date such moneys are to be paid to the Holders of the Debt Securities in accordance with the terms hereof.

SECTION 2.15. SECURITIES ISSUABLE IN THE FORM OF A GLOBAL SECURITY.

If the Partnership shall establish pursuant to Sections 2.01 and 2.03 that the Debt Securities of a particular series are to be issued in whole or in part in the form of one or more Global Securities, then the Partnership shall execute and the Trustee or its agent shall, in accordance with Section 2.05, authenticate and deliver, such Global Security or Securities, which (i) shall represent, and shall be denominated in an amount equal to the aggregate principal amount of, the Outstanding Debt Securities of such series to be represented by such Global Security or Securities, or such portion thereof as the Partnership shall specify in an Officers' Certificate, (ii) shall be registered in the name of the Depositary for such Global Security or securities or its nominee, (iii) shall be delivered by the Trustee or its agent to the Depositary or pursuant to the Depositary's instruction and (iv) shall conspicuously bear a legend substantially to

the following effect: “Unless and until it is exchanged in whole or in part for the individual Debt Securities represented hereby, this Global Security may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary”, or such other legend as may then be required by the Depositary for such Global Security or Securities.

Notwithstanding any other provision of this Section 2.15 or of Section 2.07 to the contrary, and subject to the provisions of the next following paragraph of this Section 2.15 (and all of its clauses), it unless the terms of a Global Security expressly permit such Global Security to be exchanged in whole or in part for definitive Debt Securities in registered form, a Global Security may be transferred, in whole but not in part and in the manner provided in Section 2.07, only by the Depositary to a nominee of the Depositary for such Global Security, or by a nominee of the Depositary to the Depositary or another nominee of the Depositary, or by the Depositary or a nominee of the Depositary to a successor Depositary for such Global Security selected or approved by the Partnership, or to a nominee of such successor Depositary.

The second paragraph of this Section 2.15 shall be subject to the following clauses (i) through (v) (inclusive):

(i) If at any time the Depositary for a Global Security or Securities notifies the Partnership that it is unwilling or unable to continue as Depositary for such Global Security or Securities or if at any time the Depositary for the Debt Securities for such series shall no longer be eligible or in good standing under the Exchange Act or other applicable statute, rule or regulation, the Partnership shall appoint a successor Depositary with respect to such Global Security or Securities. If a successor Depositary for such Global Security or Securities is not appointed by the Partnership within 90 days after the Partnership receive such notice or become aware of such ineligibility, the Partnership shall execute, and the Trustee or its agent, upon receipt of an Issuer Order for the authentication and delivery of such individual Debt Securities of such series in exchange

for such Global Security, will authenticate and deliver, individual Debt Securities of such series of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of the Global Security in exchange for such Global Security or Securities.

(ii) The Partnership may at any time and in their sole discretion determine that the Debt Securities of any series or portion thereof issued or issuable in the form of one or more Global Securities shall no longer be represented by such Global Security or Securities. In such event the Partnership will execute, and the Trustee, upon receipt of an Issuer Order for the authentication and delivery of individual Debt Securities of such series in exchange in whole or in part for such Global Security, will authenticate and deliver individual Debt Securities of such series of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of such series or portion thereof in exchange for such Global Security or Securities.

(iii) If specified by the Partnership pursuant to Sections 2.01 and 2.03 with respect to Debt Securities issued or issuable in the form of a Global Security, the Depositary for such Global Security may surrender such Global Security in exchange in whole or in part for individual Debt Securities of such series of like tenor and terms in definitive form on such terms as are acceptable to the Partnership, the Trustee and such Depositary. Thereupon the Partnership shall execute, and the Trustee or its agent upon receipt of an Issuer Order for the authentication and delivery of definitive Debt Securities of such series shall authenticate and deliver, without service charge, (y) to each Person specified by such Depositary a new Debt Security or Securities of the same series of like tenor and terms and of any authorized denomination as requested by such Person in aggregate principal amount equal to and in exchange for such Person’s beneficial interest in the Global Security, and (z) to such Depositary a new Global Security of like tenor and terms and in an authorized denomination equal to the difference, if any, between the principal amount of the surrendered Global Security and the aggregate principal amount of Debt Securities delivered to Holders thereof.

(iv) In any exchange provided for in any of the preceding three paragraphs, the Partnership will execute and the Trustee or its agent will authenticate and deliver individual Debt Securities. Upon the exchange of the entire principal amount of a Global Security for individual Debt Securities, such Global Security shall be canceled by the Trustee or its agent. Except as provided in the preceding paragraph, Registered Securities issued in exchange for a Global Security pursuant to this Section 2.15 shall be registered in such names and in such authorized denominations as the Depositary for such Global Security, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee or the Registrar. The Trustee or the Registrar shall deliver such Registered Securities to the Persons in whose names such Registered Securities are so registered.

(v) Payments in respect of the principal of and interest on any Debt Securities registered in the name of the Depositary or its nominee will be payable to the Depositary or such nominee in its capacity as the registered owner of such Global Security. The Partnership and the Trustee may treat the Person in whose name the Debt Securities, including the Global Security, are registered as the owner thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. None of the Partnership, the Trustee, any Registrar, the paying agent or any agent of the Partnership or the Trustee will have any responsibility or liability for (x) any aspect of the

records relating to or payments made on account of the beneficial ownership interests of the Global Security by the Depositary or its nominee or any of the Depositary’s direct or indirect participants, or for maintaining, supervising or reviewing any records of the Depositary, its nominee or any of the Depositary’s direct or indirect participants relating to the beneficial ownership interests of the Global Security, (y) the payments to the beneficial owners of the Global Security of amounts paid to the Depositary or its nominee, or (z) any other matter relating to the actions and practices of the Depositary, its nominee or any of the Depositary’s direct or indirect participants. None of the Partnership, the Trustee or any such agent will be liable for any delay by the Depositary, its nominee, or any of the Depositary’s direct or indirect participants in identifying the beneficial owners of the Debt Securities, and the Partnership and the Trustee may conclusively rely on, and will be protected in relying on, instructions from the Depositary or its nominee for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the Debt Securities to be issued).

SECTION 2.16. MEDIUM TERM SECURITIES.

Notwithstanding any contrary provision herein, if all Debt Securities of a series are not to be originally issued at one time, it shall not be necessary for the Partnership to deliver to the Trustee an Officers' Certificate, a Board Resolution, a supplemental Indenture, an Opinion of Counsel or a written order or any other document otherwise required pursuant to Section 1.09, 2.01, 2.03 or 2.05 at or prior to the time of authentication of each Debt Security of such series if such documents are delivered to the Trustee or its agent at or prior to the authentication upon original issuance of the first such Debt Security of such series to be issued; provided, that any subsequent request by the Partnership to the Trustee to authenticate Debt Securities of such series upon original issuance shall constitute a representation and warranty by the Partnership that, as of the date of such request, the statements made in the Officers' Certificate delivered pursuant to Section 1.09 or 2.05 shall be true and correct as if made on such date and that the Opinion of Counsel delivered at or prior to such time of authentication of an original issuance of Debt Securities shall specifically state that it shall relate to all subsequent issuances of Debt Securities of such series that are identical to the Debt Securities issued in the first issuance of Debt Securities of such series.

An Issuer Order delivered by the Partnership to the Trustee in the circumstances set forth in the preceding paragraph may provide that Debt Securities which are the subject thereof will be authenticated and delivered by the Trustee or its agent on original issue from time to time upon the telephonic or written order of Persons designated in such written order (any such telephonic instructions to be promptly confirmed in writing by such Person) and that such Persons are authorized to determine, consistent with the Officers' Certificates, supplemental Indenture or the applicable Board Resolutions relating to such written order, such terms and conditions of such Debt Securities as are specified in such Officers' Certificates, supplemental Indenture or such Board Resolutions.

SECTION 2.17. DEFAULTED INTEREST.

Any interest on any Debt Security of a particular series which is payable, but is not punctually paid or duly provided for, on the dates and in the manner provided in the Debt Securities of such series and in this Indenture (herein called "DEFAULTED INTEREST") shall forthwith cease to be payable to the Registered Holder thereof on the relevant record date by virtue of having been such Registered Holder, and such Defaulted Interest may be paid by the Partnership, at its election in each case, as provided in clause (i) or (ii) below:

(i) The Partnership may elect to make payment of any Defaulted Interest to the Persons in whose names the Registered Securities of such series are registered at the close of business on a special record date for the payment of such Defaulted Interest, which shall be fixed in the following manner: the Partnership shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each such Registered Security of such series and the date of the proposed payment, and at the same time the Partnership shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a special record date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Partnership of such special record date and, in the name and at the expense of the Partnership, shall cause notice of the proposed payment of such Defaulted Interest and the special record date therefor to be mailed, first class postage prepaid, to each Holder thereof at its address as it appears in the Debt Security Register, not less than 10 days prior to such special record date. Notice of the proposed payment of such Defaulted Interest and the special record date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Registered Securities of such series are registered at the close of business on such special record date.

(ii) The Partnership may make payment of any Defaulted Interest on the Registered Securities of such series in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Registered Securities of such series may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Partnership to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

SECTION 2.18. JUDGMENTS.

The Partnership may provide pursuant to Section 2.03 for Debt Securities of any series that: (i) the obligation, if any, of the Partnership to pay the principal of, and premium, if any, and interest on, the Debt Securities of any series in a Foreign Currency or Dollars (the "DESIGNATED CURRENCY") as may be specified pursuant to Section 2.03 is of the essence and agrees that, to the fullest extent possible under applicable law, judgments in respect of Debt Securities of such series shall be given in the Designated Currency; (ii) the obligation of the Partnership to make payments in the Designated Currency of the principal of, and premium, if any, and interest on, such Debt Securities shall, notwithstanding any payment in any other Currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the Designated Currency that the Holder receiving such payment may, in accordance with normal banking procedures, purchase with the sum paid in such other Currency (after any premium and cost exchange) on the business day in the country of issue of the Designated Currency or in the international banking community (in the case of a composite currency) immediately following the day on which such Holder receives such payment; (iii) if the amount in the Designated Currency that may be so purchased for any reason falls short of the amount originally due, the Partnership shall pay such additional amounts as may be necessary to compensate for such shortfall; and (iv) any obligation of the Partnership not discharged by such payment shall be due as a separate

and independent obligation and, until discharged as provided herein, shall continue in full force and effect.

SECTION 2.19. CUSIP NUMBERS.

The Partnership in issuing the Debt Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Debt Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Debt Securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Partnership will promptly notify the Trustee of any change in the "CUSIP" numbers.

ARTICLE 3
REDEMPTION OF DEBT SECURITIES

SECTION 3.01. APPLICABILITY OF ARTICLE.

The provisions of this Article shall be applicable to the Debt Securities of any series which are redeemable before their Stated Maturity except as otherwise specified as contemplated by Section 2.03 for Debt Securities of such series.

SECTION 3.02. NOTICE OF REDEMPTION; SELECTION OF DEBT SECURITIES.

In case the Partnership shall desire to exercise the right to redeem all or, as the case may be, any part of the Debt Securities of any series in accordance with their terms, a Board Resolution of the Partnership or a supplemental Indenture, the Partnership shall fix a date for redemption and shall give notice of such redemption at least 30 and not more than 60 days prior to the date fixed for redemption to the Holders of Debt Securities of such series so to be redeemed as a whole or in part, in the manner provided in Section 1.07. The notice if given in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. In any case, failure to give such notice or any defect in the notice to the Holder of any Debt Security of a series designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Debt Security of such series.

Each such notice of redemption shall specify (i) the amount of Debt Securities of any series to be redeemed, (ii) the date fixed for redemption, (iii) the calculation of the redemption price at which Debt Securities of such series are to be redeemed, (iv) the Place or Places of Payment that payment will be made upon presentation and surrender of such Debt Securities, (v) that any interest accrued to the date fixed for redemption will be paid as specified in said notice, (vi) that the redemption is for a sinking fund payment (if applicable), (vii) that, unless otherwise specified in such notice, if the Partnership defaults in making such redemption payment, the paying agent is prohibited from making such payment pursuant to the terms of this Indenture, (viii) that on and after said date any interest thereon or on the portions thereof to be redeemed will cease to accrue, (ix) that in the case of Original Issue Discount Securities original issue discount accrued after the date fixed for redemption will cease to accrue, the terms of the Debt Securities of that series pursuant to which the Debt Securities of that series are being redeemed and (x) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Debt Securities of that series. If less than

all the Debt Securities of a series are to be redeemed the notice of redemption shall specify the CUSIP numbers of the Debt Securities of that series to be redeemed. In case any Debt Security of a series is to be redeemed in part only, the notice of redemption shall state the portion of the principal amount thereof to be redeemed and shall state that on and after the date fixed for redemption, upon surrender of such Debt Security, a new Debt Security or Debt Securities of that series will be issued in principal amount equal to the unredeemed portion thereof.

At least 45 days but not more than 60 days before the redemption date, unless the Trustee consents to a shorter period, the Partnership shall give written notice to the Trustee of the redemption date, the principal amount of Debt Securities to be redeemed and the series and terms of the Debt Securities pursuant to which such redemption will occur. Such notice shall be accompanied by an Officers' Certificate and an Opinion of Counsel to the effect that such redemption will comply with the conditions herein. If fewer than all the Debt Securities of a series are to be redeemed, the record date relating to such redemption shall be selected by the Partnership and given to the Trustee, which record date shall be not less than 15 days after the date of notice to the Trustee.

By 11:00 a.m. New York City time, on the redemption date for any Debt Securities, the Partnership shall deposit with the Trustee or with a paying agent (or, if the Partnership is acting as its own paying agent, segregate and hold in trust) an amount of money in the Currency in which such Debt Securities are denominated (except as provided pursuant to Section 2.03) sufficient to pay the redemption price of such Debt Securities or any portions thereof that are to be redeemed on that date.

If less than all the Debt Securities of like tenor and terms of a series are to be redeemed (other than pursuant to mandatory sinking fund redemptions), the Trustee shall select the Debt Securities of that series or portions thereof (in multiples of $1,000) to be redeemed (i) if such Debt Securities are listed on an exchange, in compliance with the requirements of the principal national securities exchange on which such Debt Securities are listed, or (ii) if such Debt Securities are not listed on an exchange or such exchange has no selection requirements, in such manner as in its sole discretion the Trustee shall deem appropriate and fair. In any case where more than one Debt Security of such series is registered in the same name, the Trustee in its discretion may treat the aggregate principal amount so registered as if it were represented by one Debt Security of such series. The Trustee shall promptly notify the Partnership in writing of the Debt Securities selected for redemption and, in the case of any Debt Securities selected for partial redemption, the principal amount thereof to be redeemed. If any Debt Security called for redemption shall not be so paid upon surrender thereof on such redemption date, the principal, premium, if any, and interest shall bear interest until paid from the redemption date at the rate borne by the Debt Securities of that series. If less than all the Debt Securities of unlike tenor and terms of a series are to be redeemed, the particular Debt Securities to be redeemed shall be selected by the Partnership. Provisions of this Indenture that apply to Debt Securities called for redemption also apply to portions of Debt Securities called for redemption.

SECTION 3.03. PAYMENT OF DEBT SECURITIES CALLED FOR REDEMPTION.

If notice of redemption has been given as provided in Section 3.02, the Debt Securities or portions of Debt Securities of the series with respect to which such notice has been given shall become due and payable on the date and at the Place or Places of Payment stated in such notice at the applicable redemption price, together with any interest accrued to the date fixed for redemption, and on and after said date (unless the Partnership shall default in the payment of such Debt Securities at the applicable redemption price, together with any interest accrued to said date)

any interest on the Debt Securities or portions of Debt Securities of any series so called for redemption shall cease to accrue and any original issue discount in the case of Original Issue Discount Securities shall cease to accrue. On presentation and surrender of such Debt Securities at the Place or Places of Payment in

said notice specified, the said Debt Securities or the specified portions thereof shall be paid and redeemed by the Partnership at the applicable redemption price, together with any interest accrued thereon to the date fixed for redemption.

Any Debt Security that is to be redeemed only in part shall be surrendered at the Corporate Trust Office of the Trustee or such other office or agency of the Partnership as is specified pursuant to Section 2.03, if the Partnership, the Registrar or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Partnership, the Registrar and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing, and the Partnership shall execute, and the Trustee shall authenticate and deliver to the Holder of such Debt Security without service charge, a new Debt Security or Debt Securities of the same series, of like tenor and form, of any authorized denomination as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Debt Security so surrendered; except that if a Global Security is so surrendered, the Partnership shall execute, and the Trustee shall authenticate and deliver to the Depositary for such Global Security, without service charge, a new Global Security in a denomination equal to and in exchange for the unredeemed portion of the principal of the Global Security so surrendered. In the case of a Debt Security providing appropriate space for such notation, at the option of the Holder thereof, the Trustee, in lieu of delivering a new Debt Security or Debt Securities as aforesaid, may make a notation on such Debt Security of the payment of the redeemed portion thereof.

SECTION 3.04. MANDATORY AND OPTIONAL SINKING FUNDS.

The minimum amount of any sinking fund payment provided for by the terms of Debt Securities of any series, a Board Resolution or a supplemental Indenture is herein referred to as a “MANDATORY SINKING FUND PAYMENT”, and any payment in excess of such minimum amount provided for by the terms of Debt Securities of any series, a Board Resolution or a supplemental Indenture is herein referred to as an “OPTIONAL SINKING FUND PAYMENT”.

In lieu of making all or any part of any mandatory sinking fund payment with respect to any Debt Securities of a series in cash, the Partnership may at its option (i) deliver to the Trustee Debt Securities of that series theretofore purchased or otherwise acquired by the Partnership or (ii) receive credit for the principal amount of Debt Securities of that series which have been redeemed either at the election of the Partnership pursuant to the terms of such Debt Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Debt Securities, resolution or supplemental Indenture; provided, that such Debt Securities have not been previously so credited. Such Debt Securities shall be received and credited for such purpose by the Trustee at the redemption price specified in such Debt Securities, the applicable Board Resolution or supplemental Indenture for redemption through operation of the sinking fund and the amount of such mandatory sinking fund payment shall be reduced accordingly.

SECTION 3.05. REDEMPTION OF DEBT SECURITIES FOR SINKING FUND.

Not less than 60 days prior to each sinking fund payment date for any series of Debt Securities, the Partnership will deliver to the Trustee an Officers’ Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, any Board Resolution or supplemental Indenture, the portion thereof, if any, which is to be

satisfied by payment of cash in the Currency in which the Debt Securities of such series are denominated (except as provided pursuant to Section 2.03) and the portion thereof, if any, which is to be satisfied by delivering and crediting Debt Securities of that series pursuant to this Section 3.05 (which Debt Securities, if not previously redeemed, will accompany such certificate) and whether the Partnership intends to exercise its right to make any permitted optional sinking fund payment with respect to such series. Such certificate shall also state that no Event of Default has occurred and is continuing with respect to such series. Such certificate shall be irrevocable and upon its delivery the Partnership shall be obligated to make the cash payment or payments therein referred to, if any, on or before the next succeeding sinking fund payment date. Failure of the Partnership to deliver such certificate (or to deliver the Debt Securities specified in this paragraph) shall not constitute a Default, but such failure shall require that the sinking fund payment due on the next succeeding sinking fund payment date for that series shall be paid entirely in cash and shall be sufficient to redeem the principal amount of such Debt Securities subject to a mandatory sinking fund payment without the option to deliver or credit Debt Securities as provided in this Section 3.05 and without the right to make any optional sinking fund payment, if any, with respect to such series.

Any sinking fund payment or payments (mandatory or optional) made in cash plus any unused balance of any preceding sinking fund payments made in cash which shall equal or exceed $100,000 (or a lesser sum if the Partnership shall so request) with respect to the Debt Securities of any particular series shall be applied by the Trustee on the sinking fund payment date on which such payment is made (or, if such payment is made before a sinking fund payment date, on the sinking fund payment date following the date of such payment) to the redemption of such Debt Securities at the redemption price specified in such Debt Securities, the applicable Board Resolution or supplemental Indenture for operation of the sinking fund together with any accrued interest to the date fixed for redemption. Any sinking fund moneys not so applied or allocated by the Trustee to the redemption of Debt Securities shall be added to the next cash sinking fund payment received by the Trustee for such series and, together with such payment, shall be applied in accordance with the provisions of this Section 3.05. Any and all sinking fund moneys with respect to the Debt Securities of any particular series held by the Trustee on the last sinking fund payment date with respect to Debt Securities of such series and not held for the payment or redemption of particular Debt Securities shall be applied by the Trustee, together with other moneys, if necessary, to be deposited sufficient for the purpose, to the payment of the principal of the Debt Securities of that series at its Stated Maturity.

The Trustee shall select the Debt Securities to be redeemed upon such sinking fund payment date in the manner specified in the last paragraph of Section 3.02, and the Partnership shall cause notice of the redemption thereof to be given in the manner provided in Section 3.02 except that the notice of redemption shall also state that the Debt Securities are being redeemed by operation of the sinking fund. Such notice having been duly given, the redemption of such Debt Securities shall be made upon the terms and in the manner stated in Section 3.03.

At least one business day before each sinking fund payment date, the Partnership shall pay to the Trustee (or, if the Partnership is acting as its own paying agent, the Partnership shall segregate and hold in trust) in cash a sum in the Currency in which the Debt Securities of such series are denominated (except as provided pursuant to Section 2.03) equal to any interest accrued to the date fixed for redemption of Debt Securities or portions thereof to be redeemed on such sinking fund payment date pursuant to this Section 3.05.

The Trustee shall not redeem any Debt Securities of a series with sinking fund moneys or mail any notice of redemption of such Debt Securities by operation of the sinking fund for such

series during the continuance of a Default in payment of interest on such Debt Securities or of any Event of Default (other than an Event of Default occurring as a consequence of this paragraph) with respect to such Debt Securities, except that if the notice of redemption of any such Debt Securities shall theretofore have been mailed in accordance with the provisions hereof, the Trustee shall redeem such Debt Securities if cash sufficient for that purpose shall be deposited with the Trustee for that purpose in accordance with the terms of this Article 3. Except as aforesaid, any moneys in the sinking fund for such series at the time when any such Default or Event of Default shall occur and any moneys thereafter paid into such sinking fund shall, during the continuance of such Default or Event of Default, be held as security for the payment of such Debt Securities; provided, however, that in case such Default or Event of Default shall have been cured or waived as provided herein, such moneys shall thereafter be applied on the next sinking fund payment date for such Debt Securities on which such moneys may be applied pursuant to the provisions of this Section 3.05.

ARTICLE 4
PARTICULAR COVENANTS OF THE PARTNERSHIP

SECTION 4.01. PAYMENT OF PRINCIPAL OF, AND PREMIUM, IF ANY, AND INTEREST ON, DEBT SECURITIES.

The Partnership, for the benefit of each series of Debt Securities, will duly and punctually pay or cause to be paid the principal of, and premium, if any, and interest on, each of the Debt Securities at the place, at the respective times and in the manner provided herein and in the Debt Securities. Each installment of interest on the Debt Securities may at the Partnership's option be paid by mailing checks for such interest payable to the Person entitled thereto to the address of such Person as it appears on the Debt Security Register maintained pursuant to Section 2.07(a).

Principal, premium and interest of Debt Securities of any series shall be considered paid on the date due if on such date the Trustee or any paying agent holds in accordance with this Indenture money sufficient to pay in the Currency in which the Debt Securities of such series are denominated (except as provided pursuant to Section 2.03) all principal, premium and interest then due.

The Partnership shall pay interest on overdue principal at the rate specified therefor in the Debt Securities and it shall pay interest on overdue installments of interest at the same rate to the extent lawful.

SECTION 4.02. MAINTENANCE OF OFFICES OR AGENCIES FOR REGISTRATION OF TRANSFER, EXCHANGE AND PAYMENT OF DEBT SECURITIES.

The Partnership will maintain in each Place of Payment for any series of Debt Securities, an office or agency where Debt Securities of such series may be presented or surrendered for payment, where Debt Securities of such series may be surrendered for transfer or exchange and where notices and demands to or upon the Partnership in respect of the Debt Securities of such series and this Indenture may be served. The Partnership will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Partnership shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Partnership hereby appoint the Trustee as its agent to receive all presentations, surrenders, notices and demands.

The Partnership may also from time to time designate different or additional offices or agencies to be maintained for such purposes (in or outside of such Place of Payment), and may from time to time rescind any such designation; provided, however, that no such designation or rescission shall in any manner relieve the Partnership of its obligations described in the preceding paragraph. The Partnership will give prompt written notice to the Trustee of any such additional designation or rescission of designation and any change in the location of any such different or additional office or agency.

SECTION 4.03. APPOINTMENT TO FILL A VACANCY IN THE OFFICE OF TRUSTEE.

The Partnership, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 7.08, a Trustee, so that there shall at all times be a Trustee hereunder with respect to each series of Debt Securities.

SECTION 4.04. DUTIES OF PAYING AGENTS, ETC.

The Partnership shall cause each paying agent, if any, other than the Trustee, to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section 4.04,

(i) that it will hold all sums held by it as such agent for the payment of the principal of, and premium, if any, or interest on, the Debt Securities of any series (whether such sums have been paid to it by the Partnership or by any other obligor on the Debt Securities of such series) in trust for the benefit of the Holders of the Debt Securities of such series;

(ii) that it will give the Trustee notice of any failure by the Partnership (or by any other obligor on the Debt Securities of such series) to make any payment of the principal of and premium, if any, or interest on, the Debt Securities of such series when the same shall be due and payable; and

(iii) that it will at any time during the continuance of an Event of Default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held by it as such agent.

If the Partnership or any of its Subsidiaries shall act as its own paying agent, it will, on or before each due date of the principal of, and premium, if any, or interest on, the Debt Securities if any, of any series, set aside, segregate and hold in trust for the benefit of the Holders of the Debt Securities of such series a sum sufficient to pay such principal, premium, if any, or interest so becoming due. The Partnership will promptly notify the Trustee of any failure by the Partnership or its Subsidiaries to take such action or the failure by any other obligor on such Debt Securities to make any payment of the principal of, and premium, if any, or interest on, such Debt Securities when the same shall be due and payable.

Anything in this Section 4.04 to the contrary notwithstanding, the Partnership may, at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture, or for any other reason, pay or cause to be paid to the Trustee all sums held in trust by it or any paying agent, as required by this Section 4.04, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Partnership or such paying agent.

Whenever the Partnership shall have one or more paying agents with respect to any series of Debt Securities, it will, prior to each due date of the principal of, and premium, if any, or interest on, any Debt Securities of such series, deposit with any such paying agent a sum sufficient to pay the principal, premium or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled thereto, and (unless any such paying agent is the Trustee) the Partnership will promptly notify the Trustee of its action or failure so to act.

Anything in this Section 4.04 to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section 4.04 is subject to the provisions of Section 11.05.

Unless and until otherwise determined by the Partnership in Board Resolutions, the Trustee will act as paying agent under this Indenture. The Partnership may designate a substitute paying agent without prior notice to the Holders of Debt Securities.

SECTION 4.05. STATEMENT BY OFFICERS AS TO DEFAULT.

The Partnership will deliver to the Trustee, on or before a date not more than four months after the end of each fiscal year of the Partnership (currently ending on December 31 of each year) ending after the date hereof, an Officers' Certificate stating, as to each officer signing such certificate, that (i) in the course of his performance of his duties as an officer of the General Partner, he would normally have knowledge of any Default, (ii) whether or not to the best of his knowledge any Default occurred during such year and (iii) if to the best of his knowledge the Partnership, is in Default, specifying all such Defaults and what action the Partnership is taking or proposes to take with respect thereto. The Partnership also shall comply with Section 314(a)(4) of the Trust Indenture Act.

SECTION 4.06. FURTHER INSTRUMENTS AND ACTS.

The Partnership will, upon request of the Trustee, execute and deliver such further instruments and do such further acts as may reasonably be necessary or proper to carry out more effectually the purposes of this Indenture.

SECTION 4.07. CORPORATE, PARTNERSHIP OR LIMITED LIABILITY COMPANY EXISTENCE.

Subject to Article 10, the Partnership shall do or cause to be done all things necessary to preserve and keep in full force and effect the corporate existence and related rights and franchises (charges and statutory) of the Partnership and each of its Subsidiaries; provided, however, that the Partnership shall not be required to preserve any such right or franchise for the corporate, partnership or limited liability company existence of any such Subsidiary if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Partnership and its Subsidiaries as a whole and that the loss thereof would not reasonably be expected to have a material adverse effect on the ability of the Partnership or any obligor on the Debt Securities of any series to perform their obligations hereunder; and provided, further, however, that the foregoing shall not prohibit a sale, transfer or conveyance of a Subsidiary of the Partnership or any of its assets in compliance with the terms of this Indenture.

SECTION 4.08. MAINTENANCE OF PROPERTIES.

The Partnership shall cause all material properties owned by the Partnership or any of its Subsidiaries or used or held for use in the conduct of its business or the business of any of its Subsidiaries to be maintained and kept in good condition, repair and working order (ordinary

wear and tear excepted) and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the reasonable judgment of the Partnership may be consistent with sound business practice and necessary so that the business carried on in connection therewith may be properly conducted at all times; provided, however, that nothing in this Section shall prevent the Partnership from discontinuing the maintenance of any of such properties if such discontinuance is, in the reasonable judgment of the Board of Directors, desirable in the conduct of its business or the business of any of its Subsidiaries and not reasonably expected to have a material adverse effect on the ability of the Partnership or any obligor on the Debt Securities of any series to perform their obligations hereunder.

SECTION 4.09. PAYMENT OF TAXES AND OTHER CLAIMS.

The Partnership shall pay or discharge or cause to be paid or discharged, on or before the date the same shall become due and payable, (i) all taxes, assessments and governmental charges levied or imposed upon the Partnership or any of its Subsidiaries or otherwise assessed or upon the income, profits or property of the Partnership or any of its Subsidiaries if failure to pay or discharge the same could reasonably be expected to have a material adverse effect on the ability of the Partnership or any obligor on the Debt Securities of any series to perform their obligations hereunder and (ii) all lawful claims for labor, materials and supplies, which, if unpaid, would by law become a Lien upon the property of the Partnership or any of its Subsidiaries, except for any Lien permitted to be incurred under the terms of this Indenture, if failure to pay or discharge the same could reasonably be expected to have a material adverse effect on the ability of the Partnership or any obligor on the Debt Securities of any series to perform their obligations hereunder; provided, however, that the Partnership shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings properly instituted and diligently conducted and in respect of which appropriate reserves (in the good faith judgment of management of the General Partner) are being maintained in accordance with GAAP.

SECTION 4.10. CALCULATION OF ORIGINAL ISSUE DISCOUNT.

The Partnership shall file with the Trustee promptly at the end of each calendar year (i) a written notice specifying the amount of original issue discount (including daily rates and accrual periods) accrued on Outstanding Original Issue Discount Debt Securities as of the end of such year and (ii) such

other specific information relating to such original issue discount as may then be relevant under the Code.

SECTION 4.11. STAY, EXTENSION AND USURY LAWS.

The Partnership covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Partnership hereby expressly waives all benefit or advantage of any such law, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law has been enacted.

ARTICLE 5
HOLDERS' LISTS AND REPORTS
BY THE PARTNERSHIP AND THE TRUSTEE

SECTION 5.01. THE PARTNERSHIP TO FURNISH THE TRUSTEE INFORMATION AS TO NAMES AND ADDRESSES OF HOLDERS; PRESERVATION OF INFORMATION.

The Partnership covenants and agrees that it will furnish or cause to be furnished to the Trustee with respect to the Registered Securities of each series:

(i) not more than 15 days after each record date with respect to the payment of interest, if any, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Registered Holders as of such record date; and

(ii) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Partnership of any such request, a list as of a date not more than 15 days prior to the time such list is furnished;

provided, however, that so long as the Trustee shall be the Registrar, such lists shall not be required to be furnished.

The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the Holders (i) contained in the most recent list furnished to it as provided in this Section 5.01 or (ii) received by it in the capacity of paying agent or Registrar (if so acting) hereunder.

The Trustee may destroy any list furnished to it as provided in this Section 5.01 upon receipt of a new list so furnished.

SECTION 5.02. COMMUNICATIONS TO HOLDERS; MEETINGS OF HOLDERS.

Holders may communicate pursuant to Section 312(b) of the Trust Indenture Act with other Holders with respect to their rights under this Indenture or the Debt Securities. The Partnership, the Trustee, the Registrar and anyone else shall have the protection of Section 312(c) of the Trust Indenture Act.

A meeting of the Holders of Debt Securities of any or all series may be called at any time and from time to time pursuant to this Section 5.02 to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided herein to be made, given or taken by Holders of Debt Securities of such series.

The Trustee may at any time call a meeting of Holders of Debt Securities of any series for any purpose specified herein to be held at such time and at such place in Richardson, Texas, in The Borough of Manhattan, The City of New York or in any other location, as the Trustee shall determine. Notice of every meeting of Holders of any series, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given not less than 20 nor more than 180 days prior to the date fixed for the meeting.

In case at any time the Partnership, pursuant to Board Resolutions, or the Holders of at least 10% in aggregate principal amount of the outstanding Debt Securities of any series, shall have requested the Trustee for any such series to call a meeting of the Holders of Debt Securities

of such series for any purpose specified herein, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the first publication of the notice of such meeting within 30 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Partnership or the Holders of such series in the amount specified above, as the case may be, may determine the time and the place in Richardson, Texas, in The Borough of Manhattan, The City of New York, or in any other location, for such meeting and may call such meeting for such purposes by giving notice thereof as provided in the third paragraph of this Section 5.02.

SECTION 5.03. REPORTS BY THE PARTNERSHIP.

Notwithstanding that the Partnership may not be required to remain subject to the reporting requirements of Sections 13 or 15(d) of the Exchange Act, the Partnership shall file with the Commission and provide to the Trustee and the Holders of Debt Securities the annual reports and the information, documents and other reports that are specified in Sections 13 and 15(d) of the Exchange Act, and, with respect to the annual consolidated financial statements only, a report thereon by the Partnership's independent auditors; provided, however, that the Partnership shall not be so obligated to file such information, documents and reports with the Commission if the Commission does not permit such filings. The Partnership shall comply with the other provisions of Section 314(a) of the Trust Indenture Act.

The Partnership covenants and agrees, and any obligor hereunder shall covenant and agree, to file with the Trustee and the Commission, in accordance with the rules and regulations prescribed from time to time by said Commission, such additional information, documents, and reports with respect

to compliance by the Partnership or such obligor, as the case may be, with the conditions and covenants provided for in this Indenture as may be required from time to time by such rules and regulations.

Delivery of such reports, information and documents to the Trustee is for informational purposes only, and the Trustee's receipt of such shall not constitute notice of any information contained therein or determinable from information contained therein, including the Partnership's compliance with any of their covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

SECTION 5.04. REPORTS BY THE TRUSTEE.

The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the time and in the manner provided pursuant thereto.

Reports pursuant to this Section 5.04 shall be transmitted by mail:

(i) to all Registered Holders, as the names and addresses of such Holders appear in the Debt Security Register; and

(ii) except in the cases of reports under Section 313(b)(2) of the Trust Indenture Act, to each holder of a Debt Security of any series whose name and address appear in the information preserved at the time by the Trustee in accordance with Section 5.02.

A copy of each report at the time of its mailing to Holders shall be filed with the Commission and each stock exchange (if any) on which the Debt Securities of any series are listed. The Partnership agrees to notify promptly the Trustee whenever the Debt Securities of any series become listed on any stock exchange and of any delisting thereof.

SECTION 5.05. RECORD DATES FOR ACTION BY HOLDERS.

If the Partnership shall solicit from the Holders of Debt Securities of any series any action (including the making of any demand or request, the giving of any direction, notice, consent or waiver or the taking of any other action), the Partnership may, at its option, by Board Resolutions, fix in advance a record date for the determination of Holders of Debt Securities entitled to take such action, but the Partnership shall have no obligation to do so. Any such record date shall be fixed at the Partnership's discretion. If such a record date is fixed, such action may be sought or given before or after the record date, but only the Holders of Debt Securities of record at the close of business on such record date shall be deemed to be Holders of Debt Securities for the purpose of determining whether Holders of the requisite proportion of Debt Securities of such series Outstanding have authorized or agreed or consented to such action, and for that purpose the Debt Securities of such series Outstanding shall be computed as of such record date.

ARTICLE 6
REMEDIES OF THE TRUSTEE AND HOLDERS IN EVENT OF DEFAULT

SECTION 6.01. EVENTS OF DEFAULT.

If any one or more of the following shall have occurred and be continuing with respect to Debt Securities of any series (each of the following, an "EVENT OF DEFAULT"):

(a) the Partnership defaults for a period of 60 days in the payment when due of interest on any Debt Securities of that series; or

(b) the Partnership defaults in the payment when due of principal of or premium, if any, on any Debt Securities of that series at maturity, upon redemption or otherwise; or

(c) default in the payment of any sinking fund payment with respect to any Debt Securities of that series as and when the same shall become due and payable; or

(d) failure on the part of the Partnership to comply with Article 10; or

(e) failure by the Partnership for 60 days after its receipt of notice to comply from the Trustee or the Holders of at least 25% in principal amount of the Outstanding Debt Securities of that series to duly observe or perform any other of the covenants or agreements on the part of the Partnership in the Debt Securities of that series in any Board Resolution authorizing the issuance of that series of Debt Securities, in this Indenture with respect to such series or in any supplemental Indenture with respect to such series (other than a covenant a default in the performance of which is elsewhere in this Section 6.01 specifically dealt with); or

(f) pursuant to or within the meaning of Bankruptcy Law, the Partnership commences a voluntary case, consents to the entry of an order for relief against it in an

involuntary case, consents to the appointment of a custodian of it or for all or substantially all of its property, makes a general assignment for the benefit of its creditors, or generally is not paying its debts as they become due; or

(g) (i) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that is for relief against the Partnership in an involuntary case, appoints a custodian of the Partnership, or orders the liquidation of the Partnership and (ii) such order or decree remains unstayed and in effect for 60 consecutive days; or

(h) any other Event of Default provided under the terms of the Debt Securities of that series;

then and in each and every case that an Event of Default with respect to Debt Securities of that series at the time Outstanding occurs and is continuing, by notice to the Partnership either the Trustee or the Holders of at least 25% in aggregate principal amount of the Debt Securities of that series then Outstanding, may declare the principal of (or, if the Debt Securities of that series are Original Issue Discount Debt Securities, such portion of the principal amount as may be specified in the terms of that series), and the premium, if any, and accrued interest on, all the Debt Securities of that series to be due and payable immediately.

The Holders of a majority in principal amount of the Debt Securities of a particular series by notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree already rendered and if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of acceleration. Upon any such rescission, the parties hereto shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the parties hereto shall continue as though no proceeding had been taken.

In case the Trustee or any Holder shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of such rescission or annulment or for any other reason or shall have been determined adversely to the Trustee or such Holder, then and in every such case the parties hereto shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the parties hereto shall continue as though no such proceeding had been taken.

The foregoing Events of Default shall constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

The Partnership shall deliver to the Trustee, within 30 days after the occurrence thereof, written notice in the form of an Officers' Certificate of any Event of Default under clause (c), (d), (e), (f), (g) or (h), its status and what action the Partnership is taking or proposes to take with respect to the Event of Default.

SECTION 6.02. COLLECTION OF INDEBTEDNESS BY TRUSTEE, ETC.

If an Event of Default occurs and is continuing, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the sums so due and unpaid or enforce the performance of any provision of the Debt Securities of the affected series or this Indenture, and may prosecute

any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Partnership or any other obligor upon the Debt Securities of such series (and collect in the manner provided by law out of the property of the Partnership or any other obligor upon the Debt Securities of such series wherever situated the moneys adjudged or decreed to be payable).

In case there shall be pending proceedings for the bankruptcy or for the reorganization of the Partnership or any other obligor upon the Debt Securities of any series under Title 11 of the United States Code or any other Federal or State bankruptcy, insolvency or similar law, or in case a receiver, trustee or other similar official shall have been appointed for its property, or in case of any other similar judicial proceedings relative to the Partnership or any other obligor upon the Debt Securities of any series, its creditors or its property, the Trustee, irrespective of whether the principal of Debt Securities of any series shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 6.02, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal, premium, if any, and interest (or, if the Debt Securities of such series are Original Issue Discount Debt Securities, such portion of the principal amount as may be specified in the terms of such series) owing and unpaid in respect of the Debt Securities of such series, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee, its agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith) and of the Holders thereof allowed in any such judicial proceedings relative to the Partnership, or any other obligor upon the Debt Securities of such series, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute all amounts received with respect to the claims of such Holders and of the Trustee on their behalf, and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of such Holders to make payments to the Trustee, and, in the event that the Trustee shall consent to the making of payments directly to such Holders, to pay to the Trustee such amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other reasonable expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith.

All rights of action and of asserting claims under this Indenture, or under any of the Debt Securities, of any series, may be enforced by the Trustee without the possession of any such Debt Securities or the production thereof in any trial or other proceedings relative thereto, and any such action or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment (except for any amounts payable to the Trustee pursuant to Section 7.06) shall be for the ratable benefit of the Holders of all the Debt Securities in respect of which such action was taken.

In case of an Event of Default hereunder the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem necessary to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

SECTION 6.03. APPLICATION OF MONEYS COLLECTED BY TRUSTEE.

Any moneys or other property collected by the Trustee pursuant to Section 6.02 with respect to Debt Securities of any series shall be applied, in the order following, at the date or dates fixed by the Trustee for the distribution of such moneys or other property, upon presentation of the several Debt Securities of such series in respect of which moneys or other property have been collected, and the notation thereon of the payment, if only partially paid, and upon surrender thereof if fully paid:

First: To the payment of all money due the Trustee pursuant to Section 7.06;

Second: In case the principal of the Outstanding Debt Securities in respect of which such moneys have been collected shall not have become due, to the payment of interest on the Debt Securities of such series in the order of the maturity of the installments of such interest, with interest (to the extent that such interest has been collected by the Trustee) upon the overdue installments of interest at the rate or Yield to Maturity (in the case of Original Issue Discount Debt Securities) borne by the Debt Securities of such series, such payments to be made ratably to the Persons entitled thereto, without discrimination or preference;

Third: In case the principal of the Outstanding Debt Securities in respect of which such moneys have been collected shall have become due, by declaration or otherwise, to the payment of the whole amount then owing and unpaid upon the Debt Securities of such series for principal and premium, if any, and interest, with interest on the overdue principal and premium, if any, and (to the extent that such interest has been collected by the Trustee) upon overdue installments of interest at the rate or Yield to Maturity (in the case of Original Issue Discount Debt Securities) borne by the Debt Securities of such series; and, in case such moneys shall be insufficient to pay in full the whole amount so due and unpaid upon the Debt Securities of such series, then to the payment of such principal and premium, if any, and interest, without preference or priority of principal and premium, if any, over interest, or of interest over principal and premium, if any, or of any installment of interest over any other installment of interest, or of any Debt Security of such series over any Debt Security of such series, ratably to the aggregate of such principal and premium, if any, and interest; and

Fourth: The remainder, if any, shall be paid to the Partnership, its successors or assigns, or as a court of competent jurisdiction may direct.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 6.03. At least 15 days before such record date, the Partnership shall mail to each Holder and the Trustee a notice that states the record date, the payment date and amount to be paid.

SECTION 6.04. LIMITATION ON SUITS BY HOLDERS.

No Holder of any Debt Security of any series shall have any right by virtue or by availing of any provision of this Indenture to institute any action or proceeding at law or in equity or in bankruptcy or otherwise, upon or under or with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless such Holder previously shall have given to the Trustee written notice of an Event of Default with respect to Debt Securities of that same series and of the continuance thereof and unless the Holders of not less than 25% in

aggregate principal amount of the Outstanding Debt Securities of that series shall have made written request upon the Trustee to institute such action or proceedings in respect of such Event of Default in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the loss, expenses and liabilities to be incurred therein or thereby, and the Trustee, for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action or proceedings and no direction inconsistent with such written request shall have been given to the Trustee pursuant to Section 6.06; it being understood and intended, and being expressly covenanted by the Holder of every Debt Security with every other Holder and the Trustee, that no one or more Holders shall have any right in any manner whatever by virtue or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of any Holders, or to obtain or seek to obtain priority over or preference to any other such Holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all such Holders. For the protection and enforcement of the provisions of this Section 6.04, each and every Holder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Notwithstanding any other provision in this Indenture, however, the right of any Holder of any Debt Security to receive payment of the principal of, and premium, if any, and (subject to Section 2.12) interest on, such Debt Security on or after the respective due dates expressed in such Debt Security, and to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 6.05. REMEDIES CUMULATIVE; DELAY OR OMISSION IN EXERCISE OF RIGHTS NOT A WAIVER OF DEFAULT.

All powers and remedies given by this Article 6 to the Trustee or to the Holders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other powers and remedies available to the Trustee or the Holders, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any Holder to exercise any right or power accruing upon any Default occurring and continuing as aforesaid, shall impair any such right or power, or shall be construed to be a waiver of any such Default or an acquiescence therein; and, subject to the provisions of Section 6.04, every power and remedy given by this Article 6 or by law to the Trustee or to the Holders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Holders.

SECTION 6.06. RIGHTS OF HOLDERS OF MAJORITY IN PRINCIPAL AMOUNT OF DEBT SECURITIES TO DIRECT TRUSTEE AND TO WAIVE DEFAULT.

The Holders of a majority in aggregate principal amount of the Debt Securities of any series at the time Outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Debt Securities of such series; provided, however, that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that subject to the provisions of Section 7.01, the Trustee shall have the right to decline to follow any such direction if the Trustee being advised by counsel shall determine that the action so directed may not lawfully be taken, or if the Trustee shall by a Responsible Officer or officers determine that the action so directed would involve it in personal liability or would be prejudicial to Holders of Debt Securities of such series not taking part in such direction; and provided further, however, that nothing in this Indenture contained shall impair the right of the Trustee to take any action deemed proper by the Trustee and which is not

inconsistent with such direction by such Holders. Prior to the acceleration of the maturity of the Debt Securities of any series, as provided in Section 6.01, the Holders of a majority in aggregate principal amount of the Debt Securities of that series at the time Outstanding may on behalf of the Holders of all the Debt Securities of that series waive any past Default or Event of Default and its consequences for that series specified in the terms thereof as contemplated by Section 2.03, except (i) a Default in the payment of the principal of, and premium, if any, or interest on, any of the Debt Securities and (ii) a Default in respect of a provision that under Section 9.02 cannot be amended without the consent of each Holder affected thereby. In case of any such waiver, such Default shall cease to exist, any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture, and the Partnership, the Trustee and the Holders of the Debt Securities of that series shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 6.07. TRUSTEE TO GIVE NOTICE OF DEFAULTS KNOWN TO IT, BUT MAY WITHHOLD SUCH NOTICE IN CERTAIN CIRCUMSTANCES.

The Trustee shall, within 90 days after the occurrence of a Default known to it with respect to a series of Debt Securities give to the Holders thereof, in the manner provided in Section 1.07, notice of all Defaults with respect to such series known to the Trustee, unless such Defaults shall have been cured or waived before the giving of such notice; provided that, except in the case of Default in the payment of the principal of, or premium, if any, or interest on, any of the Debt Securities of such series or in the making of any sinking fund payment with respect to the Debt Securities of such series, the Trustee shall be protected in withholding such notice if and so long as the committee of Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Holders thereof.

SECTION 6.08. REQUIREMENT OF AN UNDERTAKING TO PAY COSTS IN CERTAIN SUITS UNDER THIS INDENTURE OR AGAINST THE TRUSTEE.

All parties to this Indenture agree, and each Holder of any Debt Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit in the manner and to the extent provided in the Trust Indenture Act, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 6.08 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than twenty-five percent in principal amount of the Outstanding Debt Securities of that series or to any suit instituted by any Holder for the enforcement of the payment of the principal of, or premium, if any, or interest on, any Debt Security on or after the due date for such payment expressed in such Debt Security.

ARTICLE 7
CONCERNING THE TRUSTEE

SECTION 7.01. CERTAIN DUTIES AND RESPONSIBILITIES.

The Trustee, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this subsection shall not be construed to limit the effect of the first paragraph of this Section 7.01;

(ii) prior to the occurrence of an Event of Default with respect to the Debt Securities of a series and after the curing or waiving of all Events of Default with respect to such series which may have occurred:

(a) the duties and obligations of the Trustee with respect to Debt Securities of any series shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations with respect to such series as are specifically set forth in this Indenture, and no implied covenants or obligations with respect to such series shall be read into this Indenture against the Trustee; and

(b) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

(iii) the Trustee shall not be liable for an error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iv) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it with respect to Debt Securities of any series in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of the Outstanding Debt Securities of that series relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to Debt Securities of such series.

None of the provisions of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any personal financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 7.02. CERTAIN RIGHTS OF TRUSTEE.

Except as otherwise provided in Section 7.01:

(i) the Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note or other paper or document (whether in its original or facsimile form) believed by it to be genuine and to have been signed or presented by the proper party or parties;

(ii) any request, direction, order or demand of the Partnership mentioned herein shall be sufficiently evidenced by an Issuer Order (unless other evidence in respect thereof be herein specifically prescribed); and any Board Resolution may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the General Partner;

(iii) the Trustee may consult with counsel of its own selection, and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(iv) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders of Debt Securities of any series pursuant to the provisions of this Indenture, unless such Holders shall have offered to the Trustee security or indemnity reasonably satisfactory to it against the loss, expenses and liabilities which may be incurred therein or thereby;

(v) the Trustee shall not be liable for any action taken or omitted by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture;

(vi) prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval or other paper or document, unless requested in writing to do so by the Holders of a majority in aggregate principal amount of the then outstanding Debt Securities of a series affected by such matter; provided, however, that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is not, in the opinion of the Trustee, reasonably assured to the Trustee

by the security afforded to it by the terms of this Indenture, the Trustee may require indemnity reasonably satisfactory to it against such costs, expenses or liabilities as a condition to so proceeding; the Trustee shall be entitled to examine the books, records and premises of the Partnership, personally or by an agent or attorney at the sole cost of the Partnership and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation;

(vii) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care hereunder;

(viii) if any property other than cash shall at any time be subject to a Lien in favor of the Holders, the Trustee, if and to the extent authorized by a receivership or bankruptcy court of competent jurisdiction or by the supplemental instrument subjecting such property to such Lien, shall be entitled to make advances for the purpose of preserving such property or of discharging tax Liens or other prior Liens or encumbrances thereon; and

(ix) the Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a Default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Debt Securities and this Indenture; and

(x) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and to each agent, custodian and other Person employed by the Trustee to act hereunder.

SECTION 7.03. TRUSTEE NOT LIABLE FOR RECITALS IN INDENTURE OR IN DEBT SECURITIES.

The recitals contained herein and in the Debt Securities (except the Trustee's certificate of authentication) shall be taken as the statements of the Partnership, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Debt Securities of any series, except that the Trustee represents that it is duly authorized to execute and deliver this Indenture, authenticate the Debt Securities and perform its obligations hereunder, and that the statements made by it or to be made by it in a Statement of Eligibility and Qualification on Form T-1 supplied to the Partnership are true and accurate. The Trustee shall not be accountable for the use or application by the Partnership of any of the Debt Securities or of the proceeds thereof.

SECTION 7.04. TRUSTEE, PAYING AGENT OR REGISTRAR MAY OWN DEBT SECURITIES.

The Trustee or any paying agent or Registrar, in its individual or any other capacity, may become the owner or pledgee of Debt Securities and subject to the provisions of the Trust Indenture Act relating to conflicts of interest and preferential claims may otherwise deal with the Partnership with the same rights it would have if it were not Trustee, paying agent or Registrar; provided, however, that if the Trustee acquires any such conflicting interest and an Event of Default or Default has occurred and is continuing, the Trustee must eliminate such conflict within 90 days, apply to the Commission for permission to continue as trustee or resign.

SECTION 7.05. MONEYS RECEIVED BY TRUSTEE TO BE HELD IN TRUST.

Subject to the provisions of Section 11.05, all moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any moneys received by it hereunder. So long as no Event of Default shall have occurred and be continuing, all interest allowed on any such moneys shall be paid from time to time to the Partnership upon an Issuer Order.

SECTION 7.06. COMPENSATION AND REIMBURSEMENT.

The Partnership covenants and agrees to pay in Dollars to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it hereunder (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), and, except as otherwise expressly provided herein, the Partnership will pay or reimburse in Dollars the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents, attorneys and counsel and of all Persons not regularly in its employ) except any such expense, disbursement or advances as may arise from its negligence or bad faith. The Partnership also covenants to fully indemnify in Dollars the Trustee and any predecessor Trustee for, and to hold it harmless against, any and all loss, liability, claim, damage or expense incurred without negligence or willful misconduct on the part of the Trustee, arising out of or in connection with the acceptance or administration of this trust or trusts hereunder, including the costs and expenses of defending itself against any claim of liability in connection with the exercise or performance of any of its powers or duties hereunder. The obligations of the Partnership under this Section 7.06 to compensate and indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture. The Partnership and the Holders agree that such additional indebtedness shall be secured by a Lien prior to that of the Debt Securities upon all property and funds held or collected by the Trustee, as such, except funds held in trust for the payment of principal of, and premium, if any, or interest on, particular Debt Securities.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(g) or (h) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any bankruptcy, insolvency, reorganization or other similar law.

SECTION 7.07. RIGHT OF TRUSTEE TO RELY ON AN OFFICERS' CERTIFICATE WHERE NO OTHER EVIDENCE SPECIFICALLY PRESCRIBED.

Except as otherwise provided in Section 7.01, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee and such certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture upon the faith thereof.

SECTION 7.08. SEPARATE TRUSTEE; REPLACEMENT OF TRUSTEE.

The Partnership may, but need not, appoint a separate Trustee for any one or more series of Debt Securities. The Trustee may resign with respect to one or more or all series of Debt Securities at any time by giving notice to the Partnership. The Holders of a majority in principal amount of the Debt Securities of a particular series may remove the Trustee for such series and only such series by so notifying the Trustee and may appoint a successor Trustee. The Partnership shall remove the Trustee if:

(1) the Trustee fails to comply with Section 7.10;

(2) the Trustee is adjudged bankrupt or insolvent;

(3) a receiver or other public officer takes charge of the Trustee or its property; or

(4) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns, is removed by the Partnership or by the Holders of a majority in principal amount of the Debt Securities of a particular series and such Holders do not reasonably promptly appoint a successor Trustee, or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Partnership shall promptly appoint a successor Trustee. No resignation or removal of the Trustee and no appointment of a successor Trustee shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of this Section 7.08.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Partnership. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders of Debt Securities of each applicable series. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the Lien provided for in Section 7.06.

If a successor Trustee does not take office within 60 days after the retiring Trustee gives notice of resignation or is removed, the retiring Trustee or the Holders of 25% in principal amount of the Debt Securities of any applicable series may petition any court of competent jurisdiction for the appointment of a successor Trustee for the Debt Securities of such series.

If the Trustee fails to comply with Section 7.10, any Holder of Debt Securities of any applicable series may petition at the expense of the Partnership any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee for the Debt Securities of such series.

Notwithstanding the replacement of the Trustee pursuant to this Section 7.08, the Partnership's obligations under Section 7.06 shall continue for the benefit of the retiring Trustee.

In the case of the appointment hereunder of a separate or successor trustee with respect to the Debt Securities of one or more series, the Partnership, any retiring Trustee and each successor or separate Trustee with respect to the Debt Securities of any applicable series shall execute and deliver an Indenture supplemental hereto (i) which shall contain such provisions as shall be

deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of any retiring Trustee with respect to the Debt Securities of any series as to which any such retiring Trustee is not retiring shall continue to be vested in such retiring Trustee and (ii) that shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one trustee, it being understood that nothing herein or in such supplemental Indenture shall constitute such Trustees co-trustees of the same trust and that each such separate, retiring or successor Trustee shall be Trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee.

SECTION 7.09. SUCCESSOR TRUSTEE BY MERGER.

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation or banking association without any further act shall be the successor Trustee.

In case at the time such successor or successors by merger, conversion or consolidation to the Trustee shall succeed to the trusts created by this Indenture any of the Debt Securities shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Debt Securities so authenticated; and in case at that time any of the Debt Securities shall not have been authenticated, any successor to the Trustee may authenticate such Debt Securities either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Debt Securities or in this Indenture provided that the certificate of the Trustee shall have.

SECTION 7.10. ELIGIBILITY; DISQUALIFICATION.

The Trustee shall at all times satisfy the requirements of Section 310(a) of the Trust Indenture Act. The Trustee shall have a combined capital and surplus of at least $50,000,000, as set forth in its most recent published annual report of condition. No obligor upon the Debt Securities of a particular series or Person directly or indirectly controlling, controlled by or under common control with such obligor shall serve as Trustee upon the Debt Securities of such series. The Trustee shall comply with Section 310(b) of the Trust Indenture Act; provided, however, that there shall be excluded from the operation of Section 310(b)(1) of the Trust Indenture Act, this Indenture or any indenture or indentures under which other securities or certificates of interest or participation in other securities of the Partnership are outstanding if the requirements for such exclusion set forth in Section 310(b)(1) of the Trust Indenture Act are met.

SECTION 7.11. PREFERENTIAL COLLECTION OF CLAIMS AGAINST THE PARTNERSHIP.

The Trustee shall comply with Section 311(a) of the Trust Indenture Act, excluding any creditor relationship listed in Section 311(b) of the Trust Indenture Act. A Trustee who had resigned or been removed shall be subject to Section 311(a) of the Trust Indenture Act to the extent indicated therein.

SECTION 7.12. COMPLIANCE WITH TAX LAWS.

The Trustee hereby agrees to comply with all U.S. Federal income tax information reporting and withholding requirements applicable to it with respect to payments of premium (if

any) and interest on the Debt Securities, whether acting as Trustee, Security Registrar, paying agent or otherwise with respect to the Debt Securities.

SECTION 7.13. TRUSTEE'S APPLICATION FOR INSTRUCTIONS FROM THE PARTNERSHIP.

Any application by the Trustee for written instructions from the Partnership may, at the option of the Trustee, set forth in writing any action proposed to be taken or omitted by the Trustee under this Indenture and the date on and/or after which such action shall be taken or such omission shall be effective. The Trustee shall not be liable for any action taken by, or omission of, the Trustee in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than three business days after the date any officer of the General Partner actually receives such application, unless such officer shall have consented in writing to any earlier date) unless prior to taking any such action (or the effective date in the case of an omission), the Trustee shall have received written instructions in response to such application specifying the action to be taken or omitted.

ARTICLE 8
CONCERNING THE HOLDERS

SECTION 8.01. EVIDENCE OF ACTION BY HOLDERS.

Whenever in this Indenture it is provided that the Holders of a specified percentage in aggregate principal amount of the Debt Securities of any or all series may take action (including the making of any demand or request, the giving of any direction, notice, consent or waiver or the taking of any other action) the fact that at the time of taking any such action the Holders of such specified percentage have joined therein may be evidenced (i) by any instrument or any number of instruments of similar tenor executed by Holders in person or by agent or proxy appointed in writing, (ii) by the record of the Holders voting in favor thereof at any meeting of Holders duly called and held in accordance with the provisions of Section 5.02 or (iii) by a combination of such instrument or instruments and any such record of such a meeting of Holders.

SECTION 8.02. PROOF OF EXECUTION OF INSTRUMENTS AND OF HOLDING OF DEBT SECURITIES.

Subject to the provisions of Sections 1.13, 7.01 and 7.02, proof of the execution of any instrument by a Holder or his agent or proxy shall be sufficient if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee.

The ownership of Registered Securities of any series shall be proved by the Debt Security Register or by a certificate of the Registrar for such series.

The Trustee may require such additional proof of any matter referred to in this Section 8.02 as it shall deem necessary.

SECTION 8.03. WHO MAY BE DEEMED OWNER OF DEBT SECURITIES.

Prior to due presentment for registration of transfer of any Registered Security, the Partnership, the Trustee, any paying agent and any Registrar may deem and treat the Person in whose name any Registered Security shall be registered upon the books of the Partnership as the absolute owner of such Registered Security (whether or not such Registered Security shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose

of receiving payment of or on account of the principal of and premium, if any, and (subject to Section 2.03) interest on such Registered Security and for all other purposes, and neither the Partnership nor the Trustee nor any paying agent nor any Registrar shall be affected by any notice to the contrary; and all such payments so made to any such Holder for the time being, or upon his order, shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Registered Security.

None of the Partnership, the Trustee, any paying agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

SECTION 8.04. INSTRUMENTS EXECUTED BY HOLDERS BIND FUTURE HOLDERS.

At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 8.01, of the taking of any action by the Holders of the percentage in aggregate principal amount of the Debt Securities of any series specified in this Indenture in connection with such action and subject to the following paragraph, any Holder of a Debt Security which is shown by the evidence to be included in the Debt Securities the Holders of which have consented to such action may, by filing written notice with the Trustee at its Corporate Trust Office of the Trustee and upon proof of holding as provided in Section 8.02, revoke such action so far as concerns such Debt Security. Except as aforesaid any such action taken by the Holder of any Debt Security shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Debt Security and of any Debt Security issued upon transfer thereof or in exchange or substitution therefor, irrespective of whether or not any notation in regard thereto is made upon such Debt Security or such other Debt Securities. Any action taken by the Holders of the percentage in aggregate principal amount of the Debt Securities of any series specified in this Indenture in connection with such action shall be conclusively binding upon the Partnership, the Trustee and the Holders of all the Debt Securities of such series.

The Partnership may, but shall not be obligated to, fix a record date for the purpose of determining the Holders of Registered Securities entitled to give their consent or take any other action required or permitted to be taken pursuant to this Indenture. If a record date is fixed, then notwithstanding the immediately preceding paragraph, those Persons who were Holders of Registered Securities at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or to revoke any consent previously given or to take any such action, whether or not such Persons continue to be Holders of Registered Securities after such record date. No such consent shall be valid or effective for more than 120 days after such record date unless the written consent of the Holders of the percentage in aggregate principal amount of the Debt Securities of such series specified in this Indenture shall have been received within such 120-day period.

ARTICLE 9
SUPPLEMENTAL INDENTURES

SECTION 9.01. PURPOSES FOR WHICH SUPPLEMENTAL INDENTURE MAY BE ENTERED INTO WITHOUT CONSENT OF HOLDERS.

The Partnership, when authorized by Board Resolutions, and the Trustee may from time to time and at any time, without the consent of Holders, enter into an Indenture or Indentures

supplemental hereto (which shall conform to the provisions of the Trust Indenture Act as in force at the date of the execution thereof) for one or more of the following purposes:

(a) to cure any ambiguity, defect, omission, error or inconsistency contained herein, in any supplemental Indenture or in the Debt Securities of such series;

(b) to provide for uncertificated Debt Securities in addition to or in place of certificated Debt Securities; provided, however, that the uncertificated Debt Securities are issued in registered form for purposes of Section 163(f) of the Code of 1986, as amended from time to time, or in a manner such that the uncertificated Debt Securities are described in Section 163(f)(2)(B) of the Code;

(c) to evidence succession, or to provide for the assumption of the Partnership's obligations to Holders, pursuant to Article 10;

(d) to add guarantees with respect to any or all of the Debt Securities or to secure any or all of the Debt Securities, or any guarantees with respect thereto, in each case in accordance with the provisions of this Indenture or any supplemental Indenture; to convey, transfer, assign, mortgage or pledge any property to or with the Trustee;

(e) to make any changes that would provide any additional rights or benefits to the Holders of the Debt Securities or that do not, taken as a whole, adversely affect the legal rights hereunder of any Holder;

(f) to comply with the requirements of the Commission to permit the qualification of this Indenture or any Indenture supplemental hereto under the Trust Indenture Act as then in effect, except that nothing herein contained shall permit or authorize the inclusion in any Indenture supplemental hereto of the provisions referred to in Section 316(a)(2) of the Trust Indenture Act;

(g) to evidence and provide for the acceptance of appointment hereunder by a successor or separate Trustee with respect to the Debt Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee;

(h) to add any additional Events of Default; and

(i) to release any guarantee or security with respect to any or all of the Debt Securities, or any guarantees with respect thereto, in each case in accordance with this Indenture or any supplemental Indenture.

The Trustee is hereby authorized to join with the Partnership in the execution of any such supplemental Indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer, assignment, mortgage or pledge of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental Indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental Indenture authorized by the provisions of this Section 9.01 may be executed by the Partnership and the Trustee without the consent of the Holders of any of the Debt Securities at the time outstanding, notwithstanding any of the provisions of Section 9.02.

After an amendment under this Section 9.01 becomes effective, the Partnership shall mail to Holders of Debt Securities of each series affected thereby a notice briefly describing such amendment. The failure to give such notice to all such Holders, or any defect therein, shall not impair or affect the validity of an amendment under this Section 9.01.

SECTION 9.02. MODIFICATION OF INDENTURE WITH CONSENT OF HOLDERS OF DEBT SECURITIES.

Without notice to any Holder but with the consent (evidenced as provided in Section 8.01) of the Holders of a majority in aggregate principal amount of the outstanding Debt Securities of each series affected by such supplemental Indenture, the Partnership, when authorized by Board Resolutions, and the Trustee may from time to time and at any time enter into an Indenture or Indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act as in force at the date of execution thereof) for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental Indenture or of modifying in any manner the rights of the Holders of the Debt Securities of such series; provided, that no such supplemental Indenture, without the consent of the Holders of each Debt Security so affected, shall (i) reduce the percentage in principal amount of Debt Securities of any series whose Holders must consent to an amendment, supplement or waiver; (ii) reduce the principal of or change the Stated Maturity of any Debt Security; (iii) reduce or waive the premium payable upon the redemption of any Debt Security or alter or waive any provisions by which any Debt Security may or shall be redeemed in accordance with Article 3; (iv) reduce the rate of or change the time for payment of interest on any Debt Security; (v) waive a Default or an Event of Default in the payment of principal of, or premium, if any, with respect to a Debt Security except for a rescission of an acceleration of such Debt Securities by the Holders of at least a majority in aggregate principal amount of such Debt Securities and a waiver of the payment default that resulted from such acceleration; (vi) release any security that may have been granted in respect of the Debt Securities; (vii) make any Debt Security payable in Currency other than that stated in the Debt Security; (viii) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders to receive payments of principal of or premium, if any, or interest on the Debt Securities; (ix) waive a redemption payment with respect to any Debt Security other than as required by a covenant set forth in the applicable supplemental Indenture; (x) except as otherwise permitted under this Indenture or any supplemental indenture, with respect to Debt Securities that are guaranteed, release any guarantor from its obligations under this Indenture or any supplemental Indenture or under its guarantee or change any guarantee in any manner that would adversely affect the rights of Holders of such Debt Securities; or (xi) make any change in Section 6.06 or this Section 9.02.

A supplemental Indenture which changes or eliminates any covenant or other provision of this Indenture which has been expressly included solely for the benefit of one or more particular series of Debt Securities or which modifies the rights of the Holders of Debt Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Debt Securities of any other series.

Upon the request of the Partnership, accompanied by copies of Board Resolutions authorizing the execution of any such supplemental Indenture, and upon the filing with the Trustee of evidence of the consent of Holders as aforesaid, the Trustee shall join with the

Partnership in the execution of such supplemental Indenture unless such supplemental Indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion but shall not be obligated to enter into such supplemental Indenture.

It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

After an amendment under this Section 9.02 becomes effective, the Partnership shall mail to Holders of Debt Securities of each series affected thereby a notice briefly describing such amendment. The failure to give such notice to all such Holders, or any defect therein, shall not impair or affect the validity of an amendment under this Section 9.02.

SECTION 9.03. EFFECT OF SUPPLEMENTAL INDENTURES.

Upon the execution of any supplemental Indenture pursuant to the provisions of this Article 9, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Partnership and the Holders shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental Indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

The Trustee, subject to the provisions of Sections 7.01 and 7.02, may receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any such supplemental Indenture complies with the provisions of this Article 9.

SECTION 9.04. DEBT SECURITIES MAY BEAR NOTATION OF CHANGES BY SUPPLEMENTAL INDENTURES.

Debt Securities of any series authenticated and delivered after the execution of any supplemental Indenture pursuant to the provisions of this Article 9 may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental Indenture. New Debt Securities of any series so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of this Indenture contained in any such supplemental Indenture may be prepared and executed by the Partnership, authenticated by the Trustee and delivered in exchange for the Debt Securities of such series then outstanding. Failure to make the appropriate notation or to issue a new Debt Security of such series shall not affect the validity of such amendment.

ARTICLE 10
CONSOLIDATION, MERGER, SALE OR CONVEYANCE

SECTION 10.01. CONSOLIDATIONS AND MERGERS OF THE PARTNERSHIP.

The Partnership may not, directly or indirectly: (i) consolidate or merge with or into another Person (whether or not the Partnership is the survivor); or (ii) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions, to another Person; unless:

(1) either (i) the Partnership is the surviving entity of such transaction or (ii) the Person formed by or surviving any such consolidation or merger (if other than the Partnership) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made (the "SUCCESSOR COMPANY") is an entity organized or existing under the laws of the United States, any state thereof or the District of Columbia;

(2) the Successor Company assumes all the obligations of the Partnership under the Debt Securities and this Indenture pursuant to agreements reasonably satisfactory to the Trustee;

(3) immediately after such transaction no Default or Event of Default exists; and

(4) the Partnership has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and, if a supplemental Indenture is required, such supplemental Indenture complies with this Indenture and all conditions precedent therein relating to such transaction have been satisfied.

SECTION 10.02. RIGHTS AND DUTIES OF SUCCESSOR COMPANY.

In case of any consolidation or merger, or conveyance or transfer of the assets of the Partnership as an entirety or virtually as an entirety in accordance with Section 10.01, the Successor Company shall succeed to and be substituted for the Partnership, with the same effect as if it had been named herein as the party of the first part, and the Partnership shall be released from all liabilities and obligations, and relieved of any further obligation, under this Indenture and the Debt Securities. The Successor Company thereupon may cause to be signed, and may issue either in its own name or in the name of the Partnership, any or all the Debt Securities issuable hereunder which theretofore shall not have been signed by the Partnership and delivered to the Trustee; and, upon the order of the Successor Company, instead of the Partnership, and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver any Debt Securities which previously shall have been signed and delivered by the officers of the Partnership to the Trustee for authentication, and any Debt Securities which the Successor Company thereafter shall cause to be signed and delivered to the Trustee for that purpose. All the Debt Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Debt Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all such Debt Securities had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in the Debt Securities appertaining thereto thereafter to be issued as may be appropriate.

ARTICLE 11
SATISFACTION AND DISCHARGE OF INDENTURE; UNCLAIMED MONEYS; DEFEASANCE

SECTION 11.01. APPLICABILITY OF ARTICLE.

The provisions of this Article 11 relating to the defeasance of Debt Securities shall be applicable to each series of Debt Securities except as otherwise specified pursuant to Section 2.03 for Debt Securities of such series.

SECTION 11.02. SATISFACTION AND DISCHARGE OF INDENTURE; DEFEASANCE.

(a) If at any time the Partnership shall have delivered to the Trustee for cancellation all Debt Securities of any series theretofore authenticated and delivered (other than any Debt Securities of such series which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.09 and Debt Securities for whose payment money has theretofore been deposited in trust and thereafter repaid to the Partnership as provided in Section 11.05) or all Debt Securities of such series not theretofore delivered to the Trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption, and the Partnership shall deposit with the Trustee as trust funds the entire amount in cash sufficient to pay at maturity or upon redemption all Debt Securities of such series not theretofore delivered to the Trustee for cancellation, including principal and premium, if any, and interest due or to become due on such date of maturity or redemption date, as the case may be, and if in either case the Partnership shall also pay or cause to be paid all other sums payable hereunder by the Partnership, then this Indenture shall cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of such Debt Securities herein expressly provided for) with respect to the Debt Securities of such series, and the Trustee, on demand of the Partnership accompanied by an Officers' Certificate and an Opinion of Counsel and at the cost and expense of the Partnership, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture.

(b) Subject to Sections 11.02(c) and 11.07, the Partnership at any time may terminate, with respect to Debt Securities of a particular series, all its obligations under the Debt Securities of such series and this Indenture with respect to the Debt Securities of such series ("LEGAL DEFEASANCE OPTION") or the operation of Sections 6.01(d), (e) and (h) ("COVENANT DEFEASANCE OPTION"). If the Partnership exercises its legal defeasance option, the guarantee of any obligor will terminate with respect to that series of Debt Securities. The Partnership may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option.

If the Partnership exercises its legal defeasance option, payment of the Debt Securities of the defeased series may not be accelerated because of an Event of Default. If the Partnership exercises its covenant defeasance option, payment of the Debt Securities of the defeased series may not be accelerated because of an Event of Default specified in Sections 6.01(d), (e) and (h) (except to the extent covenants or agreements reference in such Sections remain applicable.

Upon satisfaction of the conditions set forth herein and upon request of the Partnership, the Trustee shall acknowledge in writing the discharge of those obligations that the Partnership terminates.

(c) Notwithstanding the provisions of clauses (a) and (b) above, the Partnership's obligations in Sections 2.07, 2.09, 4.02, 4.04, 5.01, 7.06, 7.10, 11.05, 11.06, and 11.07 shall survive until the Debt Securities of the defeased series have been paid in full. Thereafter, the Partnership's obligations in Sections 7.06, 11.05 and 11.06 shall survive.

SECTION 11.03. CONDITIONS OF DEFEASANCE.

The Partnership may exercise its legal defeasance option or its covenant defeasance option with respect to Debt Securities of a particular series only if:

(a) the Partnership irrevocably deposits in trust with the Trustee money or U.S. Government Obligations for the payment of principal of, and premium, if any, and interest on, the Debt Securities of such series to maturity or redemption, as the case may be;

(b) the Partnership delivers to the Trustee a certificate from a nationally recognized firm of independent accountants expressing their opinion that the payments of principal and interest when due and without reinvestment on the deposited U.S. Government Obligations plus any deposited money without investment will provide cash at such times and in such amounts as will be sufficient to pay the principal, premium and interest when due on all the Debt Securities of such series to maturity or redemption, as the case may be;

(c) 91 days pass after the deposit is made and during the 91-day period no Default specified in Section 6.01(f) or (g) with respect to the Partnership occurs which is continuing at the end of the period;

(d) no Default has occurred and is continuing on the date of such deposit and after giving effect thereto;

(e) the deposit does not constitute a default under any other agreement binding on the Partnership;

(f) the Partnership delivers to the Trustee an Opinion of counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the Investment Company Act of 1940;

(g) in the event of the legal defeasance option, the Partnership shall have delivered to the Trustee an Opinion of Counsel stating that the Partnership has received from the Internal Revenue Service a ruling, or since the date of this Indenture there has been a change in the applicable Federal income tax law, in either case of the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of Debt Securities of such series will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred;

(h) in the event of the covenant defeasance option, the Partnership shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of Debt Securities of such series will not recognize income, gain or loss for Federal income tax purposes as a result of such covenant defeasance and

will be subject to Federal income tax on the same amounts, in the same a manner and at the same times as would have been the case if such covenant defeasance had not occurred; and

(i) the Partnership delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance and discharge of the Debt Securities of such series as contemplated by this Article 11 have been complied with.

Before or after a deposit, the Partnership may make arrangement satisfactory to the Trustee for the redemption of Debt Securities of such series at a future date in accordance with Article 3.

SECTION 11.04. APPLICATION OF TRUST MONEY.

The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to this Article 11. It shall apply the deposited money and the money from U.S. Government Obligations through any paying agent and in accordance with this Indenture to the payment of principal of, and premium, if any, and interest on, the Debt Securities of the defeased series.

SECTION 11.05. REPAYMENT TO THE PARTNERSHIP.

The Trustee and any paying agent shall promptly turn over to the Partnership upon request any excess money or securities held by them at any time.

Subject to any applicable abandoned property law, the Trustee and any paying agent shall pay to the Partnership upon request any money held by them for the payment of principal, premium or interest that remains unclaimed for two years, and, thereafter, Holders entitled to such money must look to the Partnership for payment as general creditors.

SECTION 11.06. INDEMNITY FOR U.S. GOVERNMENT OBLIGATIONS.

The Partnership shall pay and shall indemnify the Trustee and the Holders against any tax, fee or other charge imposed on or assessed against deposited U.S. Government Obligations or the principal and interest received on such U.S. Government Obligations.

SECTION 11.07. REINSTATEMENT.

If the Trustee or any paying agent is unable to apply any money or U.S. Government Obligations in accordance with this Article 11 by reason of any legal proceeding or by reason of any order or judgment of any court or government authority enjoining, restraining or otherwise prohibiting such application, the Partnership's obligations under this Indenture and the Debt Securities of the defeased series shall be revived and reinstated as though no deposit had occurred pursuant to this Article 11 until such time as the Trustee or any paying agent is permitted to apply all such money or U.S. Government Obligations in accordance with this Article 11.

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IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly signed as of the date first written above.

KANEB PIPE LINE OPERATING PARTNERSHIP, L.P.

By: Kaneb Pipe Line Company LLC
as General Partner

By /s/ HOWARD C. WADSWORTH
Name: Howard C. Wadsworth
Title: Vice President, Treasurer
and Secretary

JPMORGAN CHASE BANK

By /s/ MAURI J. COWEN
Name: Mauri J. Cowen
Title: Vice President and Trust Officer

EXHIBIT 4.04

KANEB PIPE LINE OPERATING PARTNERSHIP, L.P.

ISSUER

AND

JPMORGAN CHASE BANK

TRUSTEE

FIRST SUPPLEMENTAL INDENTURE

DATED AS OF FEBRUARY 21, 2002

7.750% SENIOR UNSECURED NOTES DUE 2012

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FIRST SUPPLEMENTAL INDENTURE, dated as of February 21, 2002 (the "SUPPLEMENTAL INDENTURE"), between KANEB PIPE LINE OPERATING PARTNERSHIP, L.P., a Delaware limited partnership (the "COMPANY"), having its principal office at 2435 North Central Expressway, Richardson, Texas, and JPMORGAN CHASE BANK, a New York banking corporation ("JPMORGAN"), as trustee under the Indenture referred to below (in such capacity, the "TRUSTEE").

RECITALS OF THE COMPANY

WHEREAS, the Company has heretofore entered into an Indenture, dated as of February 21, 2002 (the "ORIGINAL INDENTURE"), with JPMorgan, as trustee;

WHEREAS, the Original Indenture is incorporated herein by this reference and the Original Indenture, as supplemented by this Supplemental Indenture, is herein called the "INDENTURE";

WHEREAS, under the Original Indenture, a new series of Debt Securities may at any time be established by the Board of Directors in accordance with the provisions of the Original Indenture, and the terms of such series may be established by a supplemental Indenture executed by the Company and the Trustee;

WHEREAS, the Company proposes to create under the Indenture a new series of Debt Securities;

WHEREAS, additional Debt Securities of other series hereafter established, except as may be limited in the Original Indenture as at the time supplemented and modified, may be issued from time to time pursuant to the Indenture as at the time supplemented and modified; and

WHEREAS, all acts and things necessary to make the Notes (as herein defined), when executed by the Company and authenticated and delivered by the Trustee as provided in the Original Indenture and this Supplemental Indenture, the valid and binding obligations of the Company and to make this Supplemental Indenture a valid and binding agreement in accordance with the Original Indenture have been done or performed;

NOW, THEREFORE, in consideration of the premises, agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree, for the equal and proportionate benefit of all Holders of the Notes, as follows:

ARTICLE 1
RELATION TO INDENTURE; DEFINITIONS

SECTION 1.01. RELATION TO INDENTURE.

With respect to the Notes, this Supplemental Indenture constitutes an integral part of the Indenture.

SECTION 1.02. DEFINITIONS AND REFERENCES.

For all purposes of this Supplemental Indenture, capitalized terms used herein and not otherwise defined herein shall have the meanings assigned in the Original Indenture. The following are definitions used in this Supplemental Indenture:

"AFFILIATE" of any specified Person means any other Person, directly or indirectly, controlling or controlled by, or under direct or indirect common control with, such specified Person. For purposes of this definition, "control," as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" shall have correlative meanings. Notwithstanding the foregoing, the term "Affiliate" shall not include a Subsidiary of any specified Person.

"COMPARABLE TREASURY ISSUE" means the United States Treasury security or securities selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of the Notes.

"COMPARABLE TREASURY PRICE" means, for any redemption date relating to the Notes, (i) the average of four Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"CONSOLIDATED NET TANGIBLE ASSETS" means, at any date of determination, the aggregate amount of total assets after deducting therefrom (i) all current liabilities (excluding (A) any current liabilities that by their terms are extendable or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed, and (B) current maturities of long-term debt), and (ii) the value (net of any applicable reserves) of all goodwill, trade names, trademarks, patents and other like intangible assets, all as set forth on the consolidated balance sheet of the Company and its consolidated Subsidiaries for the Company's most recently completed fiscal quarter, prepared in accordance with GAAP.

"DEBT" means any obligation created or assumed for the repayment of money borrowed or indebtedness for the repayment of money borrowed and, without duplication, any guarantee therefor.

"DISQUALIFIED EQUITY" means, with respect to any Person, any Equity Interests to the extent that by their terms (or by the terms of any security into which they are convertible or for which they are exchangeable) or upon the happening of any event, they mature or are mandatorily redeemable pursuant to a sinking fund obligation or otherwise, or are redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that the Notes mature, except such Equity Interests that are solely redeemable with, or solely exchangeable for, any Equity Interests of such Person that are not a Disqualified Equity.

"DISTRIBUTION" shall mean, with respect to any Equity Interests issued by a Person (i) the retirement, redemption, purchase or other acquisition for value of those Equity Interests by such Person, (ii) the declaration or payment of any dividend or distribution on or with respect to those Equity Interests by such Person, (iii) any Investment by that Person in the holder of any of those Equity Interests, and (iv) any other payment by that Person with respect to those Equity Interests.

"EQUITY INTERESTS" shall mean, (i) with respect to a corporation, shares of capital stock of such corporation or any other interest convertible or exchangeable into any such interest, (ii) with respect to a limited liability company, membership interests in such limited liability company, (iii) with respect to a partnership, partnership interests in such partnership, and (iv) with respect to any other Person, interests in such Person analogous to interests described in clauses (i) through (iii).

"EXCLUDED SUBSIDIARY" shall mean any Subsidiary (i) that has no Debt other than Permitted Non-Recourse Debt and (ii) the sole purpose of which is to engage in the acquisition, construction, development and/or operation activities financed or refinanced with such Permitted Non-Recourse Debt.

"FUNDED DEBT" means, as applied to the Company or any of its Subsidiaries, Debt maturing one year or more from the date of the incurrence, creation or assumption thereof by the Company or any of its Subsidiaries, Debt directly or indirectly renewable or extendible, at the option of the obligor, by its terms or by the terms of any instrument or agreement relating thereto, to a date one year or more from the date of the incurrence, creation or assumption thereof by the Company or any of its Subsidiaries, and Debt under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of one year or more.

"INDEPENDENT INVESTMENT BANKER" means either Banc of America Securities LLC or Salomon Smith Barney Inc., as specified by the Company, or any successor firm, or if such firm is unwilling or unable to select the Comparable Treasury Issue, an independent investment banking institution of national standing appointed by the Trustee after consultation with the Company.

"INTEREST PAYMENT DATE" has the meaning assigned in Section 2.04 hereof.

"INVESTMENT" shall mean, in respect of any Person, any loan, advance, extension of credit or capital contribution to that Person, any other investment in that Person, or any purchase or commitment to purchase any Equity Interests or Debt issued by that Person or substantially all of the assets or a division or other business unit of that Person.

"LIEN" means, at to any Person, any mortgage, lien, pledge, security interest or other similar charge or encumbrance.

"NOTES" has the meaning assigned in Section 2.01 hereof.

"PARI PASSU DEBT" means any Funded Debt or Debt of the Company or any of its Subsidiaries, whether outstanding on the date of original issuance of the Notes or thereafter created, incurred or assumed, unless, in the case of any particular Funded Debt or Debt, as the case may be, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such Funded Debt or Debt, as the case may be, shall be subordinated in right of payment to the Notes.

"PERMITTED LIENS" means:

(1) Liens upon rights-of-way for pipeline purposes;

(2) any statutory or governmental Liens or Liens arising by operation of law, or mechanics', repairmen's, materialmen's, suppliers', carriers', landlords', warehousemen's or similar Liens incurred in the ordinary course of business which are not yet due or which are being contested in good faith by appropriate proceedings;

(3) rights reserved to, or vested in, any municipality or governmental, statutory or public authority by the terms of any right, power, franchise, grant, license, lease, permit, or by any provision of law, to control or regulate, to use, to purchase or recapture, to designate a purchaser of, to terminate any franchise, grant, license, lease or permit, or to condemn or expropriate, any property, or zoning laws, ordinances or municipal regulations;

(4) Liens of taxes and assessments which are (i) for the then current year, (ii) not at the time delinquent, or (iii) delinquent but the validity of which are being contested at the time by the Company or any of its Subsidiaries in good faith by appropriate proceedings;

(5) Liens of, or to secure the payment or performance of, leases, other than capital leases;

(6) Liens upon, or deposits of, any assets in favor of any surety company or clerk of court for the purpose of obtaining indemnity or stay of, or appeal from, judicial proceedings;

(7) any Lien for any judgment, attachment, decree or order of any governmental or court authority which when combined with other similar Liens are not in excess of $10,000,000 in the aggregate or any Lien arising by reason of any attachment, judgment, decree or order of any governmental or

court authority, so long as any proceeding initiated to review such attachment, judgment, decree or order shall not have been terminated or the period within which such proceeding may be initiated shall not expire, or such attachment, judgment, decree or order shall otherwise be effectively stayed;

(8) Liens upon property or assets acquired or sold by the Company or any of its Subsidiaries resulting from the exercise of any rights arising out of defaults on receivables or other sums owed to the Company or any of its Subsidiaries;

(9) Liens incurred or deposits made in the ordinary course of business in connection with workmen's compensation, unemployment insurance, temporary disability, social security, retiree health or similar laws or regulations or to secure obligations imposed by statute or governmental regulations;

(10) Liens in favor of the Company or any of its Subsidiaries;

(11) Liens in favor of the United States of America or any other country or of any State, province, territory or any political subdivision thereof, or any department, agency or instrumentality or political subdivision of any of the foregoing, (i) in order to permit the Company or any of its Subsidiaries to perform any contract or subcontract made with or at the request of such governmental entity, securing any partial, progress, advance or other payments pursuant to any contract or statute, or (ii) to secure any Debt incurred by the Company or any of its Subsidiaries for the purpose of financing all or any part of the purchase price of, or the cost of constructing, developing, repairing or improving, the property or assets subject to such Lien;

(12) Liens securing industrial development, pollution control or similar revenue bonds, or Liens created or assumed by the Company or any Restricted Subsidiary in connection with the issuance of Debt the interest on which is excludable from gross income of the holder of such Debt pursuant to the Code for the purpose of financing, in whole or in part, the acquisition, development or construction of, or repair or improvement on, property or assets to be used by the Company or any of its Subsidiaries;

(13) Liens in favor of any Person to secure obligations under the provisions of any letters of credit, bank guarantees, bonds or surety obligations required or requested, in the ordinary course of business by any governmental authority in connection with any contract or statute;

(14) Liens upon property or assets to secure performance of tenders, bids, trade or government contracts, leases, statutory obligations, performance bonds or other similar obligations or to secure obligations arising under statutory, regulatory, contractual or warranty requirements;

(15) easements, rights-of-way, restrictions, exceptions, reservations, defects and irregularities in title and other similar charges, claims and encumbrances in any property or assets which do not, individually or in the aggregate, materially interfere with the ordinary conduct of the business or businesses of the Company and its Subsidiaries, taken as a whole; or

(16) Liens arising under joint venture agreements, transportation or exchange agreements, preferential rights to purchase, and other agreements arising in the ordinary course of the Company's or any of its Subsidiaries' business.

"PERMITTED NON-RECOURSE DEBT" shall mean Debt of any Person that is non-recourse to the Company or any of its Subsidiaries (other than an Excluded Subsidiary) and is used by such Person to acquire, construct, develop and/or operate assets not owned by the Company or any of its Subsidiaries (other than an Excluded Subsidiary) as of the date hereof or to refinance Permitted Non-Recourse Debt.

"PREDECESSOR SECURITY" of any particular Debt Security means every previous Debt Security evidencing all or part of the same Debt as that evidenced by such particular Debt Security; and for the purpose of this definition, any Debt Security authenticated and delivered under the Indenture in exchange for or in lieu of a mutilated, destroyed, lost or stolen Debt Security shall be deemed to evidence the same Debt as the mutilated, destroyed, lost or stolen Debt Security.

"PRINCIPAL PROPERTY" means, whether owned or leased on the date of original issuance of the Notes or thereafter acquired, (i) pipeline assets of the Company or any of its Subsidiaries, including any related facilities employed in the transportation, distribution, terminalling, storage or marketing of refined petroleum products, petroleum products and specialty liquids which are located in the United States of America or any territory or political subdivision thereof, and (ii) any processing or manufacturing plant or terminal owned or leased by the Company or any of its Subsidiaries which is located within the United States of America or any territory or political subdivision thereof, except, in the case of either clause (i) or (ii), (y) any assets consisting of inventories, office fixtures and equipment (including data processing equipment), vehicles and equipment used on, or useful with, vehicles, and (z) any such assets, plant or terminal which, in the opinion of the Board of Directors, is not material in relation to the activities of the Company and its Subsidiaries, taken as a whole.

"REFERENCE TREASURY DEALER" means each of Banc of America Securities LLC and Salomon Smith Barney Inc., plus two additional dealers selected by the Trustee that are at the time primary U.S. Government securities dealers in New York City, and their respective successors; provided, if Banc of America Securities LLC or Salomon Smith Barney Inc. or any primary U.S. Government securities dealer selected by the Trustee shall cease to be a primary U.S. Government securities dealer, then such other primary U.S. Government securities dealers as may be substituted by the Trustee.

"REFERENCE TREASURY DEALER QUOTATIONS" means, for each Reference Treasury Dealer and any redemption date relating to the Notes, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

"REGULAR RECORD DATE" has the meaning assigned in Section 2.04 hereof.

"RESTRICTED PAYMENT" has the meaning assigned in Section 3.04 hereof.

"RESTRICTED SUBSIDIARY" means any Subsidiary of the Company which owns or, as a lessee, leases any Principal Property.

"RIGHT" has the meaning assigned in Section 3.04 hereof.

"SALE-LEASEBACK TRANSACTION" means the sale or transfer by the Company or any Restricted Subsidiary of any Principal Property to a Person (other than the Company or any of its Subsidiaries) and the taking back by the Company or any such Restricted Subsidiary, as the case may be, of a lease of such Principal Property.

"TREASURY RATE" means, with respect to any redemption date relating to the Notes, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the remaining term of the Notes to be redeemed, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The Treasury Rate shall be calculated on the third Business Day preceding the redemption date. Any weekly average yields calculated by interpolation or extrapolation will be ranked to the nearest 1/100th of 1% with any figure of 1/200th of 1% or above being rounded upward.

SECTION 1.03. GENERAL REFERENCES.

All references in this Supplemental Indenture to Articles and Sections, unless otherwise specified, refer to the corresponding Articles and Sections of this Supplemental Indenture; and the

term "HEREIN", "HEREOF", "HEREUNDER" and any other word of similar import refers to this Supplemental Indenture.

ARTICLE 2
THE SERIES OF SECURITIES

SECTION 2.01. THE FORM AND TITLE OF THE DEBT SECURITIES.

There is hereby established a new series of Debt Securities to be issued under the Indenture and to be designated as the Company's 7.750% Senior Unsecured Notes due 2012 (the "NOTES"). The Notes shall be executed, authenticated and delivered in accordance with the provisions of, and shall in all respects be subject to, the terms, conditions and covenants of the Original Indenture and this Supplemental Indenture (including the form of Note set forth as Exhibit A hereto (the terms of which are incorporated in and made a part of the Supplemental Indenture for all intents and purposes) and the additional covenants set forth in Article 3 hereof).

The Notes shall be substantially in the form attached as Exhibit A hereto. The Notes shall be registered in such names, shall be in such amounts and shall have such other specific terms contemplated in the form of Note attached hereto as Exhibit A, as shall be communicated by the Company to the Trustee in accordance with the administrative procedures, as in effect from time to time, established to provide for the issuance of the Notes.

SECTION 2.02. LIMITATION ON AGGREGATE PRINCIPAL AMOUNT.

The aggregate principal amount of the Notes shall be limited to $250,000,000.

SECTION 2.03. STATED MATURITY.

The Notes may be issued on any Business Day on or after February 21, 2002, and the Stated Maturity of the Notes shall be February 15, 2012.

SECTION 2.04. INTEREST AND INTEREST RATES.

The rate of interest on each Note shall be 7.750% per annum, accruing from February 21, 2002 and interest shall be payable, semi-annually in arrears, on February 15 and August 15, of each year (each such date, an "INTEREST PAYMENT DATE"), commencing August 15, 2002, to the Persons in whose names the Notes are registered at the close of business on the immediately preceding February 1 and August 1, respectively, whether or not such day is a Business Day (each such date, a "REGULAR RECORD DATE"). The amount of interest payable for any period shall be computed on the basis of twelve 30-day months and a 360-day year. The amount of interest payable for any partial period shall be computed on the basis of a 360-day year of twelve 30-day months and the days elapsed in any partial month. In the event that any date on which interest is payable on a Note is not a Business Day, then a payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally payable. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will be paid to the Person in whose name such Note (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and shall either (i) be paid to the Person in whose name such Note (or one or more Predecessor Securities) is registered at the close of business on the special record date for the payment of such Defaulted Interest to be fixed by the

Trustee, notice of which shall be given to Holders of the Notes not less than 10 days prior to such special record date, or (ii) be paid at such time in any other lawful manner not inconsistent with the requirements of any securities exchange or automated quotation system on which the Notes may be listed or traded, and upon such notice as may be required by such exchange or automated quotation system, all as more fully provided in the Indenture.

SECTION 2.05. PLACE OF PAYMENT.

The Place of Payment where the Notes may be presented or surrendered for payment shall initially be the Corporate Trust Office of the Trustee in the City and State of New York.

SECTION 2.06. OPTIONAL REDEMPTION.

At its option, the Company may choose to redeem the Notes, as a whole or in part, in principal amounts of $1,000 or any integral multiple thereof, at any time or from time to time upon notification to the Holders of the Notes given at least 30 and not more than 60 days prior to the date fixed for such redemption, at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on such Notes, exclusive of interest accrued to the redemption date therefor, discounted to such redemption date on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 30 basis points, plus, in either case, accrued and unpaid interest on the principal amount of the Notes being redeemed to such redemption date; provided that installments of interest on Notes that are due and payable on any date on or prior to a redemption date shall be payable to the registered Holders of such Notes (or one or more Predecessor Securities), registered as such as of the close of business on the relevant Regular Record Dates. The redemption price shall be calculated and certified to the Trustee by the Independent Investment Banker; provided that if the institution so appointed has notified the Trustee in writing at least 15 days prior to the redemption date that it is unwilling or unable to make such calculation, such calculation shall be made by another Independent Investment Banker appointed by the Trustee at the cost and expense of the Company. The notice to the Holders shall state that the redemption price shall be calculated in accordance with this Section 2.06.

SECTION 2.07. SINKING FUND OBLIGATIONS.

The Company has no obligation to redeem or purchase any Notes pursuant to any sinking fund or analogous requirement or upon the happening of a specified event or at the option of a Holder thereof.

SECTION 2.08. DEFEASANCE AND DISCHARGE; COVENANT DEFEASANCE.

Article 11 of the Original Indenture, including without limitation, Section 11.02(b) thereof, shall apply to the additional covenants set forth in Article 3 hereof and the Notes, and such additional covenants set forth in Article 3 hereof shall be subject to the covenant defeasance option pursuant to Section 11.02(b) of the Original Indenture.

SECTION 2.09. GLOBAL SECURITIES.

The Notes shall initially be issuable in the form of one or more Global Securities. Such Global Securities (i) shall be deposited with, or on behalf of, The Depository Trust Company, New York, New York, which shall act as Depositary with respect to the Notes, (ii) shall bear the legends set forth in the form of Note attached as Exhibit A hereto, (iii) may be exchanged in

whole or in part for Debt Securities in definitive form upon the terms and subject to the conditions provided in Section 2.15 of the Original Indenture and (iv) shall otherwise be subject to the applicable provisions of the Indenture.

SECTION 2.10. REGISTRAR.

The Trustee shall serve as the initial Registrar.

SECTION 2.11. APPLICABILITY OF ADDITIONAL COVENANTS AND DEFINITIONS TO THE NOTES.

In addition to the covenants and definitions set forth in the Original Indenture, the definitions set forth in Section 1.02 hereof and the covenants set forth in Article 3 hereof are applicable to the Notes. The additional covenants set forth in Article 3 hereof are solely for the benefit of the Notes and its Holders, and shall not be applicable, in whole or part, to any other series of Debt Securities unless the instruments establishing any of them shall so expressly provide, and each such case, as therein expressly provided.

SECTION 2.12. OTHER TERMS: PERCENTAGE OF PRINCIPAL AMOUNT.

The Notes shall be issued at 100% of their principal amount.

SECTION 2.13. CUSIP NUMBER.

The Cusip Number for the Notes is 484168 AA 7.

ARTICLE 3
COVENANTS

SECTION 3.01. LIMITATIONS ON LIENS.

So long as the Notes are Outstanding, the Company will not, nor will it permit any Restricted Subsidiary to, create, assume or incur, except in favor of the Company or any of its Subsidiaries, any Lien upon any Principal Property or upon any shares of capital stock or other equity interests of any Restricted Subsidiary at any time owned by them, to secure any Debt of the Company or any other Person (other than the Notes issued hereunder), without effectively providing that all of the Notes Outstanding (together with, if the Company shall so determine, any other indebtedness or obligation of the Company which is

similarly entitled to be equally and ratably secured) shall be secured equally and ratably with, or prior to, such Debt so long as such Debt shall be so secured. The foregoing restriction shall not apply to, or prevent the creation or existence of, any of the following:

(1) Permitted Liens;

(2) Liens upon any property or assets created at the time of acquisition of such property or assets by the Company or any of its Restricted Subsidiaries or within one year after such time, to secure all or part of the purchase price for such property or assets or Debt incurred to finance such purchase price, whether such Debt was incurred prior to, at the time of, or within one year of, such acquisition;

(3) Liens upon any property or assets to secure all or part of the cost of construction, development, repair or improvements thereon or to secure Debt incurred prior to, at the time of, or within one year after, completion of such construction, development, repair or

improvements or the commencement of full operations thereof (whichever is later), to provide funds for any such purpose;

(4) Liens upon any property or assets existing thereon at the time of the acquisition thereof by the Company or any of its Restricted Subsidiaries (whether or not the obligations secured thereby are assumed by the Company or any of its Restricted Subsidiaries), or the assumption by the Company or any Restricted Subsidiary of obligations secured by any Lien that exists at the time of acquisition by the Company or any of its Restricted Subsidiaries of the property or assets subject to such Lien or at the time of the acquisition of the Person that owns such property or assets; provided, however, that any such Lien only encumbers the property or assets so acquired;

(5) Liens upon any property or assets of a Person existing thereon at the time (i) such Person becomes a Restricted Subsidiary of the Company, (ii) such Person is merged with or into, or consolidated with, the Company or any of its Restricted Subsidiaries or (iii) of a sale, lease or other disposition of the properties of a Person (or division thereof) as an entirety or substantially as an entirety to the Company or any of its Restricted Subsidiaries; provided, however, than any such Lien only encumbers the property or assets of such Person at the time such Person becomes a Restricted Subsidiary;

(6) Liens upon any property or assets of the Company or any of its Restricted Subsidiaries in existence on the date of original issuance of the Notes or provided for or created pursuant to an “after-acquired property” clause or similar term in existence on the date of original issuance of the Notes or any mortgage, pledge agreement, security agreement or other similar instrument in existence on the date of original issuance of the Notes;

(7) Liens imposed by law or order as a result of any proceeding before any court or regulatory body that is being contested in good faith by appropriate proceedings, and Liens which secure a judgment or other court-ordered award or settlement as to which the Company or any of its applicable Restricted Subsidiaries has not exhausted its applicable rights;

(8) Liens upon any additions, improvements, replacements, repairs, fixtures, appurtenances or component parts thereof attaching to or required to be attached to property or assets pursuant to the terms of any mortgage, pledge agreement, security agreement or other similar instrument, creating a Lien upon such property or assets permitted by clauses (1) through (7) inclusive, of this Section;

(9) Liens securing Debt of the Company or any of its Restricted Subsidiaries, all or a portion of the net proceeds of which are used substantially concurrent with the funding thereof (and for purposes of determining such “substantial concurrence,” taking into consideration, among other things, required notices to be given to holders of Outstanding Notes in connection with such refunding, refinancing or repurchase, and the required corresponding durations thereof), to refinance, refund or repurchase all Outstanding Notes, including the amount of all accrued interest thereon and reasonable fees and expenses and premium, if any, incurred by the Company or any of its Subsidiaries in connection therewith;

(10) Liens resulting from the deposit of moneys, U.S. Government Obligations or evidence of indebtedness in trust for the purpose of defeasing Debt of the Company or any of its Restricted Subsidiaries;

(11) any Lien upon any property or assets to secure Debt incurred by the Company or any of its Restricted Subsidiaries, the proceeds of which, in whole or part, were used

to defease, in a defeasance or a covenant defeasance, or obligations on any series of the Debt Securities; or

(12) any extension, renewal, refinancing, refunding or replacement (or successive extensions, renewals, refinancing, refunding or replacements) of any Lien, in whole or in part, that is referred to in clause (1) through (11), inclusive, of this Section, or of any Debt secured thereby; provided, however, than any such extension, renewal, refinancing, refunding or replacement Lien shall be limited to the property or assets covered by the Lien extended, renewed, refinanced, refunded or replaced and that the principal amount secured by any such extension, renewal, refinancing, refunding or replacement Lien shall be in an amount not greater than the principal amount of (plus accrued interest on) the obligations secured by the Lien extended, renewed, refinanced, refunded or replaced plus any expenses of the Company and its Restricted Subsidiaries (including any premium) incurred in connection with such extension, renewal, refinancing, refunding or replacement.

Notwithstanding the foregoing provisions of this Section 3.01, the Company may, and may permit any Restricted Subsidiary to, create, assume or incur any Lien upon any Principal Property to secure any Debt of the Company or any other Person (other than the Notes) that is not excepted by clauses (1) through (12), inclusive, of this Section 3.01 without securing the Outstanding Notes, provided that after giving effect to the creation, assumption or incurrence of such Lien and Debt, and the application of the proceeds of such Debt, if any, received as a result thereof, the aggregate principal amount of all Debt then outstanding secured by such Lien and all similar Liens (not including Debt permitted to be secured under clauses (1) through (12) inclusive, of this Section 3.01), together with all net sale proceeds received by the Company or any of its Subsidiaries from Sale-Leaseback Transactions (excluding Sale-Leaseback Transactions permitted by clauses (1) through (4), inclusive, of the first paragraph of Section 3.02), would not exceed 10% of Consolidated Net Tangible Assets.

SECTION 3.02. RESTRICTION OF SALE-LEASEBACK TRANSACTION.

The Company will not, nor will it permit any Restricted Subsidiary to, engage in a Sale-Leaseback Transaction, unless:

(1) such Sale-Leaseback Transaction occurs within one year from the date of completion of the acquisition of the Principal Property subject thereto or the date of the completion of construction, development of, or substantial repair or improvement on, or commencement of full operations of, such Principal Property, whichever is later;

(2) the Sale-Leaseback Transaction involves a lease for a period, including renewals, of not more than three years;

(3) the Company or such Restricted Subsidiary would be entitled to incur Debt secured by a Lien on Principal Property subject thereto in a principal amount equal to or exceeding the net proceeds received by the Company or such Restricted Subsidiary from such Sale-Leaseback Transaction without equally and ratably securing the Notes pursuant to Section 3.01; or

(4) the Company or such Restricted Subsidiary, within a one-year period after such Sale-Leaseback Transaction, applies or causes to be applied an amount not less than the net sale proceeds from such Sale-Leaseback Transaction to (i) the prepayment, repayment, reduction, redemption or retirement of Pari Passu Debt of the Company or any of its Subsidiaries, or (ii) the expenditure or expenditures for (y) the acquisition, development or construction of, or repair or

improvement on, Principal Property or (z) capital stock or other equity interests in a Person that is or with such expenditure becomes a Restricted Subsidiary of the Company or in a joint venture, and in each case, whose principal assets consists of Principal Property.

Notwithstanding the foregoing provisions of this Section 3.02, the Company may, and may permit any Restricted Subsidiary to, effect any Sale-Leaseback Transaction that is not excepted by clauses (1) through (4), inclusive, of this Section 3.02, provided that after giving effect thereto and the application of the proceeds, if any, received as a result thereof, the net sales proceeds received by the Company or any of its Restricted Subsidiaries from such Sale-Leaseback Transaction, together with the aggregate principal amount of then outstanding Debt (other than the Notes) secured by Liens upon Principal Property not excepted by clauses (1) through (12), inclusive, of Section 3.01, would not exceed 10% of the Consolidated Net Tangible Assets.

SECTION 3.03. TRANSACTIONS WITH AFFILIATES.

The Company will not, and will not permit any of its Subsidiaries to, sell, lease or otherwise transfer any Principal Property to, or purchase, lease or otherwise acquire any Principal Property from, any of its Affiliates, except (i) on terms and conditions not less favorable to the Company or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (ii) transactions between or among the Company and its wholly-owned Subsidiaries not involving any other Affiliates and (iii) any Restricted Payment permitted by Section 3.04.

SECTION 3.04. RESTRICTED PAYMENTS.

The Company will not, and will not permit its Subsidiaries to, make or agree to make, directly or indirectly, any Distribution, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, retirement, defeasance or other acquisition of, any Equity Interests or Debt subordinated to the Notes, or any options, warrants, or other rights (each, a "RIGHT") to purchase Equity Interests or such Debt, whether now or hereafter outstanding (each, a "RESTRICTED PAYMENT"), unless, at the time and after giving effect to such Restricted Payment, the aggregate amount of the Restricted Payment together with the aggregate amount of all other Restricted Payments made by the Company or any of its Subsidiaries after the date of original issuance of the Notes (excluding Restricted Payments permitted by clauses (i), (ii), (v), (vi), (vii), (viii) or (ix) of the next succeeding paragraph), is less than the sum of the aggregate net cash proceeds and the fair market value of any assets or rights used or useful in a business activity not prohibited by Section 3.06 which are received by the Company or any of its Subsidiaries in connection with (i) a capital contribution to the Company from any Person (other than any of its Subsidiaries) made after the date of the original issuance of the Notes or a capital contribution to a Subsidiary of the Company from any Person (other than the Company or another Subsidiary of the Company) made after the date of the original issuance of the Notes, or (ii) an issuance and sale made after the issuance date of Equity Interests (other than Disqualified Equity) of the Company or from the issuance or sale made after the issuance date of convertible or exchangeable Disqualified Equity or convertible or exchangeable debt securities of the Company which have been converted into or exchanged for such Equity Interests (other than Disqualified Equity).

The foregoing provisions shall not prohibit:

(i) Distributions payable by the Company solely in its Equity Interests;

(ii) Restricted Payments made by any Subsidiary of the Company to the Company or to another Subsidiary of the Company;

(iii) cash Distributions paid on, and cash redemptions of, the Equity Interests of the Company made within 60 days after the declaration thereof; provided that no Default has occurred and is continuing at the time of such declaration;

(iv) Restricted Payments on, or of, Debt subordinated to the Notes, or Rights related thereto, provided that no Default has occurred and is continuing at the time such Restricted Payment is made;

(v) the redemption, repurchase, retirement, defeasance or other acquisition of any Equity Interests of the Company or any of its Subsidiaries, or Rights related thereto, in exchange for, or out of the net cash proceeds of the substantially concurrent sale or issuance (a sale or issuance will be deemed substantially concurrent if such redemption, repurchase, retirement or acquisition occurs not more than 90 days after such sale or issuance) (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than any Disqualified Equity), provided that

the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition, or payments, shall be excluded from clause (ii) of the preceding paragraph;

(vi) (A) the purchase or other acquisition of one or more Equity Interests in the Company from former employees or directors of the Company or any of its Subsidiaries (or any of its or their general partners), provided that the aggregate price paid for all such purchased or acquired Equity Interests shall not exceed $2,000,000 in any 12-month period; and (B) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any of its Subsidiaries held by any current or former officer, employee or director of the Company or any of its Subsidiaries (or any of its or their general partners) pursuant to the terms of any agreements (including employment agreements) and plans approved by the Board of Directors, including any management equity plan or stock option plan or any other management or employee benefit plan, agreement or trust, provided, however, that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests pursuant to this clause (vi) shall not exceed the sum of (y) $5,000,000 in any twelve-month period and (z) the aggregate net proceeds received by the Company during such 12-month period from issuance of such Equity Interests pursuant to such agreements or plans, provided, however, if the amount so paid in any calendar year is less than $5,000,000, such shortfall may be used to repurchase, redeem, acquire or retire such Equity Interests in either of the next two 12-month periods in addition to the $5,000,000 that may otherwise be paid in each such 12-month periods;

(vii) repurchases of Equity Interests deemed to occur upon the cashless exercise of stock options;

(viii) reasonable and customary directors' fees to the members of the Board of Directors, provided that such fees are consistent with past practice or current requirements;

(ix) other Restricted Payments in an aggregate principal amount since the date of original issuance of the Notes not to exceed $50,000,000;

provided, further, that, with respect to clauses (v), (vi), (vii), (viii) and (ix) above, no Default or Event of Default shall have occurred and be continuing.

In determining whether any Restricted Payment is permitted by the foregoing covenant, the Company may allocate or reallocate all or any portion of such Restricted Payment among the clauses (i) through (ix) of the preceding paragraph or among such clauses and the first paragraph of this Section 3.04, provided that at the time of such allocation or reallocation, all such Restricted Payments, or allocated portions thereof, would be permitted under the various provisions of the foregoing covenant.

The amount of all Restricted Payments (other than cash) shall be the fair market value (as determined by the Board of Directors and as evidenced by a resolution of the Board of Directors set forth in an Officers' Certificate delivered to the Trustee) on the date of the transfer, incurrence or issuance of such non-cash Restricted Payment.

SECTION 3.05. SALE OF ASSETS.

The Company will not, and will not permit any of its Subsidiaries (other than any Excluded Subsidiary) to, convey, sell, lease, assign, transfer or otherwise dispose of, any of its Principal Properties (each, a "DISPOSITION"), other than as follows: (i) dispositions of assets in the ordinary course of business having a fair market value of not more than the greater of (A) $25,000,000 and (B) 5% of Consolidated Net Tangible Assets in the aggregate during any fiscal year of the Company; (ii) dispositions of assets, the proceeds of which are (A) reinvested in other assets (or Persons owning other assets) used by or useful to the Company or such Subsidiary in conducting its business that is not prohibited by Section 3.06, (B) used to repay, repurchase, redeem or defease, in whole or part, Debt, or (C) used to make capital expenditures; (iii) leases permitted by Section 3.02; (iv) leases of such assets entered into in the ordinary course of business and with respect to which the Company or any of its Subsidiaries is the lessor and the lessee has no option to purchase such assets for less than fair market value at any time the right to acquire such asset occurs; (v) dispositions between and among the Company and its Subsidiaries, (vi) any Restricted Payment permitted by Section 3.04; (vii) abandonment or relinquishment of such assets in the ordinary course of business; and (viii) dispositions of such assets received in settlement of debts accrued in the ordinary course of business.

SECTION 3.06. FUNDAMENTAL CHANGES.

The Company will not, and will not permit any of its Subsidiaries to, engage in any business other than businesses of the type (i) conducted by the Company and its Subsidiaries on the date hereof; (ii) conducted by Statia Terminals Group N.V. and its Subsidiaries on the date hereof; and (iii) businesses reasonably related thereto.

SECTION 3.07. WAIVER OF CERTAIN COVENANTS.

The Company may, with respect to the Notes, omit in any particular instance to comply with any term, provision or condition set forth in any covenant provided pursuant to Section 3.01, 3.02, 3.03, 3.04, 3.05 or 3.06, if before the time for such compliance the Holders of at least a majority in aggregate principal amount of the of all Outstanding Notes (voting as one class) shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

A waiver which changes or eliminates any term, provision or condition of this Indenture which has expressly been included solely for the benefit of one or more particular series of Debt Securities, or which modifies the rights of the Holders of Debt Securities of such series with respect to such term, provision or condition, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

ARTICLE 4
EVENTS OF DEFAULT

SECTION 4.01. MODIFIED EVENT OF DEFAULT

With respect to the Notes, the following provision in this Section 4.01 shall preempt, in its entirety, the provision and application of clause (a) of Section 6.01 of the Original Indenture in relation to the Notes and shall, in relation to the Notes, replace such clause (a); and for reference to the Indenture in relation to the Notes, the following clause shall be referred to as being set forth in Section 6.01(a-1) thereof:

(a-1) the Company defaults for a period of 30 days in the payment when due of interest on any of the Notes.

SECTION 4.02. ADDITIONAL EVENT OF DEFAULT

With respect to the Notes, the occurrence of any of the following events shall, in addition to the other events or circumstances described as Events of Default at clauses (a) through (g) of Section 6.01 of the Original Indenture, constitute an Event of Default, and for reference to the Indenture in relation to the Notes, such events shall be referred to as being set forth in Section 6.01(h-1) thereof:

(h-1) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Debt for money borrowed by the Company or any of its Restricted Subsidiaries, or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries, whether such Debt or guarantee now exists, or is created after the date of the Supplemental Indenture, which default results in the acceleration of such Debt prior to its express maturity, and the principal amount of any such Debt, together with the principal amount of any other such Debt the maturity of which has been so accelerated, aggregates, without duplication, $5,000,000 or more, and such acceleration shall not have been rescinded, or such Debt is repaid or otherwise discharged, within a period of 30 days from the occurrence of such acceleration; provided, that if any such acceleration is rescinded, or such Debt is repaid or otherwise discharged, within such period of 30 days, then such Event of Default and any consequential acceleration of the Notes shall be automatically rescinded, so long as such rescission does not conflict with any related judgment or decree;

ARTICLE 5
MISCELLANEOUS

SECTION 5.01. CERTAIN TRUSTEE MATTERS.

The recitals contained herein shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness.

The Trustee makes no representations as to the validity or sufficiency of this Supplemental Indenture or the Notes or the proper authorization or the due execution hereof or thereof by the Company.

SECTION 5.02. CONTINUED EFFECT.

Except as expressly supplemented and amended hereby, the Original Indenture shall continue in full force and effect in accordance with the provisions thereof, and the Original Indenture, as supplemented and amended hereby, is in all respects hereby ratified and confirmed. This Supplemental Indenture and all its provisions shall be deemed a part of the Original Indenture in the manner and to the extent herein and therein provided.

SECTION 5.03. GOVERNING LAW.

This Supplemental Indenture and the Notes shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 5.04. COUNTERPARTS.

This instrument may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and delivered, all as of the day and year first above written.

KANEB PIPE LINE OPERATING
PARTNERSHIP, L.P.

By: Kaneb Pipe Line Company LLC,
Its General Partner

By /s/ HOWARD C. WADSWORTH
Name: Howard C. Wadsworth
Title: Vice President, Treasurer
and Secretary

JPMORGAN CHASE BANK

By /s/ MAURI J. COWEN
Name: Mauri J. Cowen
Title: Authorized Officer

EXHIBIT A

[FORM OF FACE OF NOTE]

[If the Note is a Global Security, insert - THIS NOTE IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF, AND HELD BY, THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF. THIS NOTE IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (i) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.08 OF THE ORIGINAL INDENTURE, (ii) THIS GLOBAL SECURITY MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.15 OF THE ORIGINAL INDENTURE, (iii) THIS GLOBAL SECURITY MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.10 OF THE ORIGINAL INDENTURE AND (iv) THIS GLOBAL SECURITY MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO ISSUER OR ITS AGENT FOR REGISTRATION IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

KANEB PIPE LINE OPERATING PARTNERSHIP, L.P.

% SENIOR UNSECURED NOTES DUE 2012

NO. U.S.$
CUSIP No.

KANEB PIPE LINE OPERATING PARTNERSHIP, L.P., a Delaware limited partnership (herein called the “COMPANY”, which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to , or registered assigns, the principal sum of $ United States Dollars on , 2012, and to pay interest thereon from , 2002, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on and in each year, commencing , 2002, at the rate of % per annum, until the principal hereof is paid or made available for payment, and at a rate of % per annum on any overdue principal or redemption price, as applicable, and on any overdue installment of interest. The amount of interest payable for any period shall be computed on the basis of twelve 30-day months and a 360-day year. The amount of interest payable for any partial period shall be computed on the basis of a 360-day year of twelve 30-day months and the days elapsed in any partial month. In the event that any date on which interest is payable on this Note is not a Business Day, then a

payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally payable. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be or (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and shall either (i) be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on a special record date for the payment of such Defaulted Interest to be fixed by the Trustee, notice of which shall be given to Holders of Notes not less than 10 days prior to such special record date, or (ii) be paid at such time in any other lawful manner not inconsistent with the requirements of any securities exchange or automated quotation system on which the Notes may be listed or traded, and upon such notice as may be required by such exchange or automated quotation system, all as more fully provided in such Indenture.

[If the Note is a Global Security, insert - Payment of the principal or redemption price (as applicable) of and interest on this Note will be made by transfer of immediately available funds to a bank account in the City and State of New York designated by the Holder in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.]

[If the Note is a Definitive Security, insert - - Payment of the principal or redemption price (as applicable) and interest on this Note will be made at the office or agency of the Company maintained for that purpose in the City and State of New York or at such other offices or agencies as the Company may designate, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, or subject to any laws or regulations applicable thereto, at the option of the Company, by United States Dollar check drawn on, or transfer to a United States Dollar account maintained by the payee with, a bank in the City and State of New York (so long as the applicable paying agent has received proper transfer instructions in writing by the Regular Record Date or special record date, as applicable, prior to the applicable payment date); provided, however, that payment at maturity will only be made against presentation and surrender of this Note; and provided, further, that any Holder of this Note who is the Holder of at least $1.0 million aggregate principal amount of Notes may request to have any payment of interest on this Note be made by transfer to a United States Dollar account maintained by the payee with a bank in the United States (so long as the applicable paying agent has received proper transfer instructions in writing by the Regular Record Date or special record date, as applicable, prior to the applicable Interest Payment Date).]

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed and delivered.

Dated: _____

KANEB PIPE LINE OPERATING
PARTNERSHIP, L.P.

By: Kaneb Pipe Line Company LLC,
Its General Partner

By: _____
Name:
Title:

TRUSTEE'S CERTIFICATE AND AUTHORIZATION

This is one of the Notes referred to in the within-mentioned Indenture.

_____
As Trustee

By: _____
Authorized Officer
Date: _____, 20

[FORM OF REVERSE OF NOTE]

This Note is one of a duly authorized series of Debt Securities of the Company (the "NOTES") issued under an Indenture dated as of , 200 (the "ORIGINAL INDENTURE"), as supplemented by the First Supplemental Indenture dated as of , 20 (the "SUPPLEMENTAL INDENTURE", and together with the Original Indenture, the "INDENTURE"), between the Company and , as Trustee (the "TRUSTEE", which term includes any successor trustee under the Indenture), to which Indenture and all applicable indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, obligations, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes and of the terms upon which the Notes are, and are to be, authenticated and delivered. As provided in the Indenture, the Debt Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest, if any, at different rates, may be subject to different redemption provisions, if any, may be subject to different sinking, purchase or analogous funds, if any, may be subject to different covenants and Events of Default and may otherwise vary as in the Indenture provided or permitted. This Note is one of a series of Debt Securities designated on the face hereof limited in aggregate principal amount to U.S. $.

At its option, the Company may choose to redeem the Notes, as a whole or in part, in principal amounts of $1,000 or any integral multiple thereof, at any time or from time to time upon notification to the Holders of the Notes given at least 30 and not more than 60 days prior to the date fixed for such redemption, at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on such Notes, exclusive of interest accrued to the redemption date therefor, discounted to such redemption date on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus basis points, plus, in either case, accrued and unpaid interest on the principal amount of the Notes being redeemed to such redemption date; provided, that installments of interest on Notes that are due and payable on any date on or prior to a redemption date shall be payable to the registered Holders of such Notes (or one or more Predecessor Securities), registered as such as of the close of business on the relevant Regular Record Dates referred to on the face hereof, all as provided in the Indenture.

Capitalized terms used herein shall have the meanings specified herein or in the Indenture, as the case may be.

"COMPARABLE TREASURY ISSUE" means the United States Treasury security or securities selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of the Notes.

"COMPARABLE TREASURY PRICE" means, for any redemption date relating to the Notes, (i) the average of four Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"INDEPENDENT INVESTMENT BANKER" means either Banc of America Securities LLC or Salomon Smith Barney Inc., as specified by the Company, or any successor firm, or if such firm is unwilling or unable to select the Comparable Treasury Issue, an independent investment banking institution of national standing appointed by the Trustee after consultation with the Company.

"REFERENCE TREASURY DEALER" means each of Banc of America Securities LLC and Salomon Smith Barney Inc., plus two additional dealers selected by the Trustee that are at the time primary U.S. Government securities dealers in New York City, and their respective successors; provided, if Banc of America Securities LLC or Salomon Smith Barney Inc. or any primary U.S. Government securities dealer selected by the Trustee shall cease to be a primary U.S. Government securities dealer, then such other primary U.S. Government securities dealers as may be substituted by the Trustee.

"REFERENCE TREASURY DEALER QUOTATIONS" means, for each Reference Treasury Dealer and any redemption date relating to the Notes, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealers at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

"TREASURY RATE" means with respect to any redemption date relating to the Notes, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the remaining term of the Notes to be redeemed, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The Treasury Rate shall be calculated on the third Business Day preceding the redemption date. Any weekly average yields calculated by interpolation or extrapolation will be ranked to the nearest 1/100th of 1% with any figure of 1/200th of 1% or above being rounded upward.

In the event of redemption of this Note in part only, a new Note or Notes of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default with respect to the Notes shall occur and be continuing, the principal of the Notes may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Notes to be affected under the Indenture at any time by the Company and the Trustee with the consent of not less than the Holders of a majority in aggregate principal amount of the Outstanding Debt Securities of all series to be affected (voting as one class). The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount

of the Outstanding Debt Securities of all affected series (voting as one class), on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture. The Indenture permits, with certain exceptions as therein provided, the Holders of a majority in principal amount of Notes then Outstanding to waive past defaults under the Indenture with respect to the Notes and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

As provided in and subject to the provisions of the Indenture, the Holder of this Note shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Notes, the Holders of not less than 25% in principal amount of the Notes at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity and the Trustee shall not have received from the Holders of a majority in principal amount of the Notes at the time Outstanding a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Note for the enforcement of any payment of principal, premium, if any, or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, premium, if any, and interest on this Note at the times, place(s) and rate, and in the coin or currency, herein prescribed.

[If the Note is a Global Security, insert - This Global Security or portion hereof may not be exchanged for Definitive Securities except in the limited circumstances provided in the Indenture.

The holders of beneficial interests in this Global Security will not be entitled to receive physical delivery of Definitive Securities except as described in the Indenture and will not be considered the Holders thereof for any purpose under the Indenture.]

[If the Note is a Definitive Security, insert - - As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable in the Debt Security Register, upon surrender of this Note for registration of transfer at the office or agency of the Company in the City and State of New York or at such other offices or agencies as the Company may designate, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Debt Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one

or more new Notes and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.]

The Notes are issuable only in registered form, without coupons, in denominations of U.S. $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, the Notes are transferable and exchangeable at the office of the

Registrar and any co-registrar for a like aggregate principal amount of Notes and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar government charge payable in connection with certain transfers and exchanges.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

Obligations of the Company under the Indenture and the Securities thereunder, including this Note, are non-recourse to Kaneb Pipe Line Company LLC, a Delaware limited liability company (the "GENERAL PARTNER"), and Kaneb Pipe Line Partners, L.P., a Delaware limited partnership ("MLP"), and their respective Affiliates (other than the Company), and payable only out of cash flow and assets of the Company. The Trustee, and each Holder of a Note by its acceptance hereof, will be deemed to have agreed in the Indenture that (i) neither the General Partner nor its assets nor the MLP nor its assets (nor any of their respective Affiliates other than the Company, nor their respective assets) shall be liable for any of the obligations of the Company under the Indenture or such Securities, including this Note, and (ii) no past, present or future director, officer, partner, employee, incorporator, stockholder, member or manager or unitholder, as such, of the Company, the Trustee, the General Partner, the MLP or any Affiliate of any of the foregoing entities or any other Person an obligor on the Notes, as such, shall have any liability in respect of any obligations of the Company under the Indenture or such Debt Securities or for any claim based on, in respect of, or by reason of, such obligation or their creation. The foregoing agreements by the Trustee and each Holder are part of the consideration for the issuance of the Notes.

The Indenture contains provisions that relieve the Company from the obligation to comply with certain restrictive covenants in the Indenture and for satisfaction and discharge at any time of the entire indebtedness upon compliance by the Company with certain conditions set forth in the Indenture.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

All terms used in this Note which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

[If the Note is a Definitive Security, insert as a separate page -

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto (Please Print or Typewrite Name and Address of Assignee) the within instrument of KANEB PIPE LINE OPERATING PARTNERSHIP, L.P., and does hereby irrevocably constitute and appoint Attorney to transfer said instrument on the books of the within-named Company, with full power of substitution in the premises.

Please Insert Social Security or
Other Identifying Number of Assignee:

Dated: _____ (Signature) _____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatever.]

Exhibit 4.05

KANEB PIPE LINE OPERATING PARTNERSHIP, L.P.

Issuer

and

JPMORGAN CHASE BANK

Trustee

SECOND SUPPLEMENTAL INDENTURE

Dated as of August 9, 2002

7.750% SENIOR UNSECURED NOTES DUE 2012

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SECOND SUPPLEMENTAL INDENTURE, dated as of August 9, 2002, and effective as of April 4, 2002, (the "Second Supplemental Indenture"), between KANEB PIPE LINE OPERATING PARTNERSHIP, L.P., a Delaware limited partnership (the "Company"), having its principal office at 2435 North Central Expressway, Richardson, Texas, STATIA TERMINALS CANADA PARTNERSHIP, a general partnership formed under the laws of the province of Nova Scotia and wholly-owned subsidiary of the Company ("Statia Canada"), having it's principal office at 3816 Port Malcolm Road, Point Tupper, Nova Scotia, Canada B9A 1Z5, and JPMORGAN CHASE BANK, a New York banking corporation ("JPMorgan"), as trustee under the Indenture referred to below (in such capacity, the "Trustee").

RECITALS OF THE COMPANY

WHEREAS, the Company has heretofore entered into an Indenture, dated as of February 21, 2002 (the "Original Indenture");

WHEREAS, the Company has heretofore entered into a First Supplemental Indenture, dated as of February 21, 2002 (the "First Supplemental Indenture"), with JPMorgan, as trustee, that established a series of Debt Securities issued under the Indenture designated as the Company's 7.750% Senior Unsecured Notes due 2012 (the "Notes");

WHEREAS, the Original Indenture and First Supplemental Indenture are incorporated herein by this reference and the Original Indenture, as supplemented by the First Supplemental Indenture and this Second Supplemental Indenture, is herein called the "Indenture";

WHEREAS, under the Original Indenture, changes may be made to the Indenture which provide additional rights or benefits to the Holders of Debt Securities, and the terms thereof may be established by a supplemental indenture executed by the Company and the Trustee;

WHEREAS, the Company and Statia Canada desire that Statia Canada be jointly and severally liable with the Company for the payment of principal of, and premium (if any) and interest on, the Notes, but not for the performance or compliance of any other obligations of the Company under the Indenture;

WHEREAS, all acts and things necessary to make the Notes, the valid and binding obligations of the Company and Statia Canada and to make this Second Supplemental Indenture a valid and binding agreement in accordance with the Original Indenture and First Supplemental Indenture have been done or performed;

NOW, THEREFORE, in consideration of the premises, agreements and obligations set forth herein and for other good, valuable and reasonably equivalent consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree, for the equal and proportionate benefit of all Holders of the Notes, as follows:

ARTICLE 1 - RELATION TO INDENTURE; DEFINITIONS

Section 1.01. Relation to Indenture.

With respect to the Notes, this Second Supplemental Indenture constitutes an integral part of the Indenture.

Section 1.02. Definitions and References.

For all purposes of this Second Supplemental Indenture, capitalized terms used herein and not otherwise defined herein shall have the meanings assigned in the Original Indenture, as amended by the First Supplemental Indetnure.

Section 1.03. General References.

All references in this Second Supplemental Indenture to Articles and Sections, unless otherwise specified, refer to the corresponding Articles and Sections of this Second Supplemental Indenture; and the term “herein”, “hereof”, “hereunder” and any other word of similar import refers to this Second Supplemental Indenture.

ARTICLE 2 - CO-OBLIGATION OF STATIA CANADA

Section 2.01. Co-obligation of Statia Canada.

Statia Canada hereby agrees, for the equal and proportionate benefit of the Holders of the Notes, that it shall be jointly and severally and unconditionally liable and obligated for the prompt payment when due of any and all principal of, and premium (if any) and interest on the Notes, in accordance with the terms of the Notes and the Indenture to the same extent as the Company is obligated to pay such amounts, without any kind of joinder of, notice or presentment to, or demand on, the Company; provided, however, Statia Canada shall, 30 days after the delivery of written notice to the Trustee, be released from any liability or obligation under the Notes and the Indenture without any additional action or consent from the Trustee, any Holder or any other Person, other than for any matured payment obligation for principal of, or premium or interest on, the Notes in existence when such notice was given. The undertaking of Statia Canada hereunder is solely one of payment as herein provided and shall include no other obligation of, or restriction on, the Company, as any of such obligations or restrictions shall from time to time exist under the Indenture unless Statia Canada has, by supplemental indenture, otherwise agreed.

Section 2.02. Remedies of the Trustee.

The Trustee shall not be required to institute any action or proceedings at law or in equity against Statia Canada for the collection of sums due and unpaid or enforce the performance of any provision of the Notes against Statia Canada, or prosecute any such action or proceedings to judgment or decree, unless (i) such action is requested by Holders of a majority in aggregate principal amount of the Notes (evidenced as provided in Section 8.01 of the Original Indenture) and (ii) any Event of Default with respect to the Company shall have occurred and be continuing.

Section 2.03. Notice to Holders.

Statia Canada shall within 30 days of the date hereof, provide notice to the Holders of the co-obligation created hereby in accordance with the terms of Section 1.07 of the Original Indenture.

ARTICLE 3 - MISCELLANEOUS

Section 3.01. Certain Trustee Matters.

The recitals contained herein shall be taken as the statements of the Company and Statia Canada, and the Trustee assumes no responsibility for their correctness.

The Trustee makes no representations as to the validity or sufficiency of this Second Supplemental Indenture or the Notes or the proper authorization or the due execution hereof or thereof by the Company and Statia Canada.

Section 3.02. Continued Effect.

Except as expressly supplemented and amended hereby, the Original Indenture and First Supplemental Indenture shall continue in full force and effect in

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accordance with the provisions thereof, and the Original Indenture and First Supplemental Indenture, as supplemented and amended hereby, is in all respects hereby ratified and confirmed. This Second Supplemental Indenture and all its provisions shall be deemed a part of the Original Indenture in the manner and to the extent herein and therein provided.

Section 3.03. Governing Law.

This Second Supplemental Indenture and the Notes shall be governed by and construed in accordance with the laws of the State of New York.

Section 3.04. Counterparts.

This instrument may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and delivered, all as of the day and year first above written.

KANEB PIPE LINE OPERATING
PARTNERSHIP, L.P.

By: Kaneb Pipe Line Company LLC,
Its General Partner

By: /s/ EDWARD D. DOHERTY
Name: E. D. Doherty
Title: Chairman and Chief Executive Officer

Statia Terminals Canada Partnership,

By: Statia Terminals Canada, Incorporated ,
Its General Partner

By: /s/ JAMES F. BRENNER
Name: James F. Brenner
Title: Vice President

JPMORGAN CHASE BANK
as Trustee

By: /s/ CAROL LOGAN
Name: Carol Logan
Title: Authorized Officer

Exhibit 4.06

KANEB PIPE LINE OPERATING PARTNERSHIP, L.P.

Issuer

and

JPMORGAN CHASE BANK

Trustee

THIRD SUPPLEMENTAL INDENTURE

Dated as of May 16, 2003

7.750% SENIOR UNSECURED NOTES DUE 2012

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THIRD SUPPLEMENTAL INDENTURE, dated and effective as of May 16, 2003 (the "Third Supplemental Indenture"), between KANEB PIPE LINE OPERATING PARTNERSHIP, L.P., a Delaware limited partnership (the "Company"), having its principal office at 2435 North Central Expressway, Richardson, Texas, STATIA TERMINALS CANADA PARTNERSHIP, a general partnership formed under the laws of the province of Nova Scotia and wholly-owned subsidiary of the Company ("Statia Canada"), having it's principal office at 3816 Port Malcom Road, Point Tupper, Nova Scotia, Canada B9A 1Z5, and JPMORGAN CHASE BANK, a New York banking corporation ("JPMorgan"), as trustee under the Indenture referred to below (in such capacity, the "Trustee").

RECITALS OF THE COMPANY

WHEREAS, the Company has heretofore entered into an Indenture, dated as of February 21, 2002 (the "Original Indenture");

WHEREAS, the Company has heretofore entered into a First Supplemental Indenture, dated as of February 21, 2002 (the "First Supplemental Indenture"), with JPMorgan, as trustee, that established a series of Debt Securities issued under the Indenture designated as the Company's 7.750% Senior Unsecured Notes due 2012 (the "Notes");

WHEREAS, the Company and Statia Canada has heretofore entered into a Second Supplemental Indenture, dated as of August 9, 2002 (the "Second Supplemental Indenture"), with JPMorgan, as trustee, that established Statia Canada as a co-obligor under the Notes;

WHEREAS, the Company and Statia Canada has provided termination notice to the Trustee pursuant to the provisions of the Second Supplemental Indenture, which will terminate Statia Canada's obligations and liabilities under the Notes as of the 30th day after such notice was provided to the Trustee;

WHEREAS, the Original Indenture and First Supplemental Indenture are incorporated herein by this reference and the Original Indenture, as supplemented by the First Supplemental Indenture and this Third Supplemental Indenture, is herein called the "Indenture";

WHEREAS, under the Original Indenture, changes may be made to the Indenture which provide additional rights or benefits to the Holders of Debt Securities, and the terms thereof may be established by a supplemental indenture executed by the Company and the Trustee;

WHEREAS, the Company and Statia Canada desire that Statia Canada be jointly and severally liable with the Company for the payment of principal of, and premium (if any) and interest on, the Notes, but not for the performance or compliance of any other obligations of the Company under the Indenture;

WHEREAS, all acts and things necessary to make the Notes, the valid and binding obligations of the Company and Statia Canada and to make this Third Supplemental Indenture a valid and binding agreement in accordance with the Original Indenture and First Supplemental Indenture have been done or

performed;

NOW, THEREFORE, in consideration of the premises, agreements and obligations set forth herein and for other good, valuable and reasonably equivalent consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree, for the equal and proportionate benefit of all Holders of the Notes, as follows:

ARTICLE 1 - RELATION TO INDENTURE; DEFINITIONS

Section 1.01. Relation to Indenture.

With respect to the Notes, this Third Supplemental Indenture constitutes an integral part of the Indenture.

Section 1.02. Definitions and References.

For all purposes of this Third Supplemental Indenture, capitalized terms used herein and not otherwise defined herein shall have the meanings assigned in the Original Indenture, as amended by the First Supplemental Indenture.

Section 1.03. General References.

All references in this Third Supplemental Indenture to Articles and Sections, unless otherwise specified, refer to the corresponding Articles and Sections of this Third Supplemental Indenture; and the term “herein”, “hereof”, “hereunder” and any other word of similar import refers to this Third Supplemental Indenture.

ARTICLE 2 - CO-OBLIGATION OF STATIA CANADA

Section 2.01. Co-obligation of Statia Canada.

Statia Canada hereby agrees, for the equal and proportionate benefit of the Holders of the Notes, that it shall be jointly and severally and unconditionally liable and obligated for the prompt payment when due of any and all principal of, and premium (if any) and interest on the Notes up to an aggregate amount of US$28 million, in accordance with the terms of the Notes and the Indenture to the same extent as the Company is obligated to pay such amounts, without any kind of joinder of, notice or presentment to, or demand on, the Company; provided, however, Statia Canada shall, 30 days after the delivery of written notice to the Trustee, be released from any liability or obligation under the Notes and the Indenture without any additional action or consent from the Trustee, any Holder or any other Person, other than for any matured payment obligation for principal of, or premium or interest on, the Notes in existence when such notice was given. The undertaking of Statia Canada hereunder is solely one of payment as herein provided and shall include no other obligation of, or restriction on, the Company, as any of such obligations or restrictions shall from time to time exist under the Indenture unless Statia Canada has, by supplemental indenture, otherwise agreed.

Section 2.02. Remedies of the Trustee.

The Trustee shall not be required to institute any action or proceedings at law or in equity against Statia Canada for the collection of sums due and unpaid or enforce the performance of any provision of the Notes against Statia Canada, or prosecute any such action or proceedings to judgment or decree, unless (i) such action is requested by Holders of a majority in aggregate principal amount of the Notes (evidenced as provided in Section 8.01 of the Original Indenture) and (ii) any Event of Default with respect to the Company shall have occurred and be continuing.

Section 2.03. Notice to Holders.

Statia Canada shall within 30 days of the date hereof, provide notice to the Holders of the co-obligation created hereby in accordance with the terms of Section 1.07 of the Original Indenture.

ARTICLE 3 - MISCELLANEOUS

Section 3.01. Certain Trustee Matters.

The recitals contained herein shall be taken as the statements of the

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Company and Statia Canada, and the Trustee assumes no responsibility for their correctness.

The Trustee makes no representations as to the validity or sufficiency of this Third Supplemental Indenture or the Notes or the proper authorization or the due execution hereof or thereof by the Company and Statia Canada.

Section 3.02. Continued Effect.

Except as expressly supplemented and amended hereby, the Original Indenture and First Supplemental Indenture shall continue in full force and effect in accordance with the provisions thereof, and the Original Indenture and First Supplemental Indenture, as supplemented and amended hereby, is in all respects hereby ratified and confirmed. This Third Supplemental Indenture and all its provisions shall be deemed a part of the Original Indenture in the manner and to the extent herein and therein provided.

Section 3.03. Governing Law.

This Third Supplemental Indenture and the Notes shall be governed by and construed in accordance with the laws of the State of New York.

Section 3.04. Counterparts.

This instrument may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and delivered, all as of the day and year first above written.

KANEB PIPE LINE OPERATING
PARTNERSHIP, L.P.

By: Kaneb Pipe Line Company LLC,
Its General Partner

By: /s/ E. D. DOHERTY
Name: E. D. Doherty
Title: Chairman and Chief Executive Officer

Statia Terminals Canada Partnership,

By: Statia Terminals Canada, Incorporated ,
Its General Partner

By: /s/ PAUL R. CRISSMAN
Name: Paul R. Chrissman
Title: President

JPMORGAN CHASE BANK
as Trustee

By: /s/ CAROL LOGAN
Name: Carol Logan
Title: Vice President and Trust Officer

Exhibit 4.07

KANEB PIPE LINE OPERATING PARTNERSHIP, L.P.

Issuer

and

JPMORGAN CHASE BANK

Trustee

FOURTH SUPPLEMENTAL INDENTURE

Dated as of May 27, 2003

5.875% SENIOR UNSECURED NOTES DUE 2013

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FOURTH SUPPLEMENTAL INDENTURE, dated as of May 27, 2003 (the "Supplemental Indenture"), between KANEB PIPE LINE OPERATING PARTNERSHIP, L.P., a Delaware limited partnership (the "Company"), having its principal office at 2435 North Central Expressway, Richardson, Texas, and JPMORGAN CHASE BANK, a New York banking corporation ("JPMorgan"), as trustee under the Indenture referred to below (in such capacity, the "Trustee").

RECITALS OF THE COMPANY

WHEREAS, the Company has heretofore entered into an Indenture, dated as of February 21, 2002 (the "Original Indenture"), with JPMorgan, as trustee;

WHEREAS, the Original Indenture is incorporated herein by this reference and the Original Indenture, as supplemented by this Supplemental Indenture, is herein called the "Indenture";

WHEREAS, under the Original Indenture, a new series of Debt Securities may at any time be established by the Board of Directors in accordance with the provisions of the Original Indenture, and the terms of such series may be established by a supplemental Indenture executed by the Company and the Trustee;

WHEREAS, pursuant to the Original Indenture, as amended and supplemented by the First Supplemental Indenture dated as of February 21, 2002, between the Company and the Trustee, the Company issued $250,000,000 aggregate principal amount of its 7.750% Senior Notes due 2012;

WHEREAS, the Company proposes to create under the Indenture a new series of Debt Securities;

WHEREAS, additional Debt Securities of other series hereafter established, except as may be limited in the Original Indenture as at the time supplemented and modified, may be issued from time to time pursuant to the Indenture as at the time supplemented and modified; and

WHEREAS, all acts and things necessary to make the Notes (as herein defined), when executed by the Company and authenticated and delivered by the Trustee as provided in the Original Indenture and this Supplemental Indenture, the valid and binding obligations of the Company and to make this Supplemental Indenture a valid and binding agreement in accordance with the Original Indenture have been done or performed;

NOW, THEREFORE, in consideration of the premises, agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree, for the equal and proportionate benefit of all Holders of the Notes, as follows:

ARTICLE 1 - - RELATION TO INDENTURE; DEFINITIONS

Section 1.01. Relation to Indenture.

With respect to the Notes, this Supplemental Indenture constitutes an integral part of the Indenture.

Section 1.02. Definitions and References.

For all purposes of this Supplemental Indenture, capitalized terms used herein and not otherwise defined herein shall have the meanings assigned in the Original Indenture. The following are definitions used in this Supplemental Indenture:

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by, or under direct or indirect common control with, such specified Person. For purposes of this definition, "control," as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" shall have correlative meanings. Notwithstanding the foregoing, the term "Affiliate" shall not include a Subsidiary of any specified Person.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of the Notes.

"Comparable Treasury Price" means, for any redemption date relating to the Notes, (i) the average of four Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Consolidated Net Tangible Assets" means, at any date of determination, the aggregate amount of total assets after deducting therefrom (i) all current liabilities (excluding (A) any current liabilities that by their terms are extendable or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed, and (B) current maturities of long-term debt), and (ii) the value (net of any applicable reserves) of all goodwill, trade names, trademarks, patents and other like intangible assets, all as set forth on the consolidated balance sheet of the Company and its consolidated Subsidiaries for the Company's most recently completed fiscal quarter, prepared in accordance with GAAP.

"Debt" means any obligation created or assumed for the repayment of money borrowed or indebtedness for the repayment of money borrowed and, without duplication, any guarantee therefor.

"Disqualified Equity" means, with respect to any Person, any Equity Interests to the extent that by their terms (or by the terms of any security into which they are convertible or for which they are exchangeable) or upon the happening of any event, they mature or are mandatorily

redeemable pursuant to a sinking fund obligation or otherwise, or are redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that the Notes mature, except such Equity Interests that are solely redeemable with, or solely exchangeable for, any Equity Interests of such Person that are not a Disqualified Equity.

"Distribution" shall mean, with respect to any Equity Interests issued by a Person (i) the retirement, redemption, purchase or other acquisition for value of those Equity Interests by such Person, (ii) the declaration or payment of any dividend or distribution on or with respect to those Equity Interests by such Person, (iii) any Investment in the holder of any of those Equity Interests, and (iv) any other payment with respect to those Equity Interests.

"Equity Interests" shall mean, (i) with respect to a corporation, shares of capital stock of such corporation or any other interest convertible or exchangeable into any such interest, (ii) with respect to a

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limited liability company, membership interests in such limited liability company, (iii) with respect to a partnership, partnership interests in such partnership, and (iv) with respect to any other Person, interests in such Person analogous to interests described in clauses (i) through (iii).

"Excluded Subsidiary" shall mean any Subsidiary of the Company (i) that has no Debt other than Permitted Non-Recourse Debt and (ii) the sole purpose of which is to engage in the acquisition, construction, development and/or operation activities financed or refinanced with such Permitted Non-Recourse Debt.

"Funded Debt" means, as applied to the Company or any of its Subsidiaries, Debt maturing one year or more from the date of the incurrence, creation or assumption thereof by the Company or any of its Subsidiaries, Debt directly or indirectly renewable or extendible, at the option of the obligor, by its terms or by the terms of any instrument or agreement relating thereto, to a date one year or more from the date of the incurrence, creation or assumption thereof by the Company or any of its Subsidiaries, and Debt under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of one year or more.

"Independent Investment Banker" means either Banc One Capital Markets, Inc. or BNP Paribas, as specified by the Company, or any successor firm, or if such firm is unwilling or unable to select the Comparable Treasury Issue, an independent investment banking institution of national standing appointed by the Trustee after consultation with the Company.

"Interest Payment Date" has the meaning assigned in Section 2.04 hereof.

"Investment" shall mean, in respect of any Person, any loan, advance, extension of credit or capital contribution to that Person, any other investment in that Person, or any purchase or commitment to purchase any Equity Interests or Debt issued by that Person or substantially all of the assets or a division or other business unit of that Person.

"Lien" means, at to any Person, any mortgage, lien, pledge, security interest or other similar charge or encumbrance.

"Notes" has the meaning assigned in Section 2.01 hereof.

"Pari Passu Debt" means any Funded Debt or Debt of the Company or any of its Subsidiaries, whether outstanding on the date of original issuance of the Notes or thereafter created, incurred or assumed, unless, in the case of any particular Funded Debt or Debt, as the case may be, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such Funded Debt or Debt, as the case may be, shall be subordinated in right of payment to the Notes.

"Permitted Liens" means:

(1) Liens upon rights-of-way for pipeline purposes;

(2) any statutory or governmental Liens or Liens arising by operation of law, or mechanics', repairmen's, materialmen's, suppliers', carriers', landlords', warehousemen's or similar Liens incurred in the ordinary course of business which are not yet due or which are being contested in good faith by appropriate proceedings;

(3) rights reserved to, or vested in, any municipality or governmental, statutory or public authority by the terms of any right, power, franchise, grant, license, lease, permit, or by any provision of law, to control or regulate, to use, to purchase or recapture, to designate a purchaser of, to terminate any franchise, grant, license, lease or permit, or to condemn or expropriate, any property, or zoning laws, ordinances or municipal regulations;

(4) Liens of taxes and assessments which are (i) for the then current year, (ii) not at the time delinquent, or (iii) delinquent but the validity of which are being contested at the time by the Company or any of its Subsidiaries in good faith by appropriate proceedings;

(5) Liens of, or to secure the payment or performance of, leases, other than capital leases;

(6) Liens upon, or deposits of, any assets in favor of any surety company or clerk of court for the purpose of obtaining indemnity or stay of, or appeal from, judicial proceedings;

(7) any Lien for any judgment, attachment, decree or order of any governmental or court authority which when combined with other similar Liens are not in excess of $10,000,000 in the aggregate or any Lien arising by reason of any attachment, judgment, decree or order of any governmental or court authority, so long as any proceeding initiated to review such attachment, judgment, decree or order shall not have been terminated or the period within which such proceeding may be initiated shall not expire, or such attachment, judgment, decree or order shall otherwise be effectively stayed;

(8) Liens upon property or assets acquired or sold by the Company or any of its Subsidiaries resulting from the exercise of any rights arising out of defaults on receivables or other sums owed to the Company or any of its Subsidiaries;

(9) Liens incurred or deposits made in the ordinary course of business in connection with workmen's compensation, unemployment insurance, temporary disability, social security, retiree health or similar laws or regulations or to secure obligations imposed by statute or governmental regulations;

(10) Liens in favor of the Company or any of its Subsidiaries;

(11) Liens in favor of the United States of America or any other country or of any State, province, territory or any political subdivision thereof, or any department, agency or instrumentality or political subdivision of any of the foregoing, (i) in order to permit the Company or any of its Subsidiaries to perform any contract or subcontract made with or at the request of such governmental entity, securing any partial, progress, advance or other payments pursuant to any contract or statute, or (ii) to secure any Debt incurred by the Company or any of its Subsidiaries for the purpose of financing all or any part of the purchase price of, or the cost of constructing, developing, repairing or improving, the property or assets subject to such Lien;

(12) Liens securing industrial development, pollution control or similar revenue bonds, or Liens created or assumed by the Company or any Restricted Subsidiary in connection with the issuance of Debt the interest on which is excludable from gross income of the holder of such Debt pursuant to the Code for the purpose of financing, in whole or in part, the acquisition, development or construction of, or repair or improvement on, property or assets to be used by the Company or any of its Subsidiaries;

(13) Liens in favor of any Person to secure obligations under the

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provisions of any letters of credit, bank guarantees, bonds or surety obligations required or requested, in the ordinary course of business by any governmental authority in connection with any contract or statute;

(14) Liens upon property or assets to secure performance of tenders, bids, trade or government contracts, leases, statutory obligations, performance bonds or other similar obligations or to secure obligations arising under statutory, regulatory, contractual or warranty requirements;

(15) Easements, rights-of-way, restrictions, exceptions, reservations, defects and irregularities in title and other similar charges, claims and encumbrances in any property or assets which do not, individually or in the aggregate, materially interfere with the ordinary conduct of the business or businesses of the Company and its Subsidiaries, taken as a whole; or

(16) Liens arising under joint venture agreements, transportation or exchange agreements, preferential rights to purchase, and other agreements arising in the ordinary course of the Company's or any of its Subsidiaries' business.

"Permitted Non-Recourse Debt" shall mean Debt of any Person that is non-recourse to the Company or any of its Subsidiaries (other than an Excluded Subsidiary) and is used by such Person to acquire, construct, develop and/or operate assets not owned by the Company or any of its Subsidiaries (other than an Excluded Subsidiary) as of the date hereof or to refinance Permitted Non-Recourse Debt.

"Predecessor Security" of any particular Debt Security means every previous Debt Security evidencing all or part of the same Debt as that evidenced by such particular Debt Security; and for the purpose of this definition, any Debt Security authenticated and delivered under the Indenture in exchange for or in lieu of a mutilated, destroyed, lost or stolen Debt Security shall be deemed to evidence the same Debt as the mutilated, destroyed, lost or stolen Debt Security.

"Principal Property" means, whether owned or leased on the date of original issuance of the Notes or thereafter acquired, (i) pipeline assets of the Company or any of its Subsidiaries, including any related facilities employed in the transportation, distribution, terminalling, storage or marketing of refined petroleum products, petroleum products and specialty liquids which are located in the United States of America or any territory or political subdivision thereof, and (ii) any processing or manufacturing plant or terminal owned or leased by the Company or any of its Subsidiaries which is located within the United States of America or any territory or political subdivision thereof, except, in the case of either clause (i) or (ii), (y) any assets consisting of inventories, office fixtures and equipment (including data processing equipment), vehicles and equipment used on, or useful with, vehicles, and (z) any such assets, plant or terminal which, in the opinion of the Board of Directors, is not material in relation to the activities of the Company and its Subsidiaries, taken as a whole.

"Reference Treasury Dealer" means each of Banc One Capital Markets, Inc. and BNP Paribas, plus two additional dealers selected by the Trustee that are at the time primary U.S. Government securities dealers in New York City, and their respective successors; provided, if Banc One Capital Markets, Inc. or BNP Paribas or any primary U.S. Government securities dealer selected by the Trustee shall cease to be a primary U.S. Government securities dealer, then such other primary U.S. Government securities dealers as may be substituted by the Trustee.

"Reference Treasury Dealer Quotations" means, for each Reference Treasury Dealer and any redemption date relating to the Notes, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

"Regular Record Date" has the meaning assigned in Section 2.04 hereof.

"Restricted Payment" has the meaning assigned in Section 3.04 hereof.

"Restricted Subsidiary" means any Subsidiary of the Company which owns or, as a lessee, leases any Principal Property.

"Right" has the meaning assigned in Section 3.04 hereof.

"Sale-Leaseback Transaction" means the sale or transfer by the Company or any Restricted Subsidiary of any Principal Property to a Person (other than the Company or any of its Subsidiaries) and the taking back by the Company or any such Restricted Subsidiary, as the case may be, of a

lease of such Principal Property.

"Treasury Rate" means, with respect to any redemption date relating to the Notes, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the remaining term of the Notes to be redeemed, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The Treasury Rate shall be calculated on the third Business Day preceding the redemption date. Any weekly average yields calculated by interpolation or extrapolation will be ranked to the nearest 1/100th of 1% with any figure of 1/200th of 1% or above being rounded upward.

Section 1.03. General References.

All references in this Supplemental Indenture to Articles and Sections, unless otherwise specified, refer to the corresponding Articles and Sections of this Supplemental Indenture; and the term "herein", "hereof", "hereunder" and any other word of similar import refers to this Supplemental Indenture.

ARTICLE 2 - THE SERIES OF SECURITIES

Section 2.01. The Form and Title of the Debt Securities.

There is hereby established a new series of Debt Securities to be issued under the Indenture and to be designated as the Company's 5.875% Senior Unsecured Notes due 2013 (the "Notes"). The Notes shall be executed,

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authenticated and delivered in accordance with the provisions of, and shall in all respects be subject to, the terms, conditions and covenants of the Original Indenture and this Supplemental Indenture (including the form of Note set forth as Exhibit A hereto (the terms of which are incorporated in and made a part of the Supplemental Indenture for all intents and purposes) and the additional covenants set forth in Article 3 hereof).

The Notes shall be substantially in the form attached as Exhibit A hereto. The Notes shall be registered in such names, shall be in such amounts and shall have such other specific terms contemplated in the form of Note attached hereto as Exhibit A, as shall be communicated by the Company to the Trustee in accordance with the administrative procedures, as in effect from time to time, established to provide for the issuance of the Notes.

Section 2.02. Amount.

The Trustee shall authenticate and deliver the Notes for original issue in an aggregate principal amount of up to $250,000,000 upon the Company's order for the authentication and delivery of the Notes. The authorized aggregate principal amount of the Notes may be increased at any time hereafter and the series may be reopened for issuances of additional Notes, upon the Company's order without the consent of any Holder. The Notes issued on the date hereof and any such additional Notes that may be issued hereafter shall be part of the same series of Debt Securities.

Section 2.03. Stated Maturity.

The Notes may be issued on any Business Day on or after May 27, 2003, and the Stated Maturity of the Notes shall be June 1, 2013.

Section 2.04. Interest and Interest Rates.

The rate of interest on each Note shall be 5.875% per annum, accruing from May 27, 2003 and interest shall be payable, semi-annually in arrears, on June 1 and December 1, of each year (each such date, an "Interest Payment Date"), commencing December 1, 2003, to the Persons in whose names the Notes are registered at the close of business on the immediately preceding May 15 and November 15, respectively, whether or not such day is a Business Day (each such date, a "Regular Record Date"). The amount of interest payable for any period shall be computed on the basis of twelve 30-day months and a 360-day year. The amount of interest payable for any partial period shall be computed on the basis of a 360-day year of twelve 30-day months and the days elapsed in any partial month. In the event that any date on which interest is payable on a Note is not a Business Day, then a payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally payable. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will be paid to the Person in whose name such Note (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and shall either (i) be paid to the Person in whose name such Note (or one or more Predecessor Securities) is registered at the close of business on the special record date for the payment of such Defaulted Interest to be fixed by the Trustee, notice of which shall be given to Holders of the Notes not less than 10 days prior to such special record date, or (ii) be paid at such time in any other lawful manner not inconsistent with the requirements of any securities exchange or automated quotation system on which the Notes may be listed or traded, and upon such notice as may be required by such exchange or automated quotation system, all as more fully provided in the Indenture.

Section 2.05. Place of Payment.

The Place of Payment where the Notes may be presented or surrendered for payment shall at all times be in the city and state of New York and shall initially be the Corporate Trust Office of the Trustee in the City and State of New York.

Section 2.06. Optional Redemption.

At its option, the Company may choose to redeem the Notes, as a whole or in part, in principal amounts of $1,000 or any integral multiple thereof, at any time or from time to time upon notification to the Holders of the Notes given at least 30 and not more than 60 days prior to the date fixed for such

redemption, at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on such Notes, exclusive of interest accrued to the redemption date therefor, discounted to such redemption date on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 30 basis points, plus, in either case, accrued and unpaid interest on the principal amount of the Notes being redeemed to such redemption date; provided that installments of interest on Notes that are due and payable on any date on or prior to a redemption date shall be payable to the registered Holders of such Notes (or one or more Predecessor Securities), registered as such as of the close of business on the relevant Regular Record Dates. The redemption price shall be calculated and certified to the Trustee by the Independent Investment Banker; provided that if the institution so appointed has notified the Trustee in writing at least 15 days prior to the redemption date that it is unwilling or unable to make such calculation, such calculation shall be made by another Independent Investment Banker appointed by the Trustee after consultation with the Company and at the cost and expense of the Company. The notice to the Holders shall state that the redemption price shall be calculated in accordance with this Section 2.06.

Section 2.07. Sinking Fund Obligations.

The Company has no obligation to redeem or purchase any Notes pursuant to any sinking fund or analogous requirement or upon the happening of a specified event or at the option of a Holder thereof.

Section 2.08. Defeasance and Discharge; Covenant Defeasance.

Article 11 of the Original Indenture, including without limitation, Section 11.02(b) thereof, shall apply to the additional covenants set forth in Article 3 hereof and the Notes, and such additional covenants set forth in Article 3 hereof shall be subject to the covenant defeasance option pursuant to Section 11.02(b) of the Original Indenture.

Section 2.09. Global Securities.

The Notes shall initially be issuable in the form of one or more Global Securities. Such Global Securities (i) shall be deposited with, or on behalf of, The Depository Trust Company, New York, New York, which shall act as Depositary with respect to the Notes, (ii) shall bear the legends set forth in the form of Note attached as Exhibit A hereto, (iii) may be exchanged in whole or in part for Debt Securities in definitive form upon the terms and subject to the conditions provided in Section 2.15 of the Original Indenture and (iv) shall otherwise be subject to the applicable provisions of the Indenture.

Section 2.10. Registrar.

The Trustee shall serve as the initial Registrar.

Section 2.11. Applicability of Additional Covenants and Definitions to the Notes

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In addition to the covenants and definitions set forth in the Original Indenture, the definitions set forth in Section 1.02 hereof and the covenants and provisions set forth in Article 3 hereof are applicable to the Notes. The additional covenants and provisions set forth in Article 3 hereof are solely for the benefit of the Notes and its Holders, and shall not be applicable, in whole or part, to any other series of Debt Securities unless the instruments establishing any of them shall so expressly provide, and each such case, as therein expressly provided.

Section 2.12. Other Terms: Percentage of Principal Amount.

The Notes shall be issued at 99.760% of their principal amount.

Section 2.13. Cusip Number.

The Cusip Number for the Notes is 484168 AC 3.

ARTICLE 3 - - COVENANTS

Section 3.01. Limitations on Liens.

If any of the Notes are Outstanding, the Company will not, nor will it permit any Restricted Subsidiary to, create, assume or incur, except in favor of the Company or any of its Subsidiaries, any Lien upon any Principal Property or upon any shares of capital stock or other equity interests of any Restricted Subsidiary at any time owned by them, to secure any Debt of the Company or any other Person (other than the Notes issued hereunder), without effectively providing that all of the Notes Outstanding (together with, if the Company shall so determine, any other indebtedness or obligation of the Company which is similarly entitled to be equally and ratably secured) shall be secured equally and ratably with, or prior to, such Debt so long as such Debt shall be so secured. The foregoing restriction shall not apply to, or prevent the creation or existence of, any of the following:

(1) Permitted Liens;

(2) Liens upon any property or assets created at the time of acquisition of such property or assets by the Company or any of its Restricted Subsidiaries or within one year after such time, to secure all or part of the purchase price for such property or assets or Debt incurred to finance such purchase price, whether such Debt was incurred prior to, at the time of, or within one year of, such acquisition;

(3) Liens upon any property or assets to secure all or part of the cost of construction, development, repair or improvements thereon or to secure Debt incurred prior to, at the time of, or within one year after, completion of such construction, development, repair or improvements or the commencement of full operations thereof (whichever is later), to provide funds for any such purpose;

(4) Liens upon any property or assets existing thereon at the time of the acquisition thereof by the Company or any of its Restricted Subsidiaries (whether or not the obligations secured thereby are assumed by the Company or any of its Restricted Subsidiaries), or the assumption by the Company or any Restricted Subsidiary of obligations secured by any Lien that exists at the time of acquisition by the Company or any of its

Restricted Subsidiaries of the property or assets subject to such Lien or at the time of the acquisition of the Person that owns such property or assets; provided, however, that any such Lien only encumbers the property or assets so acquired;

(5) Liens upon any property or assets of a Person existing thereon at the time (i) such Person becomes a Restricted Subsidiary of the Company, (ii) such Person is merged with or into, or consolidated with, the Company or any of its Restricted Subsidiaries or (iii) of a sale, lease or other disposition of the properties of a Person (or division thereof) as an entirety or substantially as an entirety to the Company or any of its Restricted Subsidiaries; provided, however, than any such Lien only encumbers the property or assets of such Person at the time such Person becomes a Restricted Subsidiary;

(6) Liens upon any property or assets of the Company or any of its Restricted Subsidiaries in existence on the date of original issuance of the Notes or provided for or created pursuant to an "after-acquired property" clause or similar term in existence on the date of original issuance of the Notes or any mortgage, pledge agreement, security agreement or other similar instrument in existence on the date of original issuance of the Notes;

(7) Liens imposed by law or order as a result of any proceeding before any court or regulatory body that is being contested in good faith by appropriate proceedings, and Liens which secure a judgment or other court-ordered award or settlement as to which the Company or any of its applicable Restricted Subsidiaries has not exhausted its applicable rights;

(8) Liens upon any additions, improvements, replacements, repairs, fixtures, appurtenances or component parts thereof attaching to or required to be attached to property or assets pursuant to the terms of any mortgage, pledge agreement, security agreement or other similar instrument, creating a Lien upon such property or assets permitted by clauses (1) through (7) inclusive, of this Section;

(9) Liens securing Debt of the Company or any of its Restricted Subsidiaries, all or a portion of the net proceeds of which are used substantially concurrent with the funding thereof (and for purposes of determining such "substantial concurrence," taking into consideration, among other things, required notices to be given to holders of Outstanding Notes in connection with such refunding, refinancing or repurchase, and the required corresponding durations thereof), to refinance, refund or repurchase all Outstanding Notes, including the amount of all accrued interest thereon and reasonable fees and expenses and premium, if any, incurred by the Company or any of its Subsidiaries in connection therewith;

(10) Liens resulting from the deposit of moneys, U.S. Government Obligations or evidence of indebtedness in trust for the purpose of defeasing Debt of the Company or any of its Restricted Subsidiaries;

(11) any Lien upon any property or assets to secure Debt incurred by the Company or any of its Restricted Subsidiaries, the proceeds of which, in whole or part, were used to defease, in a defeasance or a covenant defeasance, or obligations on any series of the Debt Securities; or

(12) any extension, renewal, refinancing, refunding or replacement (or successive extensions, renewals, refinancing, refunding or replacements) of any Lien, in whole or in part, that is referred to in clause (1) through (11), inclusive, of this Section, or of any Debt secured thereby; provided, however, than any such extension, renewal, refinancing, refunding or replacement Lien shall be limited to the property or assets covered by the Lien extended, renewed, refinanced, refunded or replaced and that the principal amount secured by any such extension, renewal, refinancing, refunding or replacement Lien shall be in an amount not greater than the principal amount of (plus accrued interest on) the obligations secured by the Lien extended, renewed, refinanced, refunded or replaced plus any expenses of the Company and its Restricted Subsidiaries (including any premium) incurred in connection with such extension, renewal, refinancing, refunding or replacement.

Notwithstanding the foregoing provisions of this Section 3.01, the Company may, and may permit any Restricted Subsidiary to, create, assume or incur any Lien upon any Principal Property to secure any Debt of the Company or any other Person (other than the Notes) that is not excepted by clauses (1) through (12), inclusive, of this Section 3.01 without securing the Outstanding Notes, provided that after giving effect to the creation, assumption or incurrence of such Lien and Debt, and the application of the proceeds of such Debt, if any, received as a result thereof, the aggregate principal amount of all Debt then outstanding secured by such Lien and all similar Liens (not including Debt permitted to be secured under clauses (1) through (12) inclusive, of this Section 3.01), together with all net sale proceeds received by the Company or any of its Subsidiaries from Sale-Leaseback Transactions (excluding Sale-Leaseback Transactions permitted by clauses (1) through (4), inclusive, of the first paragraph of Section 3.02), would not exceed 10% of Consolidated Net Tangible Assets.

Section 3.02. Restriction of Sale-Leaseback Transaction.

The Company will not, nor will it permit any Restricted Subsidiary to, engage in a Sale-Leaseback Transaction, unless:

(1) such Sale-Leaseback Transaction occurs within one year from the date of completion of the acquisition of the Principal Property subject thereto or the date of the completion of construction, development of, or substantial repair or improvement on, or commencement of full operations of, such Principal Property, whichever is later;

(2) the Sale-Leaseback Transaction involves a lease for a period, including renewals, of not more than three years;

(3) the Company or such Restricted Subsidiary would be entitled to incur Debt secured by a Lien on Principal Property subject thereto in a principal amount equal to or exceeding the net proceeds received by the Company or such Restricted Subsidiary from such Sale-Leaseback Transaction without equally and ratably securing the Notes pursuant to Section 3.01; or

(4) the Company or such Restricted Subsidiary, within a one-year period after such Sale-Leaseback Transaction, applies or causes to be applied an amount not less than the net sale proceeds from such Sale-Leaseback Transaction to (i) the prepayment, repayment, reduction, redemption or retirement of Pari Passu Debt of the Company or any of its Subsidiaries, or (ii) the expenditure or expenditures for (y) the acquisition, development or construction of, or repair or improvement on, Principal Property or (z) capital stock or other equity interests in a Person that is or with such expenditure becomes a Restricted Subsidiary of the Company or in a joint venture, and in each case, whose principal assets consists of Principal Property.

Notwithstanding the foregoing provisions of this Section 3.02, the Company may, and may permit any Restricted Subsidiary to, effect any Sale-Leaseback Transaction that is not excepted by clauses (1) through (4), inclusive, of this Section 3.02, provided that after giving effect thereto and the application of the proceeds, if any, received as a result thereof, the net sales proceeds received by the Company or any of its Restricted Subsidiaries from such Sale-Leaseback Transaction, together with the aggregate principal amount of then outstanding Debt (other than the Notes) secured by Liens upon Principal Property not excepted by clauses (1) through (12), inclusive, of Section 3.01, would not exceed 10% of the Consolidated Net Tangible Assets.

Section 3.03. Transactions with Affiliates.

The Company will not, and will not permit any of its Subsidiaries to, sell, lease or otherwise transfer any Principal Property to, or purchase, lease or otherwise acquire any Principal Property from, any of its Affiliates, except (i) on terms and conditions not less favorable to the Company or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (ii) transactions between or among the Company and its wholly-owned Subsidiaries not involving any other Affiliates and (iii) any Restricted Payment permitted by Section 3.04.

Section 3.04. Restricted Payments.

The Company will not, and will not permit its Subsidiaries to, make or agree to make, directly or indirectly, any Distribution, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, retirement, defeasance or other acquisition of, any Equity Interests or Debt subordinated to the Notes, or any options, warrants, or other rights (each, a "Right") to purchase Equity Interests or such Debt, whether now or hereafter outstanding (each, a "Restricted Payment"), unless, at the time and after giving effect to such Restricted Payment, the aggregate amount of the Restricted Payment together with the aggregate amount of all other Restricted Payments made by the Company or any of its Subsidiaries after the date of original issuance of the Notes (excluding Restricted Payments permitted by clauses (i), (ii), (v), (vi), (vii), (viii) or (ix) of the next succeeding paragraph), is less than the sum of the aggregate net cash proceeds and the fair market value of any assets or rights used or useful in a business activity not prohibited by Section 3.06 which are received by the Company or any of its Subsidiaries in connection with (i) a capital contribution to the Company from any Person (other than any of its Subsidiaries) made after the date of the original issuance of the Notes or a capital contribution to a Subsidiary of the Company from any Person (other than the Company or another Subsidiary of the Company) made after the date of the original issuance of the Notes, or (ii) an issuance and sale made after the issuance date of Equity Interests (other than Disqualified Equity) of the Company or from the issuance or sale made after the issuance date of convertible or exchangeable Disqualified Equity or convertible or exchangeable debt securities of the Company which have been converted into or exchanged for such Equity Interests (other than Disqualified Equity).

The foregoing provisions shall not prohibit:

(i) Distributions payable by the Company solely in its Equity Interests;

(ii) Restricted Payments made by any Subsidiary of the Company to the Company or to another Subsidiary of the Company;

(iii) cash Distributions paid on, and cash redemptions of, the Equity Interests of the Company made within 60 days after the declaration thereof; provided that no Default has occurred and is continuing at the time of such declaration;

(iv) Restricted Payments on, or of, Debt subordinated to the Notes, or Rights related thereto, provided that no Default has occurred and is continuing at the time such Restricted Payment is made;

(v) the redemption, repurchase, retirement, defeasance or other acquisition of any Equity Interests of the Company or any of its Subsidiaries, or Rights related thereto, in exchange for, or out of the net cash proceeds of the substantially concurrent sale or issuance (a sale or issuance will be deemed substantially concurrent if such redemption, repurchase, retirement or acquisition occurs not more than 90 days after such sale or issuance) (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than any Disqualified Equity), provided that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other

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acquisition, or payments, shall be excluded from clause (ii) of the preceding paragraph;

(vi) (A) the purchase or other acquisition of one or more Equity Interests in the Company from former employees or directors of the Company or any of its Subsidiaries (or any of its or their general partners), provided that the aggregate price paid for all such purchased or acquired Equity Interests shall not exceed $2,000,000 in any 12-month period; and (B) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any of its Subsidiaries held by any current or former officer, employee or director of the Company or any of its Subsidiaries (or any of its or their general partners) pursuant to the terms of any agreements (including employment agreements) and plans approved by the Board of Directors, including any management equity plan or stock option plan or any other management or employee benefit plan, agreement or trust, provided, however, that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests pursuant to this clause (vi) shall not exceed the sum of (y) $5,000,000 in any twelve-month period and (z) the aggregate net proceeds received by the Company during such 12-month period from issuance of such Equity Interests pursuant to such agreements or plans, provided, however, if the amount so paid in any calendar year is less than $5,000,000, such shortfall may be used to repurchase, redeem, acquire or retire such Equity Interests in either of the next two 12-month periods in addition to the $5,000,000 that may otherwise be paid in each such 12-month periods;

(vii) repurchases of Equity Interests deemed to occur upon the cashless exercise of stock options;

(viii) reasonable and customary directors' fees to the members of the Board of Directors, provided that such fees are consistent with past practice or current requirements;

(ix) other Restricted Payments in an aggregate principal amount since the date of original issuance of the Notes not to exceed $50,000,000;

provided, further, that, with respect to clauses (v), (vi), (vii), (viii) and (ix) above, no Default or Event of Default shall have occurred and be continuing.

In determining whether any Restricted Payment is permitted by the foregoing covenant, the Company may allocate or reallocate all or any portion of such Restricted Payment among the clauses (i) through (ix) of the preceding paragraph or among such clauses and the first paragraph of this Section 3.04,

provided that at the time of such allocation or reallocation, all such Restricted Payments, or allocated portions thereof, would be permitted under the various provisions of the foregoing covenant.

The amount of all Restricted Payments (other than cash) shall be the fair market value (as determined by the Board of Directors and as evidenced by a resolution of the Board of Directors set forth in an Officers' Certificate delivered to the Trustee) on the date of the transfer, incurrence or issuance of such non-cash Restricted Payment.

Section 3.05. Sale of Assets.

The Company will not, and will not permit any of its Subsidiaries (other than any Excluded Subsidiary) to, convey, sell, lease, assign, transfer or otherwise dispose of, any of its Principal Properties (each, a "disposition"), other than as follows: (i) dispositions of assets in the ordinary course of business having a fair market value of not more than the greater of (A) $25,000,000 and (B) 5% of Consolidated Net Tangible Assets in the aggregate during any fiscal year of the Company; (ii) dispositions of assets, the proceeds of which are (A) reinvested in other assets (or Persons owning other assets) used by or useful to the Company or such Subsidiary in conducting its business that is not prohibited by Section 3.06, (B) used to repay, repurchase, redeem or defease, in whole or part, Debt, or (C) used to make capital expenditures; (iii) leases permitted by Section 3.02; (iv) leases of such assets entered into in the ordinary course of business and with respect to which the Company or any of its Subsidiaries is the lessor and the lessee has no option to purchase such assets for less than fair market value at any time the right to acquire such asset occurs; (v) dispositions between and among the Company and its Subsidiaries, (vi) any Restricted Payment permitted by Section 3.04; (vii) abandonment or relinquishment of such assets in the ordinary course of business; and (viii) dispositions of such assets received in settlement of debts accrued in the ordinary course of business.

Section 3.06. Fundamental Changes.

The Company will not, and will not permit any of its Subsidiaries to, engage in any business other than businesses of the type (i) conducted by the Company and its Subsidiaries on the date hereof; (ii) conducted by Statia Terminals Group N.V. and its Subsidiaries on the date hereof; and (iii) businesses reasonably related thereto.

Section 3.07. Waiver of Certain Covenants.

The Company may, with respect to the Notes, omit in any particular instance to comply with any term, provision or condition set forth in any covenant provided pursuant to Section 3.01, 3.02, 3.03, 3.04, 3.05 or 3.06, if before the time for such compliance the Holders of at least a majority in aggregate principal amount of the of all Outstanding Notes (voting as one class) shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

A waiver which changes or eliminates any term, provision or condition of this Indenture which has expressly been included solely for the benefit of one or more particular series of Debt Securities, or which modifies the rights of the Holders of Debt Securities of such series with respect to such term, provision or condition, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

ARTICLE 4 - EVENTS OF DEFAULT

Section 4.01. Modified Event of Default

With respect to the Notes, the following provision in this Section 4.01 shall preempt, in its entirety, the provision and application of clause (a) of Section 6.01 of the Original Indenture in relation to the Notes and shall, in relation to the Notes, replace such clause (a); and for reference to the Indenture in relation to the Notes, the following clause shall be referred to as being set forth in Section 6.01(a-1) thereof:

(a-1) the Company defaults for a period of 30 days in the payment when due of interest on any of the Notes.

Section 4.02. Additional Event of Default

With respect to the Notes, the occurrence of any of the following events shall, in addition to the other events or circumstances described as Events of

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Default at clauses (a) through (g) of Section 6.01 of the Original Indenture, constitute an Event of Default, and for reference to the Indenture in relation to the Notes, such events shall be referred to as being set forth in Section 6.01(h-2) thereof:

> (h-2) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Debt for money borrowed by the Company or any of its Restricted Subsidiaries, or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries, whether such Debt or guarantee now exists, or is created after the date of the Supplemental Indenture, which default results in the acceleration of such Debt prior to its express maturity, and the principal amount of any such Debt, together with the principal amount of any other such Debt the maturity of which has been so accelerated, aggregates, without duplication, $5,000,000 or more, and such acceleration shall not have been rescinded, or such Debt is repaid or otherwise discharged, within a period of 30 days from the occurrence of such acceleration; provided, that if any such acceleration is rescinded, or such Debt is repaid or otherwise discharged, within such period of 30 days, then such Event of Default and any consequential acceleration of the Notes shall be automatically rescinded, so long as such rescission does not conflict with any related judgment or decree;

ARTICLE 5 - MISCELLANEOUS

Section 5.01. Certain Trustee Matters.

The recitals contained herein shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness.

The Trustee makes no representations as to the validity or sufficiency of this Supplemental Indenture or the Notes or the proper authorization or the due execution hereof or thereof by the Company.

Section 5.02. Continued Effect.

Except as expressly supplemented and amended hereby, the Original Indenture shall continue in full force and effect in accordance with the provisions thereof, and the Original Indenture, as supplemented and amended hereby, is in all respects hereby ratified and confirmed. This Supplemental Indenture and all its provisions shall be deemed a part of the Original Indenture in the manner and to the extent herein and therein provided.

Section 5.03. Governing Law.

This Supplemental Indenture and the Notes shall be governed by and construed in accordance with the laws of the State of New York.

Section 5.04. Counterparts.

This instrument may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and delivered, all as of the day and year first above written.

KANEB PIPE LINE OPERATING
PARTNERSHIP, L.P.

By: Kaneb Pipe Line Company LLC,
Its General Partner

By: /s/E. D. DOHERTY
Name: Edward D. Doherty
Title: Chairman of the Board
and Chief Executive Officer

JPMORGAN CHASE BANK
as Trustee

By: /s/ CAROL LOGAN
Name: Carol Logan
Title: Authorized Officer

[FORM OF FACE OF NOTE]

[If the Note is a Global Security, insert - THIS NOTE IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF, AND HELD BY, THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF. THIS NOTE IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (i) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.08 OF THE ORIGINAL INDENTURE, (ii) THIS GLOBAL SECURITY MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.15 OF THE ORIGINAL INDENTURE, (iii) THIS GLOBAL SECURITY MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.10 OF THE ORIGINAL INDENTURE AND (iv) THIS GLOBAL SECURITY MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO ISSUER OR ITS AGENT FOR REGISTRATION IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

KANEB PIPE LINE OPERATING PARTNERSHIP, L.P.

5.875% SENIOR UNSECURED NOTE DUE 2013

NO. U.S.$

KANEB PIPE LINE OPERATING PARTNERSHIP, L.P., a Delaware limited partnership (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to , or registered assigns, the principal sum of $ United States Dollars on June 1, 2013, and to pay interest thereon from May 27, 2003, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on June 1 and December 1 in each year, commencing December 1, 2003, at the rate of 5.875% per annum, until the principal hereof is paid or made available for payment, and at a rate of 5.875% per annum on any overdue principal or redemption price, as applicable, and on any overdue installment of interest. The amount of interest payable for any period shall be computed on the basis of twelve 30-day months and a 360-day year. The amount of interest payable for any partial period shall be computed on the basis of a 360-day year of twelve 30-day months and the days elapsed in any partial month. In the event that any date on which interest is payable on this Note is not a Business Day, then a payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally payable. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be May 15 or November 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and shall either (i) be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on a special record date for the payment of such Defaulted Interest to be fixed by the Trustee, notice of which shall be given to Holders of Notes not less than 10 days prior to such special record date, or (ii) be paid at such time in any other lawful manner not inconsistent with the requirements of any securities exchange or automated quotation system on which the Notes may be listed or traded, and upon such notice as may be required by such exchange or automated quotation system, all as more fully provided in such Indenture.

[If the Note is a Global Security, insert - Payment of the principal or redemption price (as applicable) of and interest on this Note will be made by transfer of immediately available funds to a bank account in the City and State of New York designated by the Holder in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.]

[If the Note is a Definitive Security, insert - Payment of the principal or redemption price (as applicable) and interest on this Note will be made at the office or agency of the Company maintained for that purpose in the City and State of New York or at such other offices or agencies as the Company may designate, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, or subject to any laws or regulations applicable thereto, at the option of the Company, by United States Dollar check drawn on, or transfer to a United States Dollar account maintained by the payee with, a bank in the City and State of New York (so long as the applicable paying agent has received proper transfer instructions in writing by the Regular Record Date or special record date, as applicable, prior to the applicable payment date); provided, however, that payment at maturity will only be made against presentation and surrender of this Note; and provided, further, that any Holder of this Note who is the Holder of at least $1.0 million aggregate principal amount of Notes may request to have any payment of interest on this Note be made by transfer to a United States Dollar account maintained by the payee with a bank in the United States (so long as the applicable paying agent has received proper transfer instructions in writing by the Regular Record Date or special record date, as applicable, prior to the applicable Interest Payment Date).]

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed and delivered.

Dated: _____

KANEB PIPE LINE OPERATING
PARTNERSHIP, L.P.

By: Kaneb Pipe Line Company LLC,
Its General Partner

By: _____
Name:
Title:

Trustee's Certificate of Authentication

This is one of the Notes referred to in the within-mentioned Indenture.

As Trustee

By: _____
Authorized Signatory

Date of Authentication:

[FORM OF REVERSE OF NOTE]

This Note is one of a duly authorized series of Debt Securities of the Company (the "Notes") issued under an Indenture dated as of February 21, 2002 (the "Original Indenture"), as supplemented by the Fourth Supplemental Indenture dated as of May 27, 2003 (the "Supplemental Indenture", and together with the Original Indenture, the "Indenture"), between the Company and JPMorgan Chase Bank, a New York banking corporation, as Trustee (the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all applicable indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, obligations, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes and of the terms upon which the Notes are, and are to be, authenticated and delivered. As provided in the Indenture, the Debt Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest, if any, at different rates, may be subject to different redemption provisions, if any, may be subject to different sinking, purchase or analogous funds, if any, may be subject to different covenants and Events of Default and may otherwise vary as in the Indenture provided or permitted. This Note is one of a series of Debt Securities designated on the face hereof, which series is not limited in aggregate principal amount.

At its option, the Company may choose to redeem the Notes, as a whole or in part, in principal amounts of $1,000 or any integral multiple thereof, at any time or from time to time upon notification to the Holders of the Notes given at least 30 and not more than 60 days prior to the date fixed for such redemption, at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on such Notes, exclusive of interest accrued to the redemption date therefor, discounted to such redemption date on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 30 basis points, plus, in either case, accrued and unpaid interest on the principal amount of the Notes being redeemed to such redemption date; provided, that installments of interest on Notes that are due and payable on any date on or prior to a redemption date shall be payable to the registered Holders of such Notes (or one or more Predecessor Securities), registered as such as of the close of business on the relevant Regular Record Dates referred to on the face hereof, all as provided in the Indenture.

Capitalized terms used herein shall have the meanings specified herein or in the Indenture, as the case may be.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of the Notes.

"Comparable Treasury Price" means, for any redemption date relating to the Notes, (i) the average of four Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means either Banc One Capital Markets, Inc. or BNP Paribas, as specified by the Company, or any successor firm, or if such firm is unwilling or unable to select the Comparable Treasury Issue, an independent investment banking institution of national standing appointed by the Trustee after consultation with the Company.

"Reference Treasury Dealer" means each of Banc One Capital Markets, Inc. and BNP Paribas, plus two additional dealers selected by the Trustee that are at the time primary U.S. Government securities dealers in New York City, and their respective successors; provided, if Banc One Capital Markets, Inc. or BNP Paribas or any primary U.S. Government securities dealer selected by the Trustee shall cease to be a primary U.S. Government securities dealer, then such other primary U.S. Government securities dealers as may be substituted by the Trustee.

"Reference Treasury Dealer Quotations" means, for each Reference Treasury Dealer and any redemption date relating to the Notes, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealers at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

"Treasury Rate" means with respect to any redemption date relating to the Notes, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the remaining term of the Notes to be redeemed, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The Treasury Rate shall be calculated on the third Business Day preceding the redemption date. Any weekly average yields calculated by interpolation or extrapolation will be ranked to the nearest 1/100th of 1% with any figure of 1/200th of 1% or above being rounded upward.

In the event of redemption of this Note in part only, a new Note or Notes of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default with respect to the Notes shall occur and be continuing, the principal of the Notes may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Notes to be affected under the Indenture at any time by the Company and the Trustee with the consent of not less than the Holders of a majority in aggregate principal amount of the Outstanding Debt Securities of all series to be affected (voting as one class). The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of the Outstanding Debt Securities of all affected series (voting as one class), on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the

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Indenture. The Indenture permits, with certain exceptions as therein provided, the Holders of a majority in principal amount of Notes then Outstanding to waive past defaults under the Indenture with respect to the Notes and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

As provided in and subject to the provisions of the Indenture, the Holder of this Note shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Notes, the Holders of not less than 25% in principal amount of the Notes at the time

Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity and the Trustee shall not have received from the Holders of a majority in principal amount of the Notes at the time Outstanding a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Note for the enforcement of any payment of principal, premium, if any, or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, premium, if any, and interest on this Note at the times, place(s) and rate, and in the coin or currency, herein prescribed.

[If the Note is a Global Security, insert - This Global Security or portion hereof may not be exchanged for Definitive Securities except in the limited circumstances provided in the Indenture.

The holders of beneficial interests in this Global Security will not be entitled to receive physical delivery of Definitive Securities except as described in the Indenture and will not be considered the Holders thereof for any purpose under the Indenture.]

[If the Note is a Definitive Security, insert - As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable in the Debt Security Register, upon surrender of this Note for registration of transfer at the office or agency of the Company in the City and State of New York or at such other offices or agencies as the Company may designate, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Debt Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.]

The Notes are issuable only in registered form, without coupons, in denominations of U.S. $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, the Notes are transferable and exchangeable at the office of the Registrar and any co-registrar for a like aggregate principal amount of Notes and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar government charge payable in connection with certain transfers and exchanges.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

Obligations of the Company under the Indenture and the Securities thereunder, including this Note, are non-recourse to Kaneb Pipe Line Company LLC, a Delaware limited liability company (the “General Partner”), and Kaneb Pipe Line Partners, L.P., a Delaware limited partnership (“MLP”), and their respective Affiliates (other than the Company), and payable only out of cash flow and assets of the Company. The Trustee, and each Holder of a Note by its acceptance hereof, will be deemed to have agreed in the Indenture that (i) neither the General Partner nor its assets nor the MLP nor its assets (nor any of their respective Affiliates other than the Company, nor their respective assets) shall be liable for any of the obligations of the Company under the Indenture or such Securities, including this Note, and (ii) no past, present or future director, officer, partner, employee, incorporator, stockholder, member or manager or unitholder, as such, of the Company, the Trustee, the General Partner, the MLP or any Affiliate of any of the foregoing entities or any other Person an obligor on the Notes, as such, shall have any liability in respect of any obligations of the Company under the Indenture or such Debt Securities or for any claim based on, in respect of, or by reason of, such obligation or their creation. The foregoing agreements by the Trustee and each Holder are part of the consideration for the issuance of the Notes.

The Indenture contains provisions that relieve the Company from the obligation to comply with certain restrictive covenants in the Indenture and for satisfaction and discharge at any time of the entire indebtedness upon compliance by the Company with certain conditions set forth in the Indenture.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

All terms used in this Note which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

[If the Note is a Definitive Security, insert as a separate page -

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto (Please Print or Typewrite Name and Address of Assignee) the within instrument of KANEB PIPE LINE OPERATING PARTNERSHIP, L.P., and does hereby irrevocably constitute and appoint Attorney to transfer said instrument on the books of the within-named Company, with full power of substitution in the premises.

Please Insert Social Security or
Other Identifying Number of Assignee:

Dated: _____ (Signature) _____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatever.]

KANEB PIPE LINE OPERATING PARTNERSHIP, L.P.,
ISSUER

VALERO L.P.,
AFFILIATE GUARANTOR

VALERO LOGISTICS OPERATIONS, L.P.,
AFFILIATE GUARANTOR

AND

JPMORGAN CHASE BANK,
TRUSTEE

FIFTH SUPPLEMENTAL INDENTURE
DATED AS OF JULY 1, 2005

TO

INDENTURE
DATED AS OF FEBRUARY 21, 2002

TABLE OF CONTENTS

FIFTH SUPPLEMENTAL INDENTURE, dated as of July 1, 2005 (this "Fifth Supplemental Indenture"), among Kaneb Pipe Line Operating Partnership, L.P., a Delaware limited partnership having its principal office at 2435 North Central Expressway, Richardson, Texas (the "Partnership"), Valero L.P., a Delaware limited partnership and an Affiliate (as defined below) of the Partnership ("Valero"), Valero Logistics Operations, L.P., a Delaware limited partnership and a 100%-owned subsidiary of the Partnership ("Logistics" and together with Valero, each an "Affiliate Guarantor" and collectively the "Affiliate Guarantors"), and JPMorgan Chase Bank, National Association, a national banking association, as trustee (the "Trustee").

RECITALS OF THE PARTNERSHIP

The Partnership and the predecessor to the Trustee have heretofore executed and delivered the Indenture dated as of February 21, 2002 (the "Original Indenture,"), as amended and supplemented by (i) the First Supplemental Indenture thereto dated as of February 21, 2002 (the "First Supplemental Indenture"), (ii) the Second Supplemental Indenture thereto dated as of August 9, 2002 and effective as of April 4, 2002 (the "Second Supplemental Indenture"), (iii) the Third Supplemental Indenture thereto dated and effective as of May 16, 2003 (the "Third Supplemental Indenture") and (iv) the Fourth Supplemental Indenture thereto dated as of May 27, 2003 (the "Fourth Supplemental Indenture") (the Original Indenture, as supplemented from time to time, including without limitation pursuant to the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture and this Fifth Supplemental Indenture, being referred to herein as the "Indenture"), providing for the issuance from time to time of one or more series of the Partnership's Debt Securities, the terms of which are to be determined as set forth in Section 2.03 of the Original Indenture.

Section 9.01 of the Original Indenture provides, among other things, that the Partnership, when authorized by Board Resolutions, and the Trustee may from time to time and at any time, without the consent of Holders, enter into an indenture or indentures supplemental to the Original Indenture for, among other things, the purpose of (i) adding guarantees with respect to any or all of the Debt Securities or (ii) making any changes that would provide any additional rights or benefits to the Holders of the Debt Securities or that do not, taken as a whole, adversely affect the legal rights of any Holder under the Indenture.

Each of the Partnership and the Affiliate Guarantors desires that each Affiliate Guarantor execute and deliver to the Trustee a supplemental indenture pursuant to which the Affiliate Guarantors shall jointly and severally guarantee the payment of each and every series of Debt Securities issued under the Indenture pursuant to a guarantee on the terms and conditions set forth herein.

All acts and things necessary to make this Fifth Supplemental Indenture the valid and binding obligation of the Partnership and each Affiliate Guarantor, and to constitute these presents a valid and binding supplemental indenture and agreement according to its terms, have been done and performed.

Pursuant to Section 9.01 of the Original Indenture, the Trustee is authorized to execute and deliver this Fifth Supplemental Indenture.

Now, Therefore, This Fifth Supplemental Indenture Witnesseth:

That in consideration of the premises, the Partnership, each Affiliate Guarantor and the Trustee mutually covenant and agree, for the equal and proportionate benefit of all Holders of each and every series of Debt Securities, as follows:

ARTICLE I

AMENDMENTS TO THE INDENTURE

SECTION 1.01 Definitions. Section 1.01 of the Indenture is hereby amended and supplemented by inserting, in the appropriate alphabetical position, the following definitions:

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by, or under direct or indirect common control with, such specified Person. For purposes of this definition, "control," as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" shall have correlative meanings.

"Affiliate Guarantees" has the meaning specified in Section 12.01.

"Affiliate Guarantor" means each of Valero L.P., a Delaware limited partnership, and its 100%-owned subsidiary Valero Logistics Operations, L.P., a Delaware limited partnership, in each such case until a successor Affiliate Guarantor shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Affiliate Guarantor" shall mean or include each Person who is then an Affiliate Guarantor hereunder.

SECTION 1.02 Unconditional Affiliate Guarantee. The Indenture is hereby amended and supplemented by inserting the following new Article 12 immediately after Article 11 of the Indenture:

"ARTICLE 12

SECTION 12.01. Unconditional Affiliate Guarantee.

For value received, each Affiliate Guarantor hereby, jointly and severally, fully, irrevocably, unconditionally and absolutely guarantees to the Holders and to the Trustee the due and punctual payment of the principal of, and premium, if any, and interest on the Debt Securities and all other amounts due and payable under this Indenture and the Debt Securities by the Partnership (including, without limitation, all costs and expenses (including reasonable legal fees and disbursements) incurred by the Trustee or the Holders in connection with the enforcement of this Indenture and the Affiliate Guarantees) (collectively for the purposes of this Article 12, the "Indenture Obligations"), when and as such principal, premium, if any, and interest and such other amounts shall become due and payable, whether at the Stated Maturity, upon redemption or by declaration of acceleration or otherwise, according to the terms of the Debt Securities and this Indenture. The guarantees by the Affiliate Guarantors set forth in this Article 12 are referred to herein as the "Affiliate Guarantees." Without limiting the generality of the foregoing, the Affiliate Guarantors' liability shall extend to all amounts that constitute part of the Indenture Obligations and would be owed by the Partnership

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under this Indenture and the Debt Securities but for the fact that they are unenforceable, reduced, limited, impaired, suspended or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Partnership.

Failing payment when due of any amount guaranteed pursuant to the Affiliate Guarantees, for whatever reason, each Affiliate Guarantor will be obligated (to the fullest extent permitted by applicable law) to pay the same immediately to the Trustee, without set-off or counterclaim or other reduction whatsoever (whether for taxes, withholding or otherwise). Each Affiliate Guarantee hereunder is intended to be a general, unsecured, senior obligation of each Affiliate Guarantor and will rank pari passu in right of payment with all indebtedness of such Affiliate Guarantor that is not, by its terms, expressly subordinated in right of payment to the Affiliate Guarantee of such Affiliate Guarantor. Each Affiliate Guarantor hereby agrees that to the fullest extent permitted by applicable law, its obligations hereunder shall be full, irrevocable, unconditional and absolute, irrespective of the validity, regularity or enforceability of the Debt Securities, the Affiliate Guarantees or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder with respect to any provisions hereof or thereof, any release of any other Affiliate Guarantor, the recovery of any judgment against the Partnership, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of such Affiliate Guarantor. Each Affiliate Guarantor hereby agrees that in the event of a default in payment of the principal of, or premium, if any, or interest on the Debt Securities of any series or any other amounts payable under this Indenture and the Debt Securities by the Partnership, whether at the Stated Maturity, upon redemption or by declaration of acceleration or otherwise, legal proceedings may be instituted by the Trustee on behalf of the Holders or, subject to Section 6.04 hereof, by the Holders, on the terms and conditions set forth in this Indenture, directly against each Affiliate Guarantor to enforce its Affiliate Guarantees without first proceeding against the Partnership.

To the fullest extent permitted by applicable law, the obligations of each Affiliate Guarantor under this Article 12 shall be as aforesaid full, irrevocable, unconditional and absolute and shall not be impaired, modified, discharged, released or limited by any occurrence or condition whatsoever, including, without limitation, (i) any compromise, settlement, release, waiver, renewal, extension, indulgence or modification of, or any change in, any of the obligations and liabilities of the Partnership or any Affiliate Guarantor contained in any of the Debt Securities or this Indenture, (ii) any impairment, modification, release or limitation of the liability of the Partnership, any Affiliate Guarantor or any of their estates in

bankruptcy, or any remedy for the enforcement thereof, resulting from the operation of any present or future provision of any applicable Bankruptcy Law, as amended, or other statute or from the decision of any court, (iii) the assertion or exercise by the Partnership, any Affiliate Guarantor or the Trustee of any rights or remedies under any of the Debt Securities or this Indenture or their delay in or failure to assert or exercise any such rights or remedies, (iv) the assignment or the purported assignment of any property as security for any of the Debt Securities, including all or any part of the rights of the Partnership or any Affiliate Guarantor under this Indenture, (v) the extension of the time for payment by the Partnership or any Affiliate Guarantor of any payments or other sums or any part thereof owing or payable under any of the terms and provisions of any of the Debt Securities or this Indenture or of the time for performance by the Partnership or any Affiliate Guarantor of any other obligations under or arising out of any such terms and provisions or the extension or the renewal of

any thereof, (vi) the modification or amendment (whether material or otherwise) of any duty, agreement or obligation of the Partnership or any Affiliate Guarantor set forth in this Indenture, (vii) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshaling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of, or other similar proceeding affecting, the Partnership, any Affiliate Guarantor or any of their respective assets, or the disaffirmance of any of the Debt Securities, any of the Affiliate Guarantees or this Indenture in any such proceeding, (viii) the release or discharge of the Partnership or any Affiliate Guarantor from the performance or observance of any agreement, covenant, term or condition contained in any of such instruments by operation of law, (ix) the unenforceability of any of the Debt Securities, the Affiliate Guarantees or this Indenture, (x) any change in the name, business, capital structure, corporate existence, or ownership of the Partnership or any Affiliate Guarantor, or (xi) any other circumstance which might otherwise constitute a defense available to, or a legal or equitable discharge of, a surety or any Affiliate Guarantor.

To the fullest extent permitted by applicable law, each Affiliate Guarantor hereby (i) waives diligence, presentment, demand of payment, notice of acceptance, filing of claims with a court in the event of the merger, insolvency or bankruptcy of the Partnership or any Affiliate Guarantor, and all demands and notices whatsoever, (ii) acknowledges that any agreement, instrument or document evidencing its Affiliate Guarantees may be transferred and that the benefit of its obligations hereunder shall extend to each Holder of the Debt Securities without notice to them and (iii) covenants that its Affiliate Guarantees will not be discharged except by complete performance of the Affiliate Guarantees. Each Affiliate Guarantor further agrees that to the fullest extent permitted by applicable law, if at any time all or any part of any payment theretofore applied by any Person to any Affiliate Guarantee is, or must be, rescinded or returned for any reason whatsoever, including without limitation, the insolvency, bankruptcy or reorganization of such Affiliate Guarantor, such Affiliate Guarantee shall, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence notwithstanding such application, and the Affiliate Guarantees shall continue to be effective or be reinstated, as the case may be, as though such application had not been made.

Each Affiliate Guarantor shall be subrogated to all rights of the Holders and the Trustee against the Partnership in respect of any amounts paid by such Affiliate Guarantor pursuant to the provisions of this Indenture; *provided*, *however*, that such Affiliate Guarantor shall not be entitled to enforce or to receive any payments arising out of, or based upon, such right of subrogation with respect to any of the Debt Securities until all of the Debt Securities and the Affiliate Guarantees thereof shall have been indefeasibly paid in full or discharged.

A director, officer, employee, stockholder, partner, member or unitholder, as such, of any Affiliate Guarantor shall not have any liability for any obligations of such Affiliate Guarantor under this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation.

No failure to exercise and no delay in exercising, on the part of the Trustee or the Holders, any right, power, privilege or remedy under this Article 12 and the Affiliate

Guarantees shall operate as a waiver thereof, nor shall any single or partial exercise of any rights, power, privilege or remedy preclude any other or further exercise thereof, or the exercise of any other rights, powers, privileges or remedies. The rights and remedies herein provided for are cumulative and not exclusive of any rights or remedies provided in law or equity. Nothing contained in this Article 12 shall limit the right of the Trustee or the Holders to take any action to accelerate the maturity of the Debt Securities pursuant to Article 6 or to pursue any rights or remedies hereunder or under applicable law."

ARTICLE II

MISCELLANEOUS

SECTION 2.01 Execution as Supplemental Indenture. By its execution and delivery of this Fifth Supplemental Indenture, each of the undersigned Affiliate Guarantors agrees to be bound by the provisions of the Indenture, including those of Article 12 thereof. This Fifth Supplemental Indenture is executed and shall be construed as an indenture supplemental to the Indenture and, as provided in the Indenture, this Fifth Supplemental Indenture forms a part thereof. Except as herein expressly otherwise defined, the use of the terms and expressions herein is in accordance with the definitions, uses and constructions contained in the Indenture.

SECTION 2.02 Responsibility for Recitals, Etc. The recitals herein and in the Debt Securities (except in the Trustee's certificate of authentication) shall be taken as the statements of the Partnership, and the Trustee assumes no responsibility for the correctness thereof. The Trustee makes no representations as to the validity or sufficiency of this Fifth Supplemental Indenture or of the Debt Securities. The Trustee shall not be accountable for the use or application by the Partnership of the Debt Securities or of the proceeds thereof.

SECTION 2.03 Provisions Binding on Partnership's and each Affiliate Guarantor's Successors. All the covenants, stipulations, promises and agreements contained in this Fifth Supplemental Indenture by the Partnership and each Affiliate Guarantor shall bind its respective successors and assigns whether so expressed or not.

SECTION 2.04 Governing Law. **THIS FIFTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.**

SECTION 2.05 Execution and Counterparts. This Fifth Supplemental Indenture may be executed with counterpart signature pages or in any number of counterparts, each of which shall be an original but such counterparts shall together constitute but one and the same instrument.

SECTION 2.06 Capitalized Terms. Capitalized terms not otherwise defined in this Fifth Supplemental Indenture shall have the respective meanings assigned to them in the Indenture.

(*The remainder of this page is intentionally blank.*)

IN WITNESS WHEREOF, the parties hereto have caused this Fifth Supplemental Indenture to be duly executed, all as of the day and year first above written.

Partnership:

KANEB PIPE LINE OPERATING PARTNERSHIP, L.P.

By: Kaneb Pipe Line Company LLC,
Its General Partner

By: /s/ Steven A. Blank
Name: Steven A. Blank
Title: Senior Vice President

Affiliate Guarantors:

VALERO L.P.

By: Riverwalk Logistics, L.P.,
Its General Partner

By: Valero GP, LLC,
Its General Partner

By: /s/ Curtis V. Anastasio
Name: Curtis V. Anastasio
Title: President

VALERO LOGISTICS OPERATIONS, L.P.

By: Valero GP, Inc.,
Its General Partner

By: /s/ Curtis V. Anastasio
Name: Curtis V. Anastasio
Title: President

Trustee:

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION,
AS TRUSTEE

By: /s/ Carol Logan
Name: Carol Logan
Title: Vice President

FIRST AMENDMENT

TO

5-YEAR REVOLVING CREDIT AGREEMENT

dated as of

June 30, 2005

among

VALERO LOGISTICS OPERATIONS, L.P.,

as Borrower,

VALERO L.P.,

JPMORGAN CHASE BANK, N.A.,

as Administrative Agent,

and

The Lenders Party Hereto

FIRST AMENDMENT TO 5-YEAR REVOLVING CREDIT AGREEMENT

THIS FIRST AMENDMENT TO 5-YEAR REVOLVING CREDIT AGREEMENT (this "First Amendment") dated as of June 30, 2005, is among **VALERO LOGISTICS OPERATIONS, L.P.**, a Delaware limited partnership (the "Borrower"); **VALERO L.P.,** a Delaware limited partnership (the "MLP"); **JPMORGAN CHASE BANK, N.A.**, as administrative agent (in such capacity, together with its successors in such capacity, the "Administrative Agent") for the lenders party to the Credit Agreement referred to below (collectively, the "Lenders"); and the undersigned Lenders.

R E C I T A L S

A. The Borrower, the Administrative Agent and the Lenders are parties to that certain 5-Year Revolving Credit Agreement dated as of December 20, 2004 (the "Credit Agreement"), pursuant to which the Lenders have made certain extensions of credit available to the Borrower.

B. The Borrower has requested and the Lenders have agreed to amend certain provisions of the Credit Agreement.

C. NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Defined Terms. Each capitalized term used herein but not otherwise defined herein has the meaning given such term in the Credit Agreement. Unless otherwise indicated, all references to Sections and Schedules in this First Amendment refer to Sections of, and Schedules to, the Credit Agreement.

Section 2. Amendments to Credit Agreement.

2.1 Amendments to Section 1.01.

(a) The definition of "Agreement" is hereby amended in its entirety to read as follows:

"Agreement" means this 5-Year Revolving Credit Agreement, as amended by the First Amendment, as the same may be amended, modified, supplemented or restated from time to time in accordance herewith.

(b) The definition of "Consolidated EBITDA" is hereby amended in its entirety to read as follows:

"Consolidated EBITDA" means, without duplication, as to the MLP and its Subsidiaries, on a consolidated basis for each Rolling Period, the amount equal to Consolidated Operating Income for such period (a) plus the following to the extent deducted from Consolidated Operating Income in such period: (i) depreciation, amortization and other non-cash charges for such period and (ii) cash distributions received by the Borrower from Skelly-Belvieu Pipeline Company, and similar joint

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ventures, during such period and (b) minus all non-cash income added to Consolidated Operating Income in such period; provided that (i) Consolidated EBITDA shall be adjusted from time to time as necessary to give pro forma effect to permitted acquisitions or Investments (other than Joint Venture Interests) or sales of property by the MLP and its Subsidiaries and (ii) Consolidated EBITDA shall be adjusted to take into account *pro forma* synergies as a result of the Acquisition in an amount equal to (A) $17,500,000 for the Rolling Period ending on September 30,

2005, (B) $15,000,000 for the Rolling Period ending on December 31, 2005, (C) $10,000,000 for the Rolling Period ending on March 31, 2006 and (D) $5,000,000 for the Rolling Period ending on June 30, 2006.

(c) The definition of "Guarantor" is hereby amended in its entirety to read as follows:

"Guarantor" means each of the MLP and each Subsidiary and other Person that from time to time executes and delivers a Subsidiary Guaranty (or becomes a party thereto by executing and delivering a supplement thereto or otherwise), other than any such Person that is released from such Subsidiary Guaranty in accordance with the terms thereof.

(d) The definition of "Information Memorandum" is hereby amended in its entirety to read as follows:

"Information Memorandum" means, collectively, (a) the Confidential Information Memorandum dated June 2005 relating to the Borrower and the Transactions and (b) the Confidential Information Memorandum dated November 8, 2004 relating to the Borrower and the Transactions.

(e) The definition of "Interest Period" is hereby amended by adding the following parenthetical after the word "thereafter" in the third line thereof:

"(or, with the consent of each Lender, such other period as the Lenders and the Borrower shall mutually agree upon)"

(f) The definition of "Material Agreements" is hereby amended in its entirety to read as follows:

"Material Agreements" means the Partnership Agreement (MLP) and the Indenture as each such agreement may be amended, supplemented or otherwise modified from time to time as permitted hereby.

(g) The definition of "Permitted Investments" is hereby amended by: (i) deleting the word "and" at the end of clause (c) thereof; (ii) replacing the period at the end of clause (d) thereof with "; and"; and (iii) adding a new clause (e) to read as follows:

"(e) investments in short term debt obligations of an issuer rated at least BBB by S&P's or Baa2 by Moody's, and maturing within 30 days from the date of acquisition, in an aggregate amount not to exceed $50,000,000 at any time."

(h) The following definitions are hereby added where alphabetically appropriate to read as follows:

"First Amendment" means the First Amendment to 5-Year Revolving Credit Agreement dated as of June 30, 2005 among the Borrower, the MLP, the Administrative Agent and the Lenders party thereto.

"Term Credit Agreement" means The 5-Year Term Credit Agreement dated as of July 1, 2005 among the Borrower, the MLP, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders and other agents from time to time party thereto, as the same may from time to time be amended, modified or supplemented.

"UK Credit Agreement" means the Amended and Restated Credit Agreement, dated as of July 1, 2005, between Kaneb Terminals Limited (formerly known as ST Services, Ltd.), the MLP, Kaneb Pipeline Operating Partnership, L.P. and SunTrust Bank, as the same may from time to time be amended, modified or supplemented.

2.2 Amendment to Section 2.11(c). Section 2.11(c) is hereby amended by deleting "June 30, 2005" wherever it appears in the fifth line thereof and replacing it with "September 30, 2005".

2.3 Amendments to Section 3.04.

(a) Section 3.04(a). Section 3.04(a) is hereby amended in its entirety to read as follows:

"(a) It has heretofore furnished to the Lenders (i) the consolidated balance sheet and statements of income, partners equity and cash flows of the MLP (A) as of and for the fiscal year ended December 31, 2004, reported on by KPMG, and (B) as of and for the fiscal quarter and the portion of the fiscal year ended March 31, 2005, certified by its chief financial officer; (ii) the consolidated balance sheet and statements of income, partners equity and cash flows of the Borrower (A) as of and for the fiscal year ended December 31, 2004, certified by its chief financial officer, and (B) as of and for the fiscal quarter and the portion of the fiscal year ended March 31, 2005, certified by its chief financial officer; (iii) the consolidated balance sheet and statements of income, partners equity and cash flows of KPP (A) as of and for the fiscal year ended December 31, 2004, reported on by KPMG LLP, and (B) as of and for the fiscal quarter and the portion of the fiscal year ended March 31, 2005, certified by its chief financial officer; and (iv) the selected unaudited pro forma condensed combined financial data set forth in the joint proxy statement/prospectus included in the Registration Statement on Form S-4 dated November 23, 2004 filed with the SEC in connection with the Acquisition. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of (x) the MLP and its consolidated subsidiaries, the Borrower and its consolidated Subsidiaries, and KPP and its consolidated subsidiaries and (y) the pro forma consolidated financial

condition of the MLP, as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clauses (B) above."

(b) Section 3.04(b). Section 3.04(b) is hereby amended by deleting the number "2003" in the first line thereof and replacing it with the number "2004".

2.4 Amendments to Section 4.01.

(a) Section 4.01(e). Section 4.01(e) is hereby amended by deleting the number "2003" in the third line thereof and replacing it with the number "2004".

(b) Section 4.01(i). Section 4.01(i) is hereby amended in its entirety to read as follows:

"(i) The Administrative Agent shall have received, and shall be satisfied with the selected unaudited pro forma condensed combined financial data set forth in the joint proxy statement/prospectus included in the Registration Statement on Form S-4 dated November 23, 2004 filed with the SEC in connection with the Acquisition."

(c) Section 4.01(k). Section 4.01(k) is hereby amended in its entirety to read as follows:

"(k) The Administrative Agent shall have received evidence satisfactory to it that all loans, letters of credit and other obligations owing pursuant to each of (i) the Existing Agreement, (ii) the $400,000,000 Revolving Credit Agreement dated as of April 24, 2003 among Kaneb Pipe Line Operating Partnership, L.P., as borrower, KPP, SunTrust Bank, as administrative agent, and the lenders party thereto, as amended, (iii) the Loan Agreement, dated as of July 13, 2001, among KSL, KPP and Bank of Scotland, as amended, (iv) the Credit Agreement, dated as of March 25, 1998, between Martin Oil LLC (successor to Martin Oil Corporation) and Harris Trust and Savings Bank, as amended, and (v) the Facility Agreement, dated as of April 16, 2003, among ST Australia Pty Ltd, Terminals Pty Ltd, Kaneb Pipe Line Operating Partnership, L.P., and National Australia Bank Limited, as amended, shall have been paid in full and all commitments thereunder shall have been terminated."

(d) Section 4.01(l) and Section 4.01(m). Section 4.01(l) and Section 4.01(m) are hereby renumbered to be Section 4.01(m) and Section 4.01(n), respectively, and a new Section 4.01(l) is hereby inserted to read as follows:

"(l) The Term Credit Agreement shall have become "effective" pursuant to Section 4.01 thereof."

(e) Section 4.01. The word "June" in the fifth line of the last paragraph of Section 4.01 is hereby deleted and replaced with the word "September".

2.5 Amendment to Section 6.01. Section 6.01 is hereby amended in its entirety to read as follows:

"Section 6.01. Indebtedness. It will not, and will not permit any of its subsidiaries to, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness created under this Agreement;

(b) Indebtedness created under the Term Credit Agreement, the principal amount of which does not exceed $525,000,000 in the aggregate at any time;

(c) Indebtedness created under the UK Credit Agreement, the principal amount of which does not exceed £21,000,000 in the aggregate at any time;

(d) Indebtedness of the MLP to any Subsidiary and of any Subsidiary to the MLP or any other Subsidiary to the extent permitted by Section 6.04, so long as the MLP and the Borrower are in compliance with Section 5.10;

(e) Guarantees by the MLP of Indebtedness of any Subsidiary and by any Guarantor of Indebtedness of the MLP or any other Subsidiary and by any Subsidiary that is not a Guarantor of Indebtedness of any other Subsidiary that is not a Guarantor; and

(f) other Indebtedness of the MLP and any Subsidiary; provided that, both before and after such Indebtedness is created, incurred or assumed, no Event of Default shall have occurred and be continuing under this Agreement, including, without limitation, an Event of Default with respect to (i) the Consolidated Interest Coverage Ratio set forth in Section 6.11(a) and (ii) the Consolidated Debt Coverage Ratio set forth in Section 6.11(b).

Notwithstanding the foregoing or anything to the contrary contained herein, the MLP and the Borrower will not permit the aggregate principal amount of Indebtedness of Subsidiaries that are not Guarantors (other than Indebtedness described on Schedule 6.01) at any time to exceed 5% of Consolidated Net Worth."

2.6 Amendment to Section 6.02(c)(i). Section 6.02(c)(i) is hereby amended in its entirety to read as follows:

"(i) such security interest secures Indebtedness permitted by clause (f) of Section 6.01,"

2.7 Amendment to Section 6.08(b)(i). Section 6.08(b)(i) is hereby amended in its entirety to read as follows:

"(i) the foregoing shall not apply to restrictions and conditions imposed by law, by this Agreement, by the Term Credit Agreement or by the UK Credit Agreement,"

2.8 Amendment to Section 6.11. Section 6.11 is hereby amended in its entirety to read as follows:

"Section 6.11. Financial Condition Covenants. The MLP will not permit at any time (a) its Consolidated Interest Coverage Ratio to be less than 3.00 to 1.00 or (b) its Consolidated Debt Coverage Ratio to be in excess of (i) 5.00 to 1.00 for any Rolling Period ending on or before June 30, 2006 and (ii) 4.75 to 1.00 for any Rolling Period ending on or subsequent to September 30, 2006; provided that if at any time the MLP or any of its Subsidiaries consummates an acquisition (including the Acquisition) for which the MLP or any of its Subsidiaries has paid aggregate net consideration of at least $100,000,000, then, for the two Rolling Periods the last day of which immediately follow the date on which such acquisition is consummated, the numerator of the maximum Consolidated Debt Coverage Ratio otherwise permitted above shall be increased by 0.5; thereafter, compliance shall be determined by reverting back to clause (i) or (ii) above, as applicable."

2.9 Amendments to Schedules. Schedule 3.06, Schedule 6.01 and Schedule 6.08 are hereby amended and restated in their entirety to read as set forth on the attached Schedule 3.06, Schedule 6.01 and Section 6.08, respectively.

Section 3. Conditions Precedent. This First Amendment shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 10.02 of the Credit Agreement) (the "Effective Date"):

3.1 The Administrative Agent and the Lenders shall have received all fees and other amounts due and payable, if any, in connection with this First Amendment on or prior to the Effective Date.

3.2 The Administrative Agent shall have received from all of the Lenders, the Borrower and the MLP, counterparts (in such number as may be requested by the Administrative Agent) of this First Amendment signed on behalf of such Persons.

3.3 The Administrative Agent shall have received such other documents as the Administrative Agent or special counsel to the Administrative Agent may reasonably request.

3.4 No Default shall have occurred and be continuing, after giving effect to the terms of this First Amendment.

Section 4. Miscellaneous.

4.1 Confirmation. The provisions of the Credit Agreement, as amended by this First Amendment, shall remain in full force and effect following the effectiveness of this First Amendment.

4.2 Ratification and Affirmation; Representations and Warranties. The Borrower and the MLP each hereby (a) acknowledges the terms of this First Amendment; (b) ratifies and affirms its obligations under, and acknowledges, renews and extends its continued liability under, each Loan Document to which it is a party and agrees that each Loan Document to which it is a party remains in full force and effect, except as expressly amended hereby, notwithstanding the amendments contained herein and (c) represents and warrants to the Lenders that as of the date hereof, after giving effect to the terms of this First Amendment: (i) all of the

representations and warranties contained in each Loan Document to which it is a party are true and correct, unless such representations and warranties are stated to relate to a specific earlier date, in which case, such representations and warranties shall continue to be true and correct as of such earlier date and (ii) no Default has occurred and is continuing.

4.3 Loan Document. This First Amendment is a "Loan Document" as defined and described in the Credit Agreement and all of the terms and provisions of the Credit Agreement relating to Loan Documents shall apply hereto.

4.4 Counterparts. This First Amendment may be executed by one or more of the parties hereto in any number of separate counterparts, and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of this First Amendment by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

4.5 NO ORAL AGREEMENT. THIS FIRST AMENDMENT, THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS EXECUTED IN CONNECTION HEREWITH AND THEREWITH REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR UNWRITTEN ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO ORAL AGREEMENTS BETWEEN THE PARTIES.

4.6 GOVERNING LAW. THIS FIRST AMENDMENT (INCLUDING, BUT NOT LIMITED TO, THE VALIDITY AND ENFORCEABILITY HEREOF) SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

[SIGNATURES BEGIN NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed as of the date first written above.

VALERO LOGISTICS OPERATIONS, L.P.

By: Valero GP, Inc., its General Partner

By: /s/ Steven A. Blank

Steven A. Blank
Senior Vice President and
Chief Financial Officer

VALERO L.P.

By: Riverwalk Logistics, L.P., its General Partner

By: Valero GP, LLC, its General Partner

By: /s/ Steven A. Blank
Steven A. Blank
Senior Vice President and
Chief Financial Officer

JPMORGAN CHASE BANK, N.A., individually and as Administrative Agent

By /s/ Robert C. Mertensotto
Name: Robert C. Mertensotto
Title: Managing Director

SUNTRUST BANK, individually and as Syndication Agent

By /s/ David Edge
Name: David Edge
Title: Managing Director

BARCLAYS BANK PLC, individually and as Co-Documentation Agent

By /s/ Gary B. Wenslow
Name: Gary B. Wenslow
Title: Associate Director

MIZUHO CORPORATE BANK (USA), individually and as Co-Documentation Agent

By /s/ Takahiko Ueda
Name: Takahiko Ueda
Title: Senior Vice President

ROYAL BANK OF CANADA, individually and as Co-Documentation Agent

By /s/ Linda M. Stephens
Name: Linda M. Stephens

Title: Authorized Signatory

THE BANK OF TOKYO-MITSUBISHI, LTD.,
individually and as Co-Managing Agent

By /s/ Kelton Glasscock
Name: Kelton Glasscock
Title: Vice-President & Manager

BANK OF AMERICA, N.A., individually and as
Co-Managing Agent

By /s/ Claire Liu
Name: Claire Liu
Title: Senior Vice President

THE BANK OF NOVA SCOTIA, individually and
as Co-Managing Agent

By /s/ William E. Zarrett
Name: William E. Zarrett
Title: Managing Director

BNP PARIBAS, individually and as
Co-Managing Agent

By /s/ Mark A. Cox
Name: Mark A. Cox
Title: Director

By /s/ Larry Robinson
Name: Larry Robinson
Title: Director

CITIBANK, N.A., individually and as
Co-Managing Agent

By /s/ Amy K. Pincu
Name: Amy K. Pincu
Title: Attorney-In-Fact

THE ROYAL BANK OF SCOTLAND plc
individually and as Co-Managing Agent

By /s/ Paul McDonagh

Name: Paul McDonagh
Title: Senior Vice President

BAYERISCHE HYPO-UND VEREINSBANK AG, NEW YORK BRANCH, individually and as Co-Managing Agent

By /s/ Yoram Dankner
Name: Yoram Dankner
Title: Managing Director

By /s/ Shannon Batchman
Name: Shannon Batchman
Title: Director

KEYBANK NATIONAL ASSOCIATION, individually and as Co-Managing Agent

By /s/ Kevin D. Smith
Kevin D. Smith
Vice President

SUMITOMO MITSUI BANKING CORPORATION, individually and as Co-Managing Agent

By /s/ William M. Ginn
Name: William M. Ginn
Title: General Manager

CALYON NEW YORK BRANCH, individually and as Co-Managing Agent

By /s/ Olivier Andenaro
Name: Olivier Andenaro
Title: Managing Director

By
Name: Phillipe Soustra
Title: Executive Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION, individually and as Co-Managing Agent

By /s/ Richard Gould
Name: Richard Gould
Title: Vice President

LEHMAN BROTHERS BANK, FSB

By /s/ Janine M. Shugan
Name: Janine M. Shugan
Title: Authorized Signatory

UBS LOAN FINANCE LLC

By /s/ Wilfred V. Saint
Name: Wilfred V. Saint
Title: Director, Banking Product Services, US

By /s/ Richard L. Tavrow
Name: Richard L. Tavrow
Title: Director, Banking Product Services, US

COMPASS BANK

By /s/ D.G. Mills
Name: D.G. Mills
Title: Senior Vice President

BANK HAPOALIM B.M.

By /s/ Lenroy Hackett
Name: Lenroy Hackett
Title: First Vice President

By /s/ Marc Bosc
Name: Marc Bosc
Title: Vice President

SCHEDULE 3.06

Disclosed Matters

Grace Litigation. All actions, suits, proceedings, claims and Environmental Liabilities arising out of or related to the Otis pipeline as described in each of KPP's Annual Report on Form 10K for the year ended December 31, 2004 and KSL's Annual Report on Form 10K for the year ended December 31, 2004.

PEPCO Litigation. All actions, suits, proceedings, claims and Environmental Liabilities arising out of or related to the Potomac Electric Power Company pipeline as described in each of KPP's Annual Report on Form 10K for the year ended December 31, 2004 and KSL's Annual Report on Form 10K for the year ended December 31, 2004.

Schedule 3.06

SCHEDULE 6.01

Existing Indebtedness

Indebtedness not to exceed £21,000,000 under Credit Agreement between Kaneb Pipe Line Operating Partnership, L.P. and ST Services, LTD., as borrowers, and SunTrust Bank, Atlanta, as Lender dated January 29, 1999 as amended or restated from time to time (or replaced but no increases thereof).

Schedule 6.01

SCHEDULE 6.08

Existing Restrictions

The Indenture.

First Supplemental Indenture, dated as of July 15, 2002, to the Indenture.

Second Supplemental Indenture, dated as of March 19, 2003, to the Indenture.

Third Supplemental Indenture, dated as of July 1, 2005, to the Indenture.

The Indenture, dated as of February 21, 2002, between Kaneb Pipe Line Operating Partnership, L.P., as issuer, and JPMorgan Chase Bank, as trustee, relating to the issuance of senior debt securities (the "KPOP Indenture").

First Supplemental Indenture, dated as of February 21, 2002, to the KPOP Indenture.

Second Supplemental Indenture, dated as of August 9, 2002, to the KPOP Indenture.

Third Supplemental Indenture, dated as of May 16, 2003, to the KPOP Indenture.

Fourth Supplemental Indenture, dated as of May 27, 2003, to the KPOP Indenture.

Fifth Supplemental Indenture, dated as of July 1, 2005, to the KPOP Indenture.

Schedule 6.08

5-YEAR TERM CREDIT AGREEMENT

dated as of July 1, 2005

among

VALERO LOGISTICS OPERATIONS, L.P.

VALERO L.P.

The Lenders Party Hereto

and

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

BARCLAYS BANK PLC,
as Syndication Agent

and

MIZUHO CORPORATE BANK (USA),
ROYAL BANK OF CANADA,
THE ROYAL BANK OF SCOTLAND PLC,
THE BANK OF NOVA SCOTIA,

and

SUNTRUST BANK,
as Co-Documentation Agents

J.P. MORGAN SECURITIES INC. AND BARCLAYS CAPITAL
as Joint Bookrunners and Co-Lead Arrangers

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5-YEAR TERM CREDIT AGREEMENT dated as of July 1, 2005 among VALERO LOGISTICS OPERATIONS, L.P., a Delaware limited partnership, VALERO L.P., a Delaware limited partnership, the LENDERS party hereto, JPMORGAN CHASE BANK, N.A., as Administrative Agent, BARCLAYS BANK PLC, as Syndication Agent, and MIZUHO CORPORATE BANK (USA), ROYAL BANK OF CANADA, THE ROYAL BANK OF SCOTLAND PLC, THE BANK OF NOVA SCOTIA, and SUNTRUST BANK, as Co-Documentation Agents.

The parties hereto agree as follows:

ARTICLE I
Definitions

Section 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Acquired Companies" means, collectively, KSL and KPP, and their respective subsidiaries.

"Acquisition" means the mergers of KPP and KSL into Wholly-Owned Subsidiaries of the MLP pursuant to the terms and conditions of the Acquisition Documents.

"Acquisition Documents" means (a) Agreement and Plan of Merger dated as of October 31, 2004 by and among Valero L.P., Riverwalk Logistics, L.P., Valero GP, LLC, VLI Sub A LLC and KSL and (b) Agreement and Plan of Merger dated as of October 31, 2004 by and among Valero L.P., Riverwalk Logistics, L.P., Valero GP, LLC, VLI Sub B LLC, KPP, and Kaneb Pipe Line Company LLC, in each case, as amended, modified or supplemented.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means JPMorgan Chase Bank, N.A., in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agreement" means this 5-Year Term Credit Agreement, as the same may be amended, modified. supplemented or restated from time to time in accordance herewith.

"Alternate Base Rate" means, for any day, a rate per annum equal to the higher of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" means, with respect to any Lender (a) at any time prior to the expiration of the Availability Period, the percentage of the total Commitments represented by such Lender's Commitment and (b) at any time after the expiration of the Availability Period, the percentage of the aggregate Credit Exposures represented by such Lender's Credit Exposure, giving effect to any assignments.

"Applicable Rate" means, for any day, with respect to any ABR Loan or Eurodollar Loan, as the case may be, the applicable rate per annum set forth below under the caption "ABR Spread" or "Eurodollar Spread", as the case may be, based upon the ratings by Moody's and/or S&P, respectively, applicable on such date to the Index Debt:

Index Debt Ratings:	ABR Spread	Eurodollar Spread
Tier 1 Greater than BBB or Baa2	0.00%	0.500%
Tier 2 BBB or Baa2	0.00%	0.625%
Tier 3 BBB- or Baa3	0.000%	0.750%
Tier 4 BB+ or Ba1	0.250%	1.250%
Tier 5 Less than BB+ or Ba1	0.500%	1.500%

For purposes of the foregoing, (i) if either Moody's or S&P shall not have in effect a rating for the Index Debt (after having established such a rating and other than by reason of the circumstances referred to in the last sentence of this definition), then such rating agency shall be deemed to have established a rating in Tier 5; (ii) if both Moody's and S&P have established a rating for the Index Debt and such ratings established or deemed to have been established by Moody's and S&P shall fall within different Tiers, then (a) so long as either or both such ratings are Investment Grade or better, the Applicable Rate shall be based on the higher of the two ratings, unless one of the two ratings is two or more Tiers lower than the other, in which case the Applicable Rate shall be determined by reference to the Tier next below that of the higher of the

two ratings; and (b) so long as both such ratings are below Investment Grade, the Applicable Rate shall be based on the lower of the two ratings, unless one of the two ratings is two or more Tiers lower than the other, in which case the Applicable Rate shall be determined by reference to the Tier next above that of the lower of the two ratings and (iii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency, irrespective of when notice of such change shall have been furnished by the Borrower to the Administrative Agent and the Lenders pursuant to Section 5.01 or otherwise. Each change in the Applicable Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Rate shall be determined by reference to the rating most recently in effect prior to such change or cessation.

"Approved Fund" has the meaning assigned to such term in Section 10.04.

"Assessment Rate" means, for any day, the annual assessment rate in effect on such day that is payable by a member of the Bank Insurance Fund classified as "well-capitalized" and within supervisory subgroup "B" (or a comparable successor risk classification) within the meaning of 12 C.F.R. Part 327 (or any successor provision) to the Federal Deposit Insurance Corporation for insurance by such Corporation of time deposits made in dollars at the offices of such member in the United States; provided that if, as a result of any change in any law, rule or regulation, it is no longer possible to determine the Assessment Rate as aforesaid, then the Assessment Rate shall be such annual rate as shall be determined by the Administrative Agent to be representative of the cost of such insurance to the Lenders.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 10.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the date that is ten days after the Effective Date and the date of termination of the Commitments.

"Benefit Arrangement" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any ERISA Affiliate.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" means Valero Logistics Operations, L.P., a Delaware limited partnership.

"Borrower Obligations" means the collective reference to all amounts owing by the Borrower and its Subsidiaries pursuant to this Agreement and the other Guaranteed Documents, including, without limitation, the unpaid principal of and interest on the Loans and all other obligations and liabilities of the Borrower (including, without limitation, interest accruing at the then applicable rate provided in this Agreement after the maturity of the Loans and interest accruing at the then applicable rate provided in this Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) to the Guaranteed Creditors, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with the Guaranteed Documents, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Guaranteed Creditors that are required to be paid by the Borrower pursuant to the terms of any of the foregoing agreements).

"Borrowing" means Loans of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

"Borrowing Request" means a request by the Borrower for a Borrowing in accordance with Section 2.03.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Change in Control" means any of the following events:

(a) (i) Valero Energy shall cease, indirectly or directly, to own at least a majority of the issued and outstanding Equity Interests of, or shall cease to Control, the general partner(s) of the MLP, or (ii) 100% (and not less than 100%) of the issued and outstanding Equity Interest of the general partner(s) of the Borrower shall cease to be owned, directly or indirectly, or the Borrower shall cease to be Controlled, by Valero Energy and/or the MLP; or

(b) 100% (and not less than 100%) of the limited partnership interests of the Borrower shall cease to be owned in the aggregate, directly or indirectly, by the MLP and/or Valero Energy.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or

application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender (or, for purposes of Section 2.12(b), by any lending office of such Lender or by such Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Credit Exposure hereunder. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders' Commitments is $525,000,000.

"Common Units" means the common units of limited partner interests in the MLP.

"Consolidated Debt Coverage Ratio" means, for any day, the ratio of (a) all Indebtedness of the MLP and its Subsidiaries, on a consolidated basis, as of the last day of the then most recent Rolling Period over (b) Consolidated EBITDA for such Rolling Period.

"Consolidated EBITDA" means, without duplication, as to the MLP and its Subsidiaries, on a consolidated basis for each Rolling Period, the amount equal to Consolidated Operating Income for such period (a) plus the following to the extent deducted from Consolidated Operating Income in such period: (i) depreciation, amortization and other non-cash charges for such period and (ii) cash distributions received by the Borrower from Skelly-Belvieu Pipeline Company, and similar joint ventures, during such period and (b) minus all non-cash income added to Consolidated Operating Income in such period; provided that (i) Consolidated EBITDA shall be adjusted from time to time as necessary to give pro forma effect to permitted acquisitions or Investments (other than Joint Venture Interests) or sales of property by the MLP and its Subsidiaries and (ii) Consolidated EBITDA shall be adjusted to take into account *pro forma* synergies as a result of the Acquisition in an amount equal to (A) $17,500,000 for the Rolling Period ending on September 30, 2005, (B) $15,000,000 for the Rolling Period ending on December 31, 2005, (C) $10,000,000 for the Rolling Period ending on March 31, 2006 and (D) $5,000,000 for the Rolling Period ending on June 30, 2006.

"Consolidated Interest Coverage Ratio" means, for any day, the ratio of (i) Consolidated EBITDA for the then most recent Rolling Period to (ii) Consolidated Interest Expense for such Rolling Period.

"Consolidated Interest Expense" means, for any Rolling Period, total interest expense (including that attributable to Capital Lease Obligations) of the MLP and its Subsidiaries for such period with respect to all outstanding Indebtedness of the MLP and its Subsidiaries (including, without limitation, all

commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net costs under any Swap Agreements to the extent such net costs are allocable to such period in accordance with GAAP).

"Consolidated Operating Income" means, as to the MLP and its Subsidiaries on a consolidated basis for each Rolling Period, the amount equal to gross income minus operating expenses, general and administrative expenses, depreciation and amortization, and taxes other than income taxes, in each case for such period.

"Consolidated Net Worth" means, at any time, an amount equal to the consolidated partners' equity of the MLP and its Subsidiaries.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Loans at such time.

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Disclosed Matters" means the actions, suits and proceedings and the environmental matters disclosed in Schedule 3.06.

"dollars" or "$" refers to lawful money of the United States of America.

"Domestic Subsidiary" means any Subsidiary that is organized under the laws of the United States of America or any state thereof or the District of Columbia.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 10.02).

"Environmental Approvals" means any Governmental Approvals required under applicable Environmental Laws.

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the MLP or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equity Interest" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any member interests in a limited liability company, and general or limited partnership interests in a partnership, any and all equivalent ownership interests in a Person and any and all warrants, options or other rights to purchase any of the foregoing. In addition, "Equity Interest" shall include, without limitation, with respect to the Borrower, the limited partner interests of the Borrower and the General Partner Interests and, with respect to the MLP, the Units and the general partner interest of the MLP.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the MLP, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the MLP or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the MLP or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the MLP or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the MLP or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the MLP or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"Event of Default" has the meaning assigned to such term in Article VII.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or

by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the

Borrower under Section 2.16(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 2.14(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.14(a).

"Existing Credit Agreement" means the Amended and Restated Credit Agreement, dated as of December 15, 2000, as amended and restated through March 6, 2003, by and among the Borrower, the Lenders (as defined therein) party thereto, JPMorgan Chase Bank, as Administrative Agent, Royal Bank of Canada, as syndication agent, and SunTrust Bank and Mizuho Corporate Bank Ltd., as co-documentation agents, as amended.

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means with respect to any Person, the chief accounting officer, chief financial officer, treasurer or controller of such Person.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"GAAP" means generally accepted accounting principles in the United States of America.

"General Partner" means Valero GP, Inc., a Delaware corporation.

"General Partner Interest" means all general partner interests in the Borrower.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such

Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Guaranteed Creditors" means the collective reference to the Administrative Agent and the Lenders.

"Guaranteed Documents" means the collective reference to this Agreement and the other Loan Documents.

"Guarantor" means each of the MLP and each Subsidiary and other Person that from time to time executes and delivers a Subsidiary Guaranty (or becomes a party thereto by executing and delivering a supplement thereto or otherwise), other than any such Person that is released from such Subsidiary Guaranty in accordance with the terms thereof.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments or by any other securities providing for the mandatory payment of money (including, without limitation, preferred stock subject to mandatory redemption or sinking fund provisions), (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all non-contingent obligations of such Person as an account party in respect of letters of credit and letters of guaranty, (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances, (k) all obligations of such Person with respect to any arrangement, directly or indirectly, whereby such Person or its Subsidiaries shall sell or transfer any material asset, and whereby such Person or any of its Subsidiaries shall then or immediately

thereafter rent or lease as lessee such asset or any part thereof, and (l) all recourse and support obligations of such Person or any of its Subsidiaries with respect to the sale or discount of any of its accounts receivable. The Indebtedness of any Person shall include the

Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indenture" means the Indenture, dated as of July 15, 2002, between the Borrower, as Issuer, the MLP, as Guarantor, and The Bank of New York, as Trustee, relating to the issuance of senior debt securities, as amended, modified and supplemented from time to time in accordance herewith.

"Index Debt" means senior, unsecured, long-term indebtedness for borrowed money of the Borrower that is not guaranteed by any other Person other than the Guarantors or subject to any other credit enhancement.

"Information Memorandum" means, collectively, (a) the Confidential Information Memorandum dated June 2005 relating to the Borrower and the Transactions and (b) the Confidential Information Memorandum dated November 8, 2004 relating to the Borrower and the Transactions.

"Interest Election Request" means a request by the Borrower to convert or continue a Borrowing in accordance with Section 2.05.

"Interest Payment Date" means (a) with respect to any ABR Loan, the last day of each March, June, September and December and (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period.

"Interest Period" means with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six-months thereafter (or, with the consent of each Lender, such other period as the Lenders and the Borrower shall mutually agree upon), as the Borrower may elect; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurodollar Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Investment" means, as applied to any Person, any direct or indirect purchase or other acquisition by such Person of any Equity Interests in any other Person, or any direct or indirect

loan, advance or capital contribution by such Person to any other Person, including all Indebtedness and receivables from such other Person which are not current assets or did not arise from sales to such other Person in the ordinary course of business, and any direct or indirect purchase or other acquisition by such Person of any assets (other than any acquisition of assets in the ordinary course of business).

"Investment Grade" means a rating for Index Debt of BBB- or higher by S&P and Baa3 or higher by Moody's.

"Joint Venture Interest" means an acquisition of or Investment in Equity Interests in another Person, held directly or indirectly by the MLP, that will not be a Subsidiary after giving effect to such acquisition or Investment.

"KPP" means Kaneb Pipe Line Partners, L.P., a Delaware limited partnership.

"KSL" means Kaneb Services LLC, a Delaware limited liability company.

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption.

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Dow Jones Market Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan Documents" means this Agreement, the Subsidiary Guaranty, and any notes issued pursuant to Section 2.07(e), as each such agreement may be amended, supplemented or otherwise modified from time to time as permitted hereby, and any and all instruments, certificates, or other agreements delivered in connection with the foregoing.

"Loans" means the term loans made by the Lenders to the Borrower pursuant to this Agreement.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations or condition (financial or otherwise) of the MLP and its Subsidiaries (including the Borrower) taken as a whole, (b) the ability of the MLP, the Borrower or any Guarantor to perform any of their obligations under this Agreement or any other Loan Document or (c) the rights of or benefits available to the Lenders under this Agreement or any other Loan Document.

"Material Agreements" means the Partnership Agreement (MLP) and the Indenture as each such agreement may be amended, supplemented or otherwise modified from time to time as permitted hereby.

"Material Domestic Subsidiary" means any Material Subsidiary that is a Domestic Subsidiary.

"Material Subsidiary" means, with respect to the MLP, any Subsidiary (other than the Borrower) that meets any of the following conditions: (i) the MLP's and its other Subsidiaries' equity in the income from continuing operations before interest expense and all income taxes of such Subsidiary exceeds 10% of such income of the MLP and its Subsidiaries consolidated for the most recently completed fiscal year or (ii) the MLP's and its other Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of such Subsidiary exceeds 10% of the total assets of the MLP and its Subsidiaries consolidated as of the end of the most recently completed fiscal year.

"Material Indebtedness" means Indebtedness (other than the Loans), or obligations in respect of one or more Swap Agreements, of any one or more of the MLP and its Subsidiaries in an aggregate principal amount exceeding $35,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the MLP or any Subsidiary in respect of any Swap Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that such Person would be required to pay if such Swap Agreement were terminated at such time.

"Maturity Date" means the fifth anniversary of the Effective Date.

"MLP" means Valero L.P., a Delaware limited partnership.

"MLP Obligations" means the collective reference to (i) the Borrower Obligations and (ii) all obligations and liabilities of the MLP which may arise under or in connection with any Guaranteed Document to which the MLP is a party, in each case whether on account of guarantee obligations, reimbursement obligations, loan obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to any Guaranteed Creditor under any Guaranteed Document).

"Moody's" means Moody's Investors Service, Inc. (or any successor rating organization).

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA, to which the MLP or any ERISA Affiliate makes or is obligated to make contributions.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"Partnership Agreement (Borrower)" means the Agreement of Limited Partnership of the Borrower among the General Partner and the MLP in the form previously provided to the Lenders, as amended, modified and supplemented from time to time in accordance herewith.

"Partnership Agreement (MLP)" means the Third Amended and Restated Agreement of Limited Partnership of the MLP dated as of March 18, 2003, as amended, modified and supplemented from time to time in accordance herewith.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Permitted Encumbrances" means:

(a) Liens imposed by law for Taxes that are not yet due or are being contested in compliance with Section 5.04;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 5.04;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (j) of Article VII;

(f) easements, zoning restrictions, rights-of-way, minor irregularities in title, boundaries, or other survey defects, servitudes, permits, reservations, exceptions, zoning regulations, conditions, covenants, mineral or royalty rights or reservations or oil, gas and mineral leases and rights of others in any property of the MLP or any Subsidiary for streets, roads, bridges, pipes, pipe lines, railroads, electric transmission and distribution lines, telegraph and telephone lines, the removal of oil, gas or other minerals or other similar purposes, flood control, water rights, rights of others with respect to navigable waters, sewage and drainage rights and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the

MLP or any Subsidiary; provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness; and

(g) Liens securing an obligation of a third party neither created, assumed nor Guaranteed by the MLP or any Subsidiary upon lands over which easements or similar rights are acquired by the MLP or any Subsidiary in the ordinary course of business of the MLP or any Subsidiary.

"Permitted Investments" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, a short term deposit rating of no lower than A2 or P2, as such rating is set forth by S&P or Moody's, respectively;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than $500,000,000;

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above; and

(e) investments in short term debt obligations of an issuer rated at least BBB by S&P or Baa2 by Moody's, and maturing within 30 days from the date of acquisition, in an aggregate amount not to exceed $50,000,000 at any time.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the MLP or any ERISA Affiliate contributes or has an obligation to contribute and is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank, N.A. as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Register" has the meaning set forth in Section 10.04.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" means (a) at any time prior to the expiration of the Availability Period, Lenders having Credit Exposures and unused Commitments representing greater than 50% of the sum of the total Credit Exposures and unused Commitments at such time and (b) at any time after the expiration of the Availability Period, Lenders having Credit Exposures representing greater than 50% of the sum of the total Credit Exposures.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property, with the exception of a Unit split, combination, or dividend, in each case so long as the only consideration paid in connection therewith is an in-kind payment of additional Units) with respect to any Equity Interest of the MLP or any Subsidiary, or any payment (whether in cash, securities or other property, with the exception of a Unit split, combination, or dividend, in each case so long as the only consideration paid in connection therewith is an in-kind payment of additional Units), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interest of the MLP or any option, warrant or other right to acquire any such Equity Interest of the MLP.

"Revolving Credit Agreement" means the 5-Year Revolving Credit Agreement dated as of December 20, 2004 among the Borrower, the MLP, JPMorgan Chase Bank, as Administrative Agent, and the lenders and other agents from time to time party thereto, as the same may from time to time be amended, modified or supplemented.

"Rolling Period" means any period of four consecutive fiscal quarters.

"SEC" means the Securities and Exchange Commission or any successor Governmental Authority.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw-Hill Companies, Inc. (or any successor rating organization).

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subordinated Units" means the subordinated units of limited partner interests in the MLP.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" means any subsidiary of the MLP (including the Borrower).

"Subsidiary Guaranty" means any guaranty executed and delivered pursuant to Section 5.10, as from time to time amended, modified, or supplemented.

"Swap Agreement" means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the MLP or the Subsidiaries shall be a Swap Agreement.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Transactions" means the execution, delivery and performance by the Borrower and the MLP of this Agreement, the borrowing of Loans, the use of the proceeds thereof, and the execution, delivery and performance of the Subsidiary Guaranty.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

"UK Credit Agreement" means the Amended and Restated Credit Agreement, dated as of July 1, 2005, between Kaneb Terminals Limited (formerly known as ST Services, Ltd.), the MLP, Kaneb Pipeline Operating Partnership, L.P. and SunTrust Bank, as the same may from time to time be amended, modified or supplemented.

"Units" means the collective reference to the Common Units and the Subordinated Units.

"Valero Energy" means Valero Energy Corporation, a Delaware corporation.

"Wholly-Owned Subsidiary" means, in respect of any Person, any subsidiary of such Person, all of the Equity Interests of which (other than director's qualifying shares, as may be required by law) is owned by such Person, either directly or indirectly through one or more Wholly-Owned Subsidiaries of such Person. Unless otherwise indicated herein, each reference to the term "Wholly-Owned Subsidiary" shall mean a Wholly-Owned Subsidiary of the MLP.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

Section 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans and Borrowings may be classified and referred to by Type (e.g., a "Eurodollar Loan" or a "Eurodollar Borrowing").

Section 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Section 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II
The Credits

Section 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Credit Exposure exceeding such Lender's Commitment or (b) the sum of the total Credit Exposures exceeding the total Commitments. The Commitments are not revolving in nature, and amounts repaid or prepaid may not be reborrowed under any circumstance. Any portion of the Commitments not utilized by the Borrower on or before the last day of the Availability Period shall be permanently canceled.

Section 2.02. Loans and Borrowings. (a) Each Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.11, each Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $5,000,000. At the time that each ABR Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $500,000 and not less than $1,000,000; provided that an ABR Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments. Borrowings of more than one Type may be outstanding at the same time; provided that there shall not at any time be more than a total of five Eurodollar Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to elect to convert or continue any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

Section 2.03. Requests for Borrowings. To request a Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 12:00 noon, New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 12:00 noon, New York City time, on date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative

Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.04.

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

Section 2.04. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 1:00 p.m., New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent in New York City and designated by the Borrower in the applicable Borrowing Request.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed time of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

Section 2.05. Interest Elections. (a) Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision

hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

Section 2.06. Termination of Commitments. Unless previously terminated, the Commitments shall terminate at 12:00 noon, New York City time, on the date that is ten days after the Effective Date.

Section 2.07. Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Loan on the Maturity Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

Section 2.08. Prepayment of Loans. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section.

(b) The Borrower shall notify the Administrative Agent by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days

before the date of prepayment or (ii) in the case of prepayment of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid. Promptly following receipt of any such notice relating to a Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.10 and any break funding payments required by Section 2.13.

Section 2.09. Fees. (a) The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(b) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent. Fees paid shall not be refundable under any circumstances.

Section 2.10. Interest. (a) The Loans comprising each ABR Borrowing shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(d) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan; provided that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate,

Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

Section 2.11. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

Section 2.12. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate); or

(ii) impose on any Lender or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan) or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than 270 days prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

Section 2.13. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Eurodollar Loan on the date specified in any notice delivered pursuant hereto or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.16, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the Eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

Section 2.14. Taxes. (a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent or Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent and each Lender, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent or such Lender, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender, or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate.

Section 2.15. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or of amounts payable under Section 2.12, 2.13 or 2.14, or otherwise) prior to 12:00 noon, New York City

time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York, except that payments pursuant to Sections 2.12, 2.13, 2.14 and 10.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder,

ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal in accordance with the amounts of principal then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Sections 2.04(b) or 2.15(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

Section 2.16. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.12, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.14, then such Lender shall use reasonable efforts to designate a different lending office

for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.12 or 2.14, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.12, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.14, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 10.04), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.12 or payments required to be made pursuant to Section 2.14, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

ARTICLE III
Representations and Warranties

The MLP and the Borrower, in each case with respect to itself and its subsidiaries, each represents and warrants to the Lenders that:

Section 3.01. Organization; Powers. It and its subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so,

individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

Section 3.02. Authorization; Enforceability. The Transactions are within its and its subsidiaries corporate, limited liability company or partnership powers and have been duly authorized by all necessary corporate, limited liability company or partnership and, if required, stockholder, member or limited partner action. This Agreement has been duly executed and delivered by it and constitutes a legal, valid and binding obligation of it, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization,

moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

Section 3.03. Governmental Approvals; No Conflicts. The Transactions (a) do not require any material consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable material law or regulation or the charter, by-laws or other organizational documents of it or any of its subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument relating to Material Indebtedness binding upon it or any of its subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made by it or any of its subsidiaries, and (d) will not result in the creation or imposition of any Lien on any asset of it or any of its subsidiaries.

Section 3.04. Financial Condition; No Material Adverse Change. (a) It has heretofore furnished to the Lenders (i) the consolidated balance sheet and statements of income, partners equity and cash flows of the MLP (A) as of and for the fiscal year ended December 31, 2004, reported on by KPMG LLP, and (B) as of and for the fiscal quarter and the portion of the fiscal year ended March 31, 2005, certified by its chief financial officer; (ii) the consolidated balance sheet and statements of income, partners equity and cash flows of the Borrower (A) as of and for the fiscal year ended December 31, 2004, certified by its chief financial officer, and (B) as of and for the fiscal quarter and the portion of the fiscal year ended March 31, 2005, certified by its chief financial officer; (iii) the consolidated balance sheet and statements of income, partners equity and cash flows of KPP (A) as of and for the fiscal year ended December 31, 2004, reported on by KPMG LLP, and (B) as of and for the fiscal quarter and the portion of the fiscal year ended March 31, 2005, certified by its chief financial officer; and (iv) the selected unaudited pro forma condensed combined financial data set forth in the joint proxy statement/prospectus included in the Registration Statement on Form S-4 dated November 23, 2004 filed with the SEC in connection with the Acquisition. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of (x) the MLP and its consolidated subsidiaries, the Borrower and its consolidated Subsidiaries, and KPP and its consolidated subsidiaries and (y) the *pro forma* consolidated financial condition of the MLP, as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clauses (B) above.

(b) Since December 31, 2004, there has been no material adverse change in the business, assets, operations or condition (financial or otherwise) of it and its subsidiaries, taken as a whole.

Section 3.05. Properties. (a) It and its subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, free and clear of all Liens except Permitted Encumbrances and Liens otherwise permitted or contemplated by this Agreement, except where the failure to have such title or leasehold interest could not reasonably be expected to result in a Material Adverse Effect.

(b) It and its subsidiaries owns, or is licensed to use, or has made all required federal filings (and has not been notified of any contest) with respect to, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by it and its subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 3.06. Litigation and Environmental Matters. (a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of it, threatened against or affecting it or any of its subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve this Agreement or the Transactions.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither it nor any of its subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

(c) Since the Effective Date, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

Section 3.07. Compliance with Laws and Agreements. It and its subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

Section 3.08. Investment and Holding Company Status. Neither it nor any of its subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935. The Borrower is not subject to regulation under any Federal or State statute or regulation which limits its ability to incur Indebtedness.

Section 3.09. Taxes. It and its subsidiaries has each timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which it or such subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

Section 3.10. ERISA. Except as could not reasonably be expected to result in a Material Adverse Effect, each ERISA Affiliate has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect to each Plan. Except as could not reasonably be expected to result in a Material Adverse Effect, no ERISA Affiliate has (i) sought a waiver of the minimum funding standard under Section 412 of the Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement or made any amendment to any Plan or Benefit Arrangement, which has resulted or could reasonably be expected to result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

Section 3.11. Disclosure. It has disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which it or any of its subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. Neither the Information Memorandum nor any of the other reports, financial statements, certificates or other information furnished by or on behalf of it to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, it represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

Section 3.12. Investments and Guarantees. Neither it nor any of its subsidiaries has any Investments or has outstanding any Guarantees, except as permitted by this Agreement or reflected in the financial statements described in Section 3.04(a).

Section 3.13. Casualties; Taking of Property. Neither the business nor the assets taken as a whole of it or any of its subsidiaries (after giving effect to the payment or anticipated payment of any proceeds of insurance) have been materially and adversely affected as a result of any fire, explosion, earthquake, flood, drought, windstorm, accident, strike or other labor disturbance, embargo, requisition or taking of any assets or cancellation of contracts, permits or concessions by any domestic or foreign government or any agency thereof, riot, activities of armed forces or acts of God or of any public enemy.

ARTICLE IV
Conditions

Section 4.01. Effective Date. The obligations of the Lenders to make Loans hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 10.02):

(a) The Administrative Agent (or its counsel) shall have received (i) this Agreement, executed and delivered by a duly authorized officer of the Borrower and the MLP,

and by the Lenders and the Administrative Agent and (ii) the Subsidiary Guaranty, executed and delivered by a duly authorized officer of each Guarantor (other than the MLP) and satisfactory in form and substance to the Administrative Agent.

(b) The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of (i) Andrews Kurth LLP, counsel for the Borrower and the MLP and (ii) Bradley C. Barron, in-house counsel of Valero Energy, collectively providing the opinions set forth in Exhibit B, and each such opinion covering such other matters relating to the Borrower, the General Partner, the MLP, the Guarantors, this Agreement or the Transactions as the Lenders shall reasonably request. The Borrower hereby requests each such counsel to deliver its applicable opinion to the Administrative Agent and the Lenders.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Borrower, the General Partner, the MLP, the Guarantors, the authorization of the Transactions, and any other legal matters relating to the Borrower, the General Partner, the MLP, the Guarantors, the Agreement, the Transactions or the Acquisition, all in form and substance satisfactory to the Administrative Agent and its counsel.

(d) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President, Vice President or a Financial Officer of each of the Borrower and the MLP, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(e) The Administrative Agent shall have received (i) counterpart originals of the Partnership Agreement (MLP) substantially in the form listed as Exhibit 3.4 to the MLP's annual report on Form 10-K for the fiscal year ended December 31, 2004, the Indenture and the Partnership Agreement (Borrower) in form and substance acceptable to the Lenders, in each case duly executed by each of the parties thereto and (ii) evidence satisfactory to the Lenders that the Partnership Agreement (Borrower), the Indenture and the Partnership Agreement (MLP) are in full force and effect and have not been amended or modified except to the extent such amendments or modifications have been delivered to the Administrative Agent, which evidence may be in the form of a certificate of the President or a Vice President (or equivalent officer) of each of the Borrower and the MLP.

(f) The Administrative Agent shall have received the financial statements referred to in Section 3.04(a).

(g) The Administrative Agent shall have received evidence satisfactory to it that the Acquisition has been or is being concurrently consummated substantially in accordance with the Acquisition Documents (with all of the material conditions precedent thereto having been satisfied in all material respects by the parties thereto other than as consented to by the Lenders).

(h) The Administrative Agent shall have received (i) a certificate of the President or a Vice President (or equivalent officer) of each of the Borrower and the MLP

certifying: (A) that the Acquisition has been or is concurrently being consummated substantially in accordance with the terms of the Acquisition Documents (with all of the material conditions precedent thereto having been satisfied in all material respects by the parties thereto other than as consented to by the Lenders); (B) that attached thereto is a true and complete executed copy of each of the Acquisition Documents (including all exhibits, schedules and supplements) and that no Acquisition Document has been amended since October 31, 2004 in any material respect except as otherwise consented to by the Administrative Agent and the Lenders (which consent will not be unreasonably withheld); (C) that attached thereto is a true and complete copy of each Certificate of Merger issued by the Delaware Secretary of State in connection with the consummation of the Acquisition; and (ii) such other related documents and information as the Administrative Agent shall have reasonably requested.

(i) The Administrative Agent shall have received, and shall be satisfied with the selected unaudited pro forma condensed combined financial data set forth in the joint proxy statement/prospectus included in the Registration Statement on Form S-4 dated November 23, 2004 filed with the SEC in connection with the Acquisition.

(j) The Administrative Agent shall have received evidence satisfactory to it of any necessary shareholder, corporate, limited liability company, and partnership approvals as to authority, enforceability and compliance with law in connection with the Transactions and the consummation of the Acquisition.

(k) The Administrative Agent shall have received evidence satisfactory to it that all loans, letters of credit and other obligations owing pursuant to each of (i) the Existing Agreement, (ii) the $400,000,000 Revolving Credit Agreement dated as of April 24, 2003 among Kaneb Pipe Line Operating Partnership, L.P., as borrower, KPP, SunTrust Bank, as administrative agent, and the lenders party thereto, as amended, (iii) the Loan Agreement, dated as of July 13, 2001, among KSL, KPP and Bank of Scotland, as amended, (iv) the Credit Agreement, dated as of March 25, 1998, between Martin Oil LLC (successor to Martin Oil Corporation) and Harris Trust and Savings Bank, as amended, and (v) the Facility Agreement, dated as of April 16, 2003, among ST Australia Pty Ltd, Terminals Pty Ltd, Kaneb Pipe Line Operating Partnership, L.P., and National Australia Bank Limited, as amended, shall have been paid in full and all commitments thereunder shall have been terminated.

(l) The 5-Year Revolving Credit Agreement dated as of December 20, 2004 among the Borrower, the MLP, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders and other agents from time to time party thereto, as amended, shall have become “effective” pursuant to Section 4.01 thereof.

(m) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(n) The Administrative Agent shall have received satisfactory evidence regarding the scope and materiality of any environmental risks affecting the properties of the MLP and its Subsidiaries (including the Acquired Companies).

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans under this Agreement shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 10.02) at or prior to 3:00 p.m., New York City time, on September 30, 2005 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

Section 4.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Borrower and the MLP set forth in this Agreement shall be true and correct on and as of the date of such Borrowing (unless such representations and warranties are stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct as of such earlier date).

(b) At the time of and immediately after giving effect to such Borrowing no Default shall have occurred and be continuing.

(c) The Administrative Agent shall have received each additional document, instrument, legal opinion or item of information reasonably requested by the Administrative Agent, including, without limitation, a copy of any debt instrument, security agreement or other material contract to which the MLP or any Subsidiary may be a party.

Each Borrowing shall be deemed to constitute a representation and warranty by the Borrower and the MLP on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section 4.02.

ARTICLE V
Affirmative Covenants

Commencing on the Effective Date, until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full, the MLP and the Borrower each covenants and agrees with the Lenders that:

Section 5.01. Financial Statements and Other Information. It will furnish to the Administrative Agent and each Lender:

(a) no later than 15 days following the date required by applicable SEC rules (without giving effect to any extensions available thereunder) for the filing of such financial statements after the end of each fiscal year of the MLP:

(i) the audited consolidated balance sheet and related statements of income, partners equity and cash flows of the MLP as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Ernst & Young LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements

present fairly in all material respects the financial condition, results of operations and cash flows of the MLP and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied; and

(ii) the consolidated balance sheet and related statements of income, partners equity and cash flows of the Borrower as of the end of and for such year, setting forth in each case in comparative form the figures from the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to the absence of footnotes.

(b) no later than 15 days following the date required by applicable SEC rules (without giving effect to any extensions available thereunder) for the filing of such financial statements after the end of each of the first three fiscal quarters of each fiscal year of the MLP:

(i) the consolidated balance sheet and related statements of income, partners equity and cash flows of the MLP as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the MLP and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes; and

(ii) the consolidated balance sheet and related statements of income, partners equity and cash flows of the Borrower as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes.

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of each of the Borrower and the MLP (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Section 6.11 and (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) promptly after Moody's or S&P shall have announced a change in the rating established or deemed to have been established for the Index Debt, written notice of such rating change; and

(e) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Borrower, the MLP or any of their subsidiaries, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.

Section 5.02. Notices of Material Events. The MLP and the Borrower will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the MLP, the Borrower or any Affiliate thereof that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) if and when any ERISA Affiliate (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which could reasonably be expected to constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan or Multi-Employer Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan or Benefit Arrangement which has resulted or could reasonably be expected to result in the imposition of a Lien or the posting of a bond or other security, a certificate of a Financial Officer of each of the Borrower and the MLP setting forth details as to such occurrence and action, if any, which the Borrower, the MLP or applicable ERISA Affiliate is required or proposes to take, but only to the extent that any occurrence described in the preceding clauses (i) through (vii) could reasonably be expected to result in a Material Adverse Effect;

(d) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect;

(e) any material amendment to the Partnership Agreement (MLP), the Partnership Agreement (Borrower) or any Material Agreement, together with a certified copy of such amendment; and

(f) any of the following events, in each case if the occurrence of such event could reasonably be expected to have a Material Adverse Effect:

(i) the receipt by the MLP (or its general partner(s)), the Borrower or the General Partner of any notice of any claim with respect to any Environmental Liability;

(ii) if the President or a Vice President (or equivalent officer) of the MLP or the Borrower, or the officer of the MLP or the Borrower primarily responsible for monitoring compliance by the MLP or the Borrower and its subsidiaries with Environmental Laws, shall obtain actual knowledge that there exists any Environmental Liability pending or threatened against the MLP, the Borrower or any of their subsidiaries; or

(iii) any release, emission, discharge or disposal of any Hazardous Materials that could reasonably be expected to form the basis of any Environmental Liability with respect to the MLP, the Borrower or any of their subsidiaries.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or President or any Vice President (or equivalent officer) of each of the Borrower and the MLP setting forth a description of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

Section 5.03. Existence; Conduct of Business. It will, and will cause each of its subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.03.

Section 5.04. Payment of Obligations. It will, and will cause each of its subsidiaries to, pay its obligations, including Tax liabilities, that, if not paid, could result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) it or such subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

Section 5.05. Maintenance of Properties; Insurance. It will, and will cause each of its subsidiaries to, (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

Section 5.06. Books and Records; Inspection Rights. It will, and will cause each of its subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. It will, and will cause each of its subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

Section 5.07. Compliance with Laws. It will, and will cause each of its subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property and the terms and provisions of the Material Agreements, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 5.08. Use of Proceeds. The proceeds of the Loans will be used to fund the Acquisition. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations T, U and X.

Section 5.09. Environmental Laws. It will, and will cause each of its subsidiaries to:

(a) comply with all applicable Environmental Laws and obtain and comply with and maintain any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and

(b) conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws except to the extent that the same are being contested in good faith by appropriate proceedings and the pendency of such proceedings could not reasonably be expected to have a Material Adverse Effect.

Section 5.10. Subsidiaries. It will, substantially contemporaneously with its formation or acquisition (or event or circumstance that qualifies it as a Material Domestic Subsidiary), cause each subsidiary of it that is a Material Domestic Subsidiary to become a Guarantor with respect to, and jointly and severally liable with all other Guarantors for, all obligations of the Borrower under this Agreement by executing and delivering to the Administrative Agent, for the benefit of the Lenders, a Subsidiary Guaranty, substantially in the form of Exhibit C (or a supplement thereto as may be requested by the Administrative Agent). In addition, the MLP and the Borrower shall at all times cause (i) the MLP's and its Subsidiaries' equity in the income from continuing operations before interest expense and all income taxes of the Borrower and all Domestic Subsidiaries that are then parties to a Subsidiary Guaranty to be at least 80% of such income of the MLP's Domestic Subsidiaries consolidated for the most recently completed fiscal year and (ii) the MLP's and its Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Borrower and all Domestic Subsidiaries that are then parties to a Subsidiary Guaranty to be at least 80% of the total assets of the MLP's Domestic Subsidiaries consolidated as of the end of the most recently completed fiscal year. The MLP and the Borrower shall, promptly, but in any event no later than 10 days after becoming aware of their non-compliance with

the requirements of the immediately preceding sentence, cause one or more of their Domestic Subsidiaries that are not then parties to a Subsidiary Guaranty to become parties to a Subsidiary Guaranty (even if such subsidiary does not constitute a Material Domestic Subsidiary) so as to comply with the requirements of the immediately preceding sentence. The MLP and the Borrower shall, or shall cause its subsidiaries to, further deliver any and all

instruments, documents, approvals, consents or opinions of counsel reasonably requested by the Administrative Agent or the Required Lenders in connection with any Subsidiary Guaranty.

ARTICLE VI
Negative Covenants

Commencing on the Effective Date, until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full, each of the MLP and the Borrower covenants and agrees with the Lenders that:

Section 6.01. Indebtedness. It will not, and will not permit any of its subsidiaries to, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness created under this Agreement;

(b) Indebtedness created under the Revolving Credit Agreement, the principal amount of which does not exceed $600,000,000 in the aggregate at any time;

(c) Indebtedness created under the UK Credit Agreement, the principal amount of which does not exceed £21,000,000 in the aggregate at any time;

(d) Indebtedness of the MLP to any Subsidiary and of any Subsidiary to the MLP or any other Subsidiary to the extent permitted by Section 6.04, so long as the MLP and the Borrower are in compliance with Section 5.10;

(e) Guarantees by the MLP of Indebtedness of any Subsidiary and by any Guarantor of Indebtedness of the MLP or any other Subsidiary and by any Subsidiary that is not a Guarantor of Indebtedness of any other Subsidiary that is not a Guarantor; and

(f) other Indebtedness of the MLP and any Subsidiary; provided that, both before and after such Indebtedness is created, incurred or assumed, no Event of Default shall have occurred and be continuing under this Agreement, including, without limitation, an Event of Default with respect to (i) the Consolidated Interest Coverage Ratio set forth in Section 6.11(a) and (ii) the Consolidated Debt Coverage Ratio set forth in Section 6.11(b).

Notwithstanding the foregoing or anything to the contrary contained herein, the MLP and the Borrower will not permit the aggregate principal amount of Indebtedness of Subsidiaries that are not Guarantors (other than Indebtedness described on Schedule 6.01) at any time to exceed 5% of Consolidated Net Worth.

Section 6.02. Liens. It will not, and will not permit any of its subsidiaries to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) any Lien existing on any property or asset prior to the acquisition thereof by the MLP or any Subsidiary or existing on any property or asset of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (ii) such Lien shall not apply to any other property or assets of the MLP or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be;

(c) Liens on fixed or capital assets acquired, constructed or improved by the MLP or any Subsidiary; provided that (i) such security interest secures Indebtedness permitted by clause (f) of Section 6.01, (ii) such security interests and the Indebtedness secured thereby are incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (iii) the Indebtedness secured thereby does not exceed the cost of acquiring, constructing or improving such fixed or capital assets and (iv) such security interests shall not apply to any other property or assets of the MLP or any Subsidiary;

(d) other Liens securing Indebtedness in an amount that does not at any time exceed 10% of Consolidated Net Worth; and

(e) extensions, renewals, modifications or replacements of any of the Liens and other matters referred to in clauses (a) through (d) of this Section, provided that such Lien is otherwise permitted by the terms hereof and, with respect to Liens securing Indebtedness, no extension or renewal Lien shall (i) secure more than the amount of the Indebtedness or other obligations secured by the Lien being so extended or renewed or (ii) extend to any property or assets not subject to the Lien being so extended or renewed.

Section 6.03. Fundamental Changes. (a) Other than in connection with the Acquisition, it will not, and will not permit any of its subsidiaries to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets (it being understood that “substantially all of its assets” shall mean more than 50% of the aggregate total assets of the MLP and its Subsidiaries, taken as a whole), or all or substantially all of the stock (it being understood that “substantially all of the stock” shall mean stock representing ownership interests in more than 50% of the aggregate total assets of the MLP and its

Subsidiaries, taken as a whole) of any of its subsidiaries (in each case whether now owned or hereafter acquired), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing (i) any Subsidiary may merge into the Borrower in a transaction in which the Borrower is the surviving entity or the Borrower may merge with another Person so long as (A) the surviving entity or purchaser, if other than the Borrower, assumes, pursuant to the terms of such transaction, each of the obligations of the Borrower hereunder and under any other documents entered into in connection with the Loans and (B) each such assumption is expressly evidenced by an agreement executed and delivered to the Lenders in a form reasonably satisfactory to the Administrative Agent, (ii) any Subsidiary (other than the Borrower) may merge into any Subsidiary (other than the Borrower) in a transaction in which the surviving entity is a Subsidiary (other than the Borrower), and (iii) any Subsidiary (other than the Borrower) may liquidate or dissolve if the

MLP determines in good faith that such liquidation or dissolution is in the best interests of the MLP and is not materially disadvantageous to the Lenders; provided that any such merger involving a Person that is not a Wholly-Owned Subsidiary immediately prior to such merger shall not be permitted unless also permitted by Section 6.04.

(b) It will not, and will not permit any of its Subsidiaries to, engage to any material extent in any business other than businesses of the type conducted by it, its Subsidiaries or KPP, KSL and their subsidiaries on the date of this Agreement and businesses reasonably related thereto.

Section 6.04. Investments, Loans, Advances, Guarantees and Acquisitions. It will not, and will not permit any of its subsidiaries to, purchase, hold or acquire (including pursuant to any merger with any Person that was not a Wholly-Owned Subsidiary prior to such merger) any Investment in or Guarantee any obligations of, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit, except:

(a) Permitted Investments;

(b) Investments by it in the Equity Interest of Wholly-Owned Subsidiaries of the MLP, so long as the MLP and the Borrower are in compliance with Section 5.10;

(c) loans or advances made by the MLP to any Wholly-Owned Subsidiary of the MLP and made by any Subsidiary to the MLP or any other Wholly-Owned Subsidiary of the MLP, so long as the MLP and the Borrower are in compliance with Section 5.10;

(d) Guarantees constituting Indebtedness permitted by Section 6.01;

(e) the Borrower's interest in the Skelly-Belvieu Pipeline Company, L.L.C.;

(f) the purchase or other acquisition by a Wholly-Owned Subsidiary of the MLP of the assets of another Person constituting a business unit; provided, that, both before and after giving effect to any such Investment, no Default shall exist, including, without limitation, a Default with respect to (i) use of proceeds set forth in Section 5.08, (ii) the Consolidated Interest Coverage Ratio set forth in Section 6.11(a), or (iii) the Consolidated Debt Coverage Ratio set forth in Section 6.11(b);

(g) Investments in Joint Venture Interests and the purchase or other acquisition by a Subsidiary that is not a Wholly-Owned Subsidiary of the MLP of the assets of another Person constituting a business unit; provided, that, both before and after giving effect to any such Investment, no Default shall exist, including, without limitation, a Default with respect to (i) use of proceeds set forth in Section 5.08, (ii) the Consolidated Interest Coverage Ratio set forth in Section 6.11(a), or (iii) the Consolidated Debt Coverage Ratio set forth in Section 6.11(b); provided that the aggregate amount of Investments and other acquisitions made pursuant to this clause (g) (other than Investments described in Schedule 6.04) shall not exceed $100,000,000 in the aggregate at any time; and

(h) Guarantees of obligations not constituting Indebtedness of Wholly-Owned Subsidiaries of the MLP incurred in the ordinary course of business.

Section 6.05. Swap Agreements. It will not, and will not permit any of its subsidiaries to, enter into any Swap Agreement, other than Swap Agreements entered into in the ordinary course of business to hedge or mitigate risks to which it or any of its subsidiaries is exposed in the conduct of its business or the management of its liabilities.

Section 6.06. Restricted Payments. It will not, and will not permit any of its subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except (a) any Subsidiary may declare and pay Restricted Payments to its parent and (b) as long as no Default has occurred and is continuing or would result therefrom, the MLP may make Restricted Payments in accordance with the terms of the Partnership Agreement (MLP).

Section 6.07. Transactions with Affiliates. It will not, and will not permit any of its subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) at prices and on terms and conditions not less favorable to it or such subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among it and its Wholly-Owned Subsidiaries not involving any other Affiliate, (c) any Restricted Payment permitted by Section 6.06, and (d) pursuant to the agreements listed on Schedule 6.07, which agreements are at prices and on terms and conditions not less favorable to it than could be obtained on an arm's-length basis from unrelated third parties.

Section 6.08. Restrictive Agreements. It will not, and will not permit any of its subsidiaries to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of it or any of its subsidiaries to create, incur or permit to exist any Lien upon any of its property or assets, or (b) the ability of any Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to the MLP or any other Subsidiary or to Guarantee Indebtedness of the Borrower or any

other Subsidiary; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law, by this Agreement, by the Revolving Credit Agreement or by the UK Credit Agreement, (ii) the foregoing shall not apply to restrictions and conditions (x) existing on the date of this Agreement identified on Schedule 6.08 (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition so as to cause such restriction or condition to be more restrictive than the restriction or condition in existence on the date of this Agreement) or (y) arising or agreed to after the date of this Agreement; provided that such restrictions or conditions are not more restrictive than the restrictions and conditions existing on the date of this Agreement, (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) clause (a) of the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such

Indebtedness and (v) clause (a) of the foregoing shall not apply to customary provisions in leases and other contracts restricting the assignment thereof.

Section 6.09. Limitation on Modifications of Other Agreements. It will not, and will not permit any of its subsidiaries to, amend, modify or change, or consent to any amendment, modification or change to, any of the terms of, the Material Agreements, except to the extent the same could not reasonably be expected to have a Material Adverse Effect.

Section 6.10. Creation of Subsidiaries. It will not at any time create or acquire any subsidiary unless it has caused such subsidiary to comply with the requirements of Section 5.10.

Section 6.11. Financial Condition Covenants. The MLP will not permit at any time (a) its Consolidated Interest Coverage Ratio to be less than 3.00 to 1.00 or (b) its Consolidated Debt Coverage Ratio to be in excess of (i) 5.00 to 1.00 for any Rolling Period ending on or before June 30, 2006 and (ii) 4.75 to 1.00 for any Rolling Period ending on or subsequent to September 30, 2006; provided that if at any time the MLP or any of its Subsidiaries consummates an acquisition (including the Acquisition) for which the MLP or any of its Subsidiaries has paid aggregate net consideration of at least $100,000,000, then, for the two Rolling Periods the last day of which immediately follow the date on which such acquisition is consummated, the numerator of the maximum Consolidated Debt Coverage Ratio otherwise permitted above shall be increased by 0.5; thereafter, compliance shall be determined by reverting back to clause (i) or (ii) above, as applicable.

ARTICLE VII
Events of Default

From (and including) the Effective Date, if any of the following events ("Events of Default") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five Business Days;

(c) any representation or warranty made or deemed made by or on behalf of the Borrower, the MLP or any of their subsidiaries in or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with the Loan Documents or any amendment or modification hereof or waiver hereunder, shall prove to have been incorrect in any material respect when made or deemed made;

(d) the MLP or the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02(a), (c) or (e), Section 5.03 (with respect to the MLP's or the Borrower's existence), Section 5.08 or in Article VI;

(e) the Borrower or any Guarantor shall fail to observe or perform any covenant, condition or agreement contained in the Loan Documents (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent to the Borrower (which notice will be given at the request of any Lender);

(f) the MLP or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable (subject to any applicable grace period), whether by acceleration or otherwise, of any Material Indebtedness; or a default shall occur in the performance or observance of any obligation or condition with respect to any Material Indebtedness if the effect of such default is to accelerate the maturity of any such Indebtedness or such default shall continue unremedied for any applicable period of time sufficient to permit the holder or holders of such Indebtedness, or any trustee or agent for such holders, to cause such Indebtedness to become due and payable prior to its expressed maturity;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the General Partner, the MLP (or its general partner(s)), the Borrower, any Guarantor or any Material Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the General Partner, the MLP (or its general partner(s)), the Borrower, any Guarantor or any Material Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) the General Partner, the MLP (or its general partner(s)), the Borrower, any Guarantor or any Material Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any

proceeding or petition described in clause (g) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the General Partner, the MLP (or its general partner(s)), the Borrower, any Guarantor or any Material Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(i) the General Partner, the MLP (or its general partner(s)), the Borrower, any Guarantor or any Material Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(j) one or more judgments for the payment of money in an aggregate amount in excess of $35,000,000 and that are not covered by insurance shall be rendered against the MLP, any Subsidiary, or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any

action shall be legally taken by a judgment creditor to attach or levy upon any assets of the MLP or any Subsidiary to enforce any such judgment;

(k) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in liability of the MLP and its Subsidiaries in an aggregate amount exceeding $35,000,000;

(l) the MLP or any Subsidiary shall incur an Environmental Liability requiring payment in any Rolling Period in excess of $35,000,000 that is not covered by insurance or that remains undischarged for a period of 30 days;

(m) the MLP shall (i) conduct, transact or otherwise engage in, or commit to conduct, transact or otherwise engage in, any business or operations other than (X) those incidental to its ownership of the limited partner interests in the Borrower or of Equity Interests in other Wholly-Owned Subsidiaries and (Y) the incurrence and maintenance of Indebtedness or (ii) own, lease, manage or otherwise operate any properties or assets (including cash and cash equivalents), other than (A) the limited partner interests in the Borrower, (B) ownership interests of a Subsidiary, (C) ownership interests in other subsidiaries not Subsidiaries of the Borrower, (D) cash received in connection with dividends made by the Borrower in accordance with Section 6.06(b) pending application to the holders of the Units and the General Partner Interest, (E) cash received in connection with the incurrence of Indebtedness and (F) cash received in connection with dividends made by other subsidiaries;

(n) this Agreement or the Subsidiary Guaranty after delivery thereof shall for any reason, except to the extent permitted by the terms hereof or thereof (or as waived by the Lenders in accordance with Section 10.02), ceases to be valid, binding and enforceable in accordance with its terms against the Borrower, the MLP or a Guarantor party thereto or shall be repudiated by any of them, or the Borrower, the MLP or any Guarantor shall so state in writing;

(o) a Change in Control shall occur; or

(p) Section 11.2 of the Partnership Agreement (MLP) (or the definition of the term “Outstanding” as defined therein) shall be amended, modified or changed in any respect.

then, and in every such event (other than an event with respect to the Borrower described in clause (g) or (h) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (g) or (h) of this Article, the

Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

ARTICLE VIII
MLP Guarantee

Section 8.01. MLP Guarantee.

(a) The MLP, to the maximum extent permitted by applicable law, (i) absolutely, unconditionally and irrevocably, guarantees to the Administrative Agent for the ratable benefit of the Guaranteed Creditors and their respective successors, endorsees, transferees and assigns, the prompt and complete payment and performance by the Borrower when due (whether at the stated maturity, by acceleration or otherwise) of the Borrower Obligations and (ii) indemnifies and holds harmless each Guaranteed Creditor from, and agrees to pay to such Guaranteed Creditor, all reasonable costs and expenses (including reasonable counsel fees and expenses) incurred by such Guaranteed Creditor in enforcing any of its rights under the guarantee contained in this Section 8.01. The MLP agrees that notwithstanding any stay, injunction or other prohibition preventing the payment by the Borrower of all or any portion of the Borrower Obligations and notwithstanding that all or any portion of the Borrower Obligations may be unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Borrower, to the maximum extent permitted by applicable law, such Borrower Obligations shall nevertheless be due and payable by the MLP for the purposes of this guarantee at the time such Borrower Obligations would by payable by the Borrower under the provisions of this Agreement. Notwithstanding the foregoing, any enforcement of this guarantee with respect to the rights of any Guaranteed Creditor shall be accomplished by the Administrative Agent acting on behalf of such Guaranteed Creditor. The guarantee contained in this Section 8.01 is a guarantee of payment and not collection, and the liability of the MLP is primary and not secondary.

(b) The MLP agrees that if the maturity of the Borrower Obligations is accelerated by bankruptcy or otherwise, such maturity shall also be deemed accelerated for the purpose of this guarantee without demand or notice to the MLP. The guarantee contained in this Section 8.01 is a continuing guarantee and shall remain in full force and effect until all the Borrower Obligations and the obligations of the MLP under the guarantee contained in this Section 8.01 shall have been satisfied by payment in full in cash and the Commitments shall be terminated, notwithstanding that from time to time during the term of this Agreement the Borrower may be free from any Borrower Obligations.

(c) No payment made by the Borrower, the MLP, any other guarantor or any other Person or received or collected by any Guaranteed Creditor from the Borrower, the MLP, any other guarantor or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Borrower Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of the MLP hereunder which shall, notwithstanding any such payment (other than any payment made by the Borrower or MLP in respect of the Borrower Obligations or any payment received

or collected from the Borrower or MLP in respect of the Borrower Obligations), remain liable for the Borrower Obligations until, subject to Section 8.05, the Borrower Obligations are paid in full in cash and the Commitments are terminated.

Section 8.02. Subrogation. The MLP shall be subrogated to all the rights of any Guaranteed Creditor against the Borrower in respect of any amounts paid by the MLP pursuant to the provisions of the guarantee contained in Section 8.01; provided, however, that the MLP shall not be entitled to enforce or to receive any payments arising out of, or based upon, such right of subrogation with respect to any of the Borrower Obligations until all of the Borrower Obligations and the Guarantees thereof shall have been indefeasibly paid in full in cash or discharged. A director, officer, employee or stockholder, as such, of the MLP shall not have any liability for any obligations of the Guarantor under the guarantee contained in Section 8.01 or any claim based on, in respect of or by reason of such obligations or their creation.

Section 8.03. Amendments, etc. with respect to the Borrower Obligations. The MLP shall remain obligated hereunder notwithstanding that, without any reservation of rights against the MLP and without notice to or further assent by the MLP, any demand for payment of any of the Borrower Obligations made by any Guaranteed Creditor may be rescinded by such Guaranteed Creditor and any of the Borrower Obligations continued, and the Borrower Obligations, or the liability of any other Person upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by any Guaranteed Creditor, and any Guaranteed Document and any other document executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Administrative Agent (or the Required Lenders or all Lenders, as the case may be) may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by any Guaranteed Creditor for the payment of the Borrower Obligations may be sold, exchanged, waived, surrendered or released. Except as required by applicable law, no Guaranteed Creditor shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Borrower Obligations or for the guarantee contained in Section 8.01 or any property subject thereto.

Section 8.04. Guarantee Absolute and Unconditional. To the fullest extent permitted by applicable law, the MLP hereby (i) waives diligence, presentment, demand of payment, notice of intent to accelerate, notice of acceleration, notice of acceptance, filing of claims with a court in the event of the merger, insolvency or bankruptcy of the Borrower or the MLP, and all demands and notices whatsoever, (ii) acknowledges that any agreement, instrument or document evidencing the MLP Obligations may be transferred and that the benefit of its obligations hereunder shall extend to each holder of any agreement, instrument or document evidencing the MLP Obligations without notice to them and (iii) covenants that the MLP Obligations will not be discharged except by complete performance thereof. The MLP further agrees that to the fullest extent permitted by applicable law, if at any time all or any part of any payment theretofore applied by any Person to any of the MLP Obligations is, or must be, rescinded or returned for any reason whatsoever, including without limitation, the insolvency, bankruptcy or reorganization of the MLP, such MLP Obligations shall, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence notwithstanding such

application, and the MLP Obligations shall continue to be effective or be reinstated, as the case may be, as though such application had not been made.

To the fullest extent permitted by applicable law, the obligations of the MLP under this guarantee shall be as aforesaid full, irrevocable, unconditional and absolute and shall not be impaired, modified, discharged, released or limited by any occurrence or condition whatsoever, including, without limitation, (i) any compromise, settlement, release, waiver, renewal, extension, indulgence or modification of, or any change in, any of the obligations and liabilities of the Borrower or the MLP contained in any of the Borrower Obligations or this Agreement, (ii) any impairment, modification, release or limitation of the liability of the Borrower, the MLP or any of their estates in bankruptcy, or any remedy for the enforcement thereof, resulting from the operation of any present or future provision of any applicable bankruptcy law, as amended, or other statute or from the decision of any court, (iii) the assertion or exercise by the Borrower or the MLP of any rights or remedies under any of the Borrower Obligations or this Agreement or their delay in or failure to assert or exercise any such rights or remedies, (iv) the assignment or the purported assignment of any property as security for any of the Borrower Obligations, including all or any part of the rights of the Borrower or the MLP under this Agreement, (v) the extension of the time for payment by the Borrower or the MLP of any payments or other sums or any part thereof owing or payable under any of the terms and provisions of any of the Borrower Obligations or this Agreement or of the time for performance by the Borrower or the MLP of any other obligations under or arising out of any such terms and provisions or the extension or the renewal of any thereof, (vi) the modification or amendment (whether material or otherwise) of any duty, agreement or obligation of the Borrower or the MLP set forth in this Agreement, (vii) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshaling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of, or other similar proceeding affecting, the Borrower or any of the MLP or any of their respective assets, or the disaffirmance of any of the Borrower Obligations, or this Agreement in any such proceeding, (viii) the release or discharge of the Borrower or the MLP from the performance or observance of any agreement, covenant, term or condition contained in any of such instruments by operation of law, (ix) the unenforceability of any of the Borrower Obligations or this Agreement, (x) any change in the name, business, capital structure, corporate existence, or ownership of the Borrower or the MLP, or (xi) any other circumstance which might otherwise constitute a defense available to, or a legal or equitable discharge of, a surety or the MLP.

Section 8.05. Reinstatement. To the maximum extent permitted by applicable law, the guarantee contained in Section 8.01 shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Borrower Obligations is rescinded or must otherwise be restored or returned by any Guaranteed Creditor upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or the MLP, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or the MLP or any substantial part of its property, or otherwise, all as though such payments had not been made.

Section 8.06. Payments. The MLP hereby guarantees that payments hereunder will be paid to the Administrative Agent without set-off or counterclaim and without deduction for any

taxes and in immediately available funds and in dollars at the Administrative Agent's payment office at the address provided in Section 10.01 of this Agreement.

ARTICLE IX
The Administrative Agent

Each of the Lenders hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing as directed by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.02), and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.02) or in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone

and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a Lender and a commercial bank with an office in New York, New York and having a combined capital and surplus of at least $500,000,000, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 10.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also

acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

None of the Syndication Agent, the Co-Documentation Agents or the Co-Managing Agents shall have any duties, responsibilities or liabilities under this Agreement or the other

Loan Documents other than their duties, responsibilities and liabilities in their capacity as Lenders hereunder.

ARTICLE X
Miscellaneous

Section 10.01. Notices.

(a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(i) if to the Borrower or the MLP, to it at One Valero Way, San Antonio, Texas 78249-1112, Attention of Senior Vice President and Chief Financial Officer (Telecopy No. (210) 345-3629);

(ii) if to the Administrative Agent, to JPMorgan Chase Bank, N.A., Loan and Agency Services Group, 1111 Fannin, 8th Floor, Houston, Texas 77002, Attention of Maria Arreola (Telecopy No. (713) 750-2228); and

(iii) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(c) Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

Section 10.02. Waivers; Amendments. (a) No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor the Subsidiary Guaranty nor any provision hereof or thereof may be waived, amended or modified (except as expressly set forth herein or therein) except pursuant to an agreement or agreements in writing entered into by the Borrower, the MLP and the Required Lenders or by the Borrower, the MLP and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.15(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) waive or amend Section 4.01 or release any Guarantor (except as set forth in the Subsidiary Guaranty), without the written consent of each Lender or (vi) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent.

Section 10.03. Expenses; Indemnity; Damage Waiver. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all out-of-pocket expenses incurred by the Administrative Agent or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) The Borrower shall indemnify the Administrative Agent and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the

Transactions or any other transactions contemplated hereby, (ii) any Loan or the use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent in its capacity as such.

(d) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable not later than 5 Business Days after written demand therefor.

Section 10.04. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Borrower, provided that no consent of the Borrower shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund or, if an Event of Default has occurred and is continuing, any other assignee; and

(B) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment of any Commitment to an assignee that is a Lender with a Commitment immediately prior to giving effect to such assignment.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, provided that no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500; and

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

For the purposes of this Section 10.04(b), the term "Approved Fund" has the following meaning:

"Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) of this Section, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.12, 2.13, 2.14 and 10.03). Any assignment or

transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 10.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register; provided that if either the assigning Lender or the assignee shall have failed to make any payment required to be made by it pursuant to Section 2.04(b), 2.15(d) or 10.03(c), the Administrative Agent shall have no obligation to accept such Assignment and Assumption and record the information therein in the Register unless and until such payment shall have been made in full, together with all accrued interest thereon. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c) (i) Any Lender may, without the consent of the Borrower or the Administrative Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 10.02(b) that affects such Participant. Subject to paragraph (c)(ii) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.12, 2.13 and 2.14 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also

shall be entitled to the benefits of Section 10.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.15(c) as though it were a Lender.

(ii) A Participant shall not be entitled to receive any greater payment under Section 2.12 or Section 2.14 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.14 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.14(e) as though it were a Lender.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 10.05. Survival. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid. The provisions of Sections 2.12, 2.13, 2.14 and 10.03 and Article IX shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration and termination of the Commitments or the termination of this Agreement or any provision hereof.

Section 10.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other required parties hereto, and thereafter shall be binding

upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 10.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 10.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower or the MLP against any of and all the obligations of the Borrower or the MLP now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

Section 10.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) The Borrower and the MLP each hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its properties in the courts of any jurisdiction.

(c) The Borrower and the MLP each hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

Section 10.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (a) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (b) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 10.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

Section 10.12. Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower. For the purposes of this Section, "Information" means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower; provided that, in the case of information received from the Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Section 10.13. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the

"Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

Section 10.14. Limitation of Liability. Neither the General Partner nor the general partner(s) of the MLP shall be liable for (a) the obligations of the Borrower under this Agreement or (b) the obligations of the MLP under this Agreement, including in each case, without limitation, by reason of any payment obligation imposed by governing state partnership statutes and any provision of the applicable limited partnership agreement of the Borrower or the MLP that requires such General Partner or general partner(s), as the case may be, to restore a capital account deficit.

Section 10.15. USA PATRIOT Act. Each Lender that is subject to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act") hereby notifies the Borrower that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Act.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

VALERO LOGISTICS OPERATIONS, L.P.

By: Valero GP, Inc., its General Partner

By: /s/ Steven A. Blank
Steven A. Blank
Senior Vice President and
Chief Financial Officer

VALERO L.P.

By: Riverwalk Logistics, L.P., its General Partner

By: Valero GP, LLC, its General Partner

By: /s/ Steven A. Blank
Steven A. Blank
Senior Vice President and
Chief Financial Officer

JPMORGAN CHASE BANK, N.A., individually and as Administrative Agent

By /s/ Robert Traband
Name: Robert Traband
Title: Vice President

BARCLAYS BANK PLC, individually and as Syndication Agent

By /s/Gary B. Wenslow
Name: Gary B. Wenslow
Title: Associate Director

MIZUHO CORPORATE BANK (USA),

individually and as Co-Documentation Agent

By /s/ Takahiko Ueda
Name: Takahiko Ueda
Title: Deputy General Manager

ROYAL BANK OF CANADA, individually and as Co-Documentation Agent

By /s/ Linda M. Stephens
Name: Linda M. Stephens
Title: Authorized Signatory

THE ROYAL BANK OF SCOTLAND plc individually and as Co-Documentation Agent

By /s/ Patty Dundee
Name: Patty Dundee
Title: Senior Vice President

SCOTIABANC INC., individually and as Co-Documentation Agent

By /s/ William E. Zarrett
Name: William E. Zarrett
Title: Managing Director

SUNTRUST BANK, individually and as Co-Documentation Agent

By /s/ David Edge
Name: David Edge
Title: Managing Director

THE BANK OF TOKYO-MITSUBISHI, LTD., individually and as Managing Agent

By /s/ Kelton Glasscock
Name: Kelton Glasscock
Title: Vice-President & Manager

BAYERISCHE HYPO-UND VEREINSBANK AG, NEW YORK BRANCH, individually and as Managing Agent

By /s/ Yoram Dankner
Name: Yoram Dankner
Title: Managing Director

By /s/ Shannon Batchman
Name: Shannon Batchman
Title: Director

SUMITOMO MITSUI BANKING CORPORATION, individually and as Managing Agent

By /s/ David A. Buck
Name: David A. Buck
Title: Senior Vice President

BANK OF AMERICA, N.A., individually and as Co-Agent

By /s/ Claire Liu
Name: Claire Liu
Title: Senior Vice President

BNP PARIBAS, individually and as Co-Agent

By /s/ Mark A. Cox
Name: Mark A. Cox
Title: Director

By /s/ Larry Robinson
Name: Larry Robinson
Title: Director

CALYON NEW YORK BRANCH, individually and as Co-Agent

By /s/ Phillipe Soustra
Name: Phillipe Soustra
Title: Executive Vice President

By /s/ Olivier Andenaro
Name: Olivier Andenaro
Title: Managing Director

CITIBANK, N.A., individually and as Co-Agent

By /s/ Simon D. Walker
Name: Simon D. Walker
Title: Attorney-In-Fact

WELLS FARGO BANK, NATIONAL ASSOCIATION, individually and as Co-Agent

By /s/ M. A. Tribolet
Name: M. A. Tribolet
Title: Vice President

LEHMAN BROTHERS BANK, FSB

By /s/ Janine M. Shugan
Name: Janine M. Shugan
Title: Authorized Signatory

UBS LOAN FINANCE LLC

By /s/ Witfred V. Saint
Name: Witfred V. Saint
Title: Director, Banking Product Services, US

By /s/ Richard L. Tavrow
Name: Richard L. Tavrow
Title: Director, Banking Product Services US

BANK HAPOALIM B.M.

By /s/ Lenroy Hackett
Name: Lenroy Hackett
Title: First Vice President

By /s/ Marc Bosc
Name: Marc Bosc
Title: Vice President

COMPASS BANK

By /s/ D. G. Mills
Name: D. G. Mills
Title: Senior Vice President

SECOND AMENDED AND RESTATED

SERVICES AGREEMENT

AMONG

DIAMOND SHAMROCK REFINING AND MARKETING COMPANY

VALERO CORPORATE SERVICES COMPANY

VALERO L.P.

VALERO LOGISTICS OPERATIONS, L.P.

RIVERWALK LOGISTICS, L.P.

AND

VALERO GP, L.L.C.

DATED AS OF JULY 1, 2005

SECOND AMENDED AND RESTATED SERVICES AGREEMENT

This SECOND AMENDED AND RESTATED SERVICES AGREEMENT (this "Agreement") is entered into effective as of July 1, 2005 (the "Effective Date") by and among DIAMOND SHAMROCK REFINING AND MARKETING COMPANY, a Delaware corporation ("DSRMC") and VALERO CORPORATE SERVICES COMPANY, a Delaware corporation, both indirect wholly owned subsidiaries of Valero Energy Corporation ("Valero Energy"), VALERO L.P., a publicly traded Delaware limited partnership (the "Partnership"), VALERO LOGISTICS OPERATIONS, L.P. (the "Operating Partnership"), a Delaware limited partnership and an indirect wholly owned subsidiary of the Partnership, RIVERWALK LOGISTICS, L.P., the general partner (the "General Partner") of the Partnership, and its general partner, VALERO GP, LLC ("Valero GP").

RECITALS

WHEREAS, Valero GP, an indirect wholly owned subsidiary of Valero Energy, is the general partner of the General Partner; and

WHEREAS, the General Partner is the general partner of the Partnership; and

WHEREAS, all management powers over the business and affairs of the Partnership are exclusively vested in the General Partner and the General Partner is required to conduct, direct and exercise full control over all activities of the Partnership, including, among other things, providing various general and administrative resources and services; and

WHEREAS, certain parties hereto entered into a Services Agreement effective July 1, 2000 pursuant to which DSRMC agreed to provide (i) specified corporate, general and administrative services to the General Partner for an annual administrative fee of $5.2 million, subject to adjustment as provided in the Services Agreement and (ii) other specified services necessary to operate and maintain the assets and operations of the Partnership, with such other services being reimbursable to DSRMC; and

WHEREAS, the Services Agreement was amended and restated (the "Amended and Restated Services Agreement") effective April 1, 2004 to reflect the significant changes that occurred in the business and operations of the Partnership between July 1, 2000, the effective date of the Services Agreement, and April 1, 2004; and

WHEREAS, the Amended and Restated Services Agreement provides that the General Partner, with the approval and consent of the conflicts committee (the "Conflicts Committee") of Valero GP, may (i) agree on behalf of the Partnership to increases in the Administrative Services Fee (as such term is defined in the Amended and Restated Services Agreement) in connection with expansions of the Partnership's operations through acquisition or construction of new assets or businesses, and (ii) amend or modify the Services Agreement; and

WHEREAS, on July 1, 2005, the Partnership completed its acquisition of Kaneb Services, LLC and Kaneb Pipe Line Partners, L.P., effectively doubling the Partnership's operations; and

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WHEREAS, on July 21, 2005, the Conflicts Committee approved a new Administrative Services Fee and the terms of this Agreement; and

WHEREAS, the parties desire to amend and restate the Services Agreement as set forth herein to reflect the significant changes that have occurred in the business and operations of the Partnership since the effective date of the Amended and Restated Services Agreement and to substitute VCSC as a party for DSRMC in all instances; and

WHEREAS, VCSC, for itself and its Affiliates, has agreed to provide certain administrative services under this Agreement to Valero GP, the General Partner, the Partnership and the Operating Partnership (individually, a "Partnership Party," and collectively, the "Partnership Parties"); and

WHEREAS, the Partnership Parties have agreed to provide certain operational services under this Agreement to VCSC and its Affiliates;

NOW, THEREFORE, for and in consideration of the mutual covenants contained in this Agreement, the parties hereto hereby agree to amend and restate the Amended and Restated Services Agreement as follows:

ARTICLE I
PROVISION OF SERVICES

Section 1.1 Provision of Administrative Services by VCSC and Affiliates.

(a) General and Administrative Services. VCSC or any Affiliate or designee of VCSC shall provide non-exclusive management, employee-related and other related services to the Partnership Parties through Valero GP or any Affiliate, which shall include, but shall not be limited to, services related to acquisitions to be made by the Partnership Parties, cash management, review of significant financial opportunities and operating, accounting, legal, engineering, commercial, human resources, information technology and such other management, employee-related and other general and administrative services as set forth on Exhibit A hereto and as VCSC and Valero GP may from time to time agree (the "Administrative Services").

For purposes of this Agreement, "Affiliates" means entities that directly or indirectly through one or more intermediaries control, or are controlled by, or are under common control with, such party, and the term "control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of an entity, whether through the ownership of voting securities, by contract or otherwise, provided, however, that with respect to VCSC, the term "Affiliate" shall exclude Valero GP, the General Partner, the Partnership and the Operating Partnership.

(b) Additional Services. VCSC or any Affiliate shall provide the Partnership Parties with such other services as Valero GP may request from time to time during the term of this Agreement and for such additional compensation as the parties may agree.

(c) Direct Charges. Notwithstanding Section 1.1 (a) above, the following items will be directly charged to the Partnership ("Direct Charges"):

all third party expenses directly related to the Partnership Parties, including, but not limited to, public company costs, outside legal fees, outside accounting fees, fees and expenses of external advisors and consultants, and insurance costs, including but not limited to, general liability, automobile liability, comprehensive liability, excess liability, property and directors and officers.

(d) Nature and Quality of Services. The quality of the Administrative Services shall be substantially identical to those provided to other subsidiaries and Affiliates of VCSC.

Section 1.2 Fees for Administrative Services.

(a) Commencing on the Effective Date of this Agreement, and for each contract year thereafter, the Partnership shall pay to VCSC an annual fee (the "Administrative Services Fee"). The Administrative Services Fee for the contract year ended June 30, 2006 shall be $13.8 million, for the contract year ended June 30, 2007 shall be $14.8 million, and thereafter such fee shall be $15.8 million for the contract year ended June 30, 2008 and the years following, subject to adjustment as provided in paragraph (b) below.

(b) On the last day of each contract year starting with the contract year ending June 30, 2006, and prior to the beginning of the next contract year, the Administrative Services Fee shall be increased by an amount equal to Valero Energy's general annual merit increase percentage for the just completed contract year.

(c) The General Partner, with the approval and consent of the Conflicts Committee, may agree on behalf of the Partnership to further modifications in the Administrative Services Fee in connection with changed levels of Administrative Services provided to the Partnership Parties due to expansions of the Partnership's operations through acquisition or construction of new assets or businesses.

(d) At the end of each contract year, the scope of the Administrative Services and the related Administrative Services Fee are subject to review either at the request of VCSC or the Partnership Parties, in either case by providing 10 days written notice to the other party but in no event later than 60 days before the end of the applicable contract year, with such review to be completed no later than July 31 of the immediately following contract year, with any modification of the Administrative Services Fee other than as provided in paragraph (a) above subject to the consent and approval of the Conflicts Committee.

(e) Any fees payable hereunder for periods less than a full contract year shall be prorated for the period services were provided based on the actual number of days elapsed and a year of 365 days.

Section 1.3 Provision of Operational Services by the Partnership Parties.

(a) Operational Services. During the term of this Agreement, the Partnership Parties shall provide certain operational services, including control room oversight, terminal operations oversight, external reporting, system measurement, GIS/mapping support, integrity management program planning and support and other general and operational services substantially to the

same extent such services are provided by the Partnership Parties to VCSC and its Affiliates on the Effective Date hereof (the "Operational Services"). The quality of the Operational Services shall be substantially identical to those provided to other Partnership Parties.

(b) Additional Operational Services. The Partnership Parties shall provide VCSC or any Affiliate with such other services as VCSC may request from time to time during the term of this Agreement and for such additional compensation as the parties may agree.

(c) Fees for Operational Services. Commencing on the Effective Date of this Agreement and ending on June 30, 2010, and for each contract year thereafter, VCSC shall pay to the Partnership an annual fee (the "Operational Services Fee"). The Operational Services Fee for the contract year ended June 30, 2006 shall be $1.22 million and thereafter such fee shall be subject to adjustment as provided in paragraph (d) below. Notwithstanding anything to the contrary contained in this Agreement, the costs of all third parties (if any) utilized by the Partnership to provide Operational Services (in whole or in part) ("Third Party Charges") will be directly charged to VCSC to the extent reasonably practicable.

(d) Annual Adjustment. On the last day of each contract year starting with the contract year ending June 30, 2006, and prior to the beginning of the next contract year, the Operational Services Fee shall be increased by an amount equal to the Partnership's general annual merit increase percentage for the just completed contract year.

(e) At the end of each contract year, the scope of the Operational Services and the related Operational Services Fee are subject to review either at the request of VCSC or the Partnership Parties, in either case by providing 10 days written notice to the other party but in no event later than 60 days before the end of the applicable contract year, with such review to be completed no later than July 31 of the immediately following contract year.

(f) The General Partner, with the approval and consent of the Conflicts Committee, may agree on behalf of the Partnership to further modifications in the Operational Services Fee in connection with changed levels of Operational Services provided by the Partnership Parties due to expansions of VCSC's or its affiliates' operations through acquisition or construction of new assets or businesses.

(g) Any fees payable hereunder for periods less than a full contract year shall be prorated for the period services were provided based on the actual number of days elapsed and a year of 365 days.

Section 1.4 Payment of Fees.

(a) The fees to be paid pursuant to Section 1.2 shall be paid by the Partnership in equal monthly installments in arrears within 30 days of the end of the month.

(b) The fees to be paid pursuant to Section 1.3 shall be paid by VCSC in equal monthly installments in arrears within 30 days of the end of the month. The fees payable to the Partnership pursuant to Section 1.3 may be offset against any fees payable by the Partnership pursuant to Section 1.2.

(c) To the extent reasonably practicable, all third party invoices for Direct Charges shall be submitted to the Partnership Parties, for payment. For Direct Charges not paid directly by the Partnership Parties, if any, VCSC shall present Valero GP with an invoice within 10 days after the end of each calendar month which reflects an amount equal to all Direct Charges reimbursable to VCSC. The Partnership shall pay such sum within 30 days of the end of the applicable calendar month.

(d) For Third Party Charges not paid directly by VCSC, if any, the Partnership shall present VCSC with an invoice within 10 days after the end of each calendar month which reflects an amount equal to all Direct Charges reimbursable to the Partnership. VCSC shall pay such sum within 30 days of the end of the applicable calendar month.

Section 1.5 Cancellation or Reduction of Services. The Partnership Parties may terminate or reduce the level of any Administrative Service on 60 days' prior written notice to VCSC. Upon such termination or reduction, the Administrative Services Fee shall be reduced accordingly, whether on a temporary or a permanent basis, for such time as such Administrative Service is reduced or terminated. VCSC may terminate or reduce the level of any Operational Service on 60 days' prior written notice to the Partnership Parties. Upon such termination or reduction, the Operational Services Fee shall be reduced accordingly, whether on a temporary or a permanent basis, for such time as such Operational Service is reduced or terminated.

Section 1.6. Term. The provisions of this Article I will apply in respect of Administrative Services and Operational Services until this Agreement is terminated or amended in accordance with Section 2.1 or Section 2.13, respectively**.**

ARTICLE II
MISCELLANEOUS

Section 2.1 Termination. This Agreement shall terminate on June 30, 2010 (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 by VCSC to terminate this Agreement, in which case this Agreement shall terminate one year after such notice is delivered. Notwithstanding the foregoing, (1) any Partnership Party (a) may terminate the provision of one or more Administrative Services or reduce the level of one or more Administrative Services in accordance with the provisions of Section 1.5 hereof, and (b) shall have the right at any time to terminate this Agreement by giving written notice to VCSC, and in such event this Agreement shall terminate one hundred and eighty (180) days from the date on which such notice is given; and (2) VCSC may terminate the provision of one or more Operational Services or reduce the level of one or more Operational Services in accordance with the provisions of Section 1.5 hereof.

Section 2.2 No Third Party Beneficiary. The provisions of this Agreement are enforceable solely by the parties to the Agreement and no limited partner, assignee or other person shall have the right, separate and apart from the parties hereto, to enforce any provisions of this Agreement or to compel an party to this Agreement to comply with the terms of this Agreement.

Section 2.3 No Fiduciary Duties. The parties hereto shall not have any fiduciary obligations or duties to the other parties by reason of this Agreement. Subject to the Omnibus Agreement among Valero Energy (as successor to Ultramar Diamond Shamrock Corporation), Valero GP, the General Partner, the Partnership and Valero Logistics Operations, L.P., dated as of April 16, 2001, any party hereto may conduct any activity or business for its own profit whether or not such activity or business is in competition with any activity or business of the other party.

Section 2.4 Limited Warranty; Limitation of Liability

(a) VCSC represents that it will provide or cause the Administrative Services to be provided to the Partnership Parties 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 1.1 (d), ALL PRODUCTS OBTAINED FOR THE PARTNERSHIP PARTIES ARE AS IS, WHERE IS, WITH ALL FAULTS AND VCSC 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 PARTNERSHIP PARTIES. FURTHERMORE, THE PARTNERSHIP PARTIES MAY NOT RELY UPON

ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDING THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE MADE TO VCSC BY ANY PARTY (INCLUDING, AN AFFILIATE OF VCSC) PERFORMING SERVICES ON BEHALF OF VCSC HEREUNDER, UNLESS SUCH PARTY MAKES AN EXPRESS WARRANTY TO VALERO GP OR THE PARTNERSHIP PARTIES. HOWEVER, IN THE CASE OF SERVICES PROVIDED BY A THIRD PARTY FOR THE PARTNERSHIP PARTIES, IF THE THIRD PARTY PROVIDER OF SUCH SERVICES MAKES AN EXPRESS WARRANTY TO ANY OF THE PARTNERSHIP PARTIES, THE PARTNERSHIP PARTIES ARE ENTITLED TO CAUSE VCSC TO RELY ON AND TO ENFORCE SUCH WARRANTY.

IT IS EXPRESSLY UNDERSTOOD BY THE PARTNERSHIP PARTIES THAT VCSC AND ITS AFFILIATES SHALL HAVE NO LIABILITY FOR THE FAILURE OF THIRD PARTY PROVIDERS TO PERFORM ANY SERVICES HEREUNDER AND FURTHER THAT VCSC 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 VCSC OR ITS AFFILIATES BUT VCSC SHALL, ON BEHALF OF THE PARTNERSHIP PARTIES, PURSUE ALL RIGHTS AND REMEDIES UNDER ANY SUCH THIRD PARTY CONTRACT. THE PARTNERSHIP PARTIES AGREE THAT THE REMUNERATION PAID TO VCSC HEREUNDER FOR THE SERVICES TO BE PERFORMED REFLECT THIS LIMITATION OF LIABILITY AND DISCLAIMER OF WARRANTIES. IN NO EVENT SHALL VCSC BE LIABLE TO THE PARTNERSHIP PARTIES 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 VCSC, ANY VCSC AFFILIATE, OR ANY THIRD PARTY PROVIDER OR WHETHER VCSC, ANY VCSC 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 VCSC OR ITS AFFILIATE FOR SERVICES UNDER AN OUTSOURCING OR OTHER AGREEMENT, THE PARTNERSHIP PARTIES AGREE TO BE BOUND BY SUCH LIMITATION OF LIABILITY FOR ANY PRODUCT OR SERVICE PROVIDED TO THE PARTNERSHIP PARTIES BY SUCH THIRD PARTY PROVIDER UNDER VCSC'S OR SUCH AFFILIATE'S AGREEMENT.

(b) The Partnership Parties represent that they will provide or cause the Operational Services to be provided to VCSC and its Affiliates 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 1.3 (a), ALL PRODUCTS OBTAINED FOR VCSC AND ITS AFFILIATES ARE AS IS, WHERE IS, WITH ALL FAULTS AND THE PARTNERSHIP PARTIES MAKE NO (AND HEREBY DISCLAIM AND NEGATE 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 VCSC AND ITS AFFILIATES. FURTHERMORE, NEITHER

VCSC NOR ITS AFFILIATES MAY RELY UPON ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDING THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE MADE TO THE PARTNERSHIP PARTIES BY ANY PARTY PERFORMING SERVICES ON BEHALF OF THE PARTNERSHIP PARTIES HEREUNDER, UNLESS SUCH PARTY MAKES AN EXPRESS WARRANTY TO VCSC OR ITS AFFILIATES. HOWEVER, IN THE CASE OF SERVICES PROVIDED BY A THIRD PARTY FORVCSC OR ITS AFFILIATES, IF THE THIRD PARTY PROVIDER OF SUCH SERVICES MAKES AN EXPRESS WARRANTY TO ANY OF VCSC OR THE PARTNERSHIP PARTIES, VCSC IS ENTITLED TO CAUSE THE PARTNERSHIP PARTIES TO RELY ON AND TO ENFORCE SUCH WARRANTY.

IT IS EXPRESSLY UNDERSTOOD BY VCSC AND ITS AFFILIATES THAT THE PARTNERSHIP PARTIES SHALL HAVE NO LIABILITY FOR THE FAILURE OF THIRD PARTY PROVIDERS TO PERFORM ANY SERVICES HEREUNDER AND FURTHER THAT THE PARTNERSHIP PARTIES 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 THE PARTNERSHIP PARTIES BUT THE PARTNERSHIP PARTIES SHALL, ON BEHALF OF VCSC, PURSUE ALL RIGHTS AND REMEDIES UNDER ANY SUCH THIRD PARTY CONTRACT. VCSC AGREES ON BEHALF OF ITSELF AND ITS AFFILIATES THAT THE REMUNERATION PAID TO THE PARTNERSHIP PARTIES HEREUNDER FOR THE SERVICES TO BE PERFORMED REFLECT THIS LIMITATION OF LIABILITY AND DISCLAIMER OF WARRANTIES. IN NO EVENT SHALL THE PARTNERSHIP PARTIES BE LIABLE TO VCSC OR ITS AFFILIATES 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 THE PARTNERSHIP PARTIES OR ANY OF THEIR AFFILIATES, OR ANY THIRD PARTY PROVIDER OR WHETHER THE PARTNERSHIP PARTIES OR ANY OF THEIR AFFILIATES, OR THE THIRD PARTY PROVIDER ARE WHOLLY, CONCURRENTLY, PARTIALLY, OR SOLELY NEGLIGENT. TO THE EXTENT ANY THIRD PARTY PROVIDER HAS LIMITED ITS LIABILITY TO THE PARTNERSHIP PARTIES FOR SERVICES UNDER AN OUTSOURCING OR OTHER AGREEMENT, VCSC AND ITS AFFILIATES AGREE TO BE BOUND BY SUCH LIMITATION OF LIABILITY FOR ANY PRODUCT OR SERVICE PROVIDED TO VCSC OR ITS AFFILIATES BY SUCH THIRD PARTY PROVIDER UNDER THE PARTNERSHIP PARTIES' AGREEMENT.

Section 2.5 Force Majeure. If any party to this Agreement is rendered unable by force majeure to carry out its obligations under this Agreement, other than a party's obligation to make payments as provided for herein, that party shall give the other parties prompt written notice of the force majeure with reasonably full particulars concerning it. Thereupon, the obligations of the party giving the notice, insofar as they are affected by the force

majeure, shall be suspended during, but no longer than the continuance of, the force majeure. The affected party shall use all reasonable diligence to remove or remedy the force majeure situation as quickly as practicable.

The requirement that any force majeure situation be removed or remedied with all reasonable diligence shall not require the settlement of strikes, lockouts or other labour difficulty by the party involved, contrary to its wishes. Rather, all such difficulties may be handled entirely within the discretion of the party concerned.

The term "force majeure" means any one or more of: (a) an act of God, (b) a strike, lockout, labour difficulty or other industrial disturbance, (c) an act of a public enemy, war, blockade, insurrection or public riot, (d) lightning, fire, storm, flood or explosion, (e) governmental action, delay, restraint or inaction, (f) judicial order or injunction, (g) material shortage or unavailability of equipment, or (h) any other cause or event, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

Section 2.6 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 a party to provide the Administrative Services or the Operational 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 and provisions of this Agreement.

Section 2.7 Time of the Essence. Time is of the essence in this Agreement.

Section 2.8 Notices. Any notice, request, demand, direction or other communication required or permitted to be given or made under this Agreement to a party shall be in writing and may be given by hand delivery, postage prepaid first-class mail delivery, delivery by a reputable international courier service guaranteeing next business day delivery or by facsimile (if confirmed by one of the foregoing methods) to such party at its address noted below:

(a) in the case of VCSC, to:

Valero Corporate Services Company
One Valero Way
San Antonio, Texas 78249
Attention: Legal Department
Telecopy: (210) 345-5889

(b) in the case of the General Partner and Valero GP, to:

Valero GP, LLC
One Valero Way
San Antonio, Texas 78249
Attention: President
Telecopy: (210) 370-4392

or at such other address of which notice may have been given by such party in accordance with the provisions of this Section.

Section 2.9 Counterparts. This Agreement may be executed in several counterparts, no one of which needs to be executed by all of the parties. Such counterpart, including a facsimile transmission of this Agreement, shall be deemed to be an original and shall have the same force and effect as an original. All counterparts together shall constitute but one and the same instrument.

Section 2.10 Applicable Law. The provisions of this Agreement shall be construed in accordance with the laws of the State of Texas, excluding any conflicts of law rule or principle that might refer the construction or interpretation hereof to the laws of another jurisdiction.

Section 2.11 Binding Effect; Assignment. Except for the ability of VCSC to cause one or more of the Administrative Services to be performed by a third party provider or an Affiliate, no party shall have the right to assign its rights or obligations under this Agreement without the consent of the other parties.

Section 2.12 Invalidity of Provisions. In the event that one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect under any applicable law, the validity, legality or enforceability of the remaining provisions hereof shall not be affected or impaired thereby.

Section 2.13 Modification; Amendment. This Agreement may be amended or modified from time to time only by a written amendment signed by all parties hereto; provided however, that the Partnership Parties may not, without the prior approval of the Conflicts Committee, agree to any amendment or modification to this Agreement that, in the reasonable discretion of the General Partner, will adversely affect the holders of common units of the Partnership.

Section 2.14 Entire Agreement. This Agreement constitutes the whole and entire agreement between the parties hereto and supersedes any prior agreement, undertaking, declarations, commitments or representations, verbal or oral, in respect of the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement with effect as of the date first above written.

DIAMOND SHAMROCK REFINING AND MARKETING COMPANY

By: /s/ Michael S. Ciskowski
Name: Michael S. Ciskowski
Title: Senior Vice President

VALERO CORPORATE SERVICES COMPANY

By: /s/ Michael S. Ciskowski
Name: Michael S. Ciskowski
Title: Senior Vice President

VALERO L.P

By: Riverwalk Logistics, L.P.

By: Valero GP, LLC

By: /s/ Curtis V. Anastasio
Name: Curtis V. Anastasio
Title: President

VALERO LOGISTICS OPERATIONS, L.P.

By: Valero GP, Inc.

By: /s/ Curtis V. Anastasio
Name: Curtis V. Anastasio
Title: President

VALERO GP, LLC

By: /s/ Curtis V. Anastasio
Name: Curtis V. Anastasio
Title: President

RIVERWALK LOGISTICS, L.P.

By: Valero GP, LLC

By: /s/ Curtis V. Anastasio
Name: Curtis V. Anastasio
Title: President

EXHIBIT A

Administrative Services provided to the Partnership Parties:

Ad Valorem Tax Services (note: ad valorem taxes are Direct Charges)
Controller
- External Reporting
- Corporate Tax
- Accounting Governance
- Non-Hydrocarbons Operations Accounting

Corporate Aviation and Travel Services
Corporate Communications and Public Relations
Corporate Development
Data Processing and Information Technology Services
Executive Oversight
Financial Accounting and Reporting
Foreign Trade Zone Reporting and Accounting
Governmental Affairs
Group Accounting
Health, Safety & Environmental Services
Human Resources Services
- Benefit Accounting

- Benefit Plan Administration
- Retirement Plan Administration
- 401(k) Savings Plan Administration
- Payroll Services
- Training Services
- Internal Audit
- Legal
  - General Litigation Support
  - General Corporate
  - General Commercial
  - Labor & Employment
  - Tariff Maintenance
  - Environmental and Regulatory
- Office Services
  - Mail Center/ Mail Services
  - Health Club
  - Office Space including building maintenance
- Purchasing/Fleet Management
- Records Management
- Real Estate Management
- Right-of-Way Services
- Risk and Claims Management Services (note: insurance premiums are Direct Charges)
- Security Services
- Shareholder and Investor Relations
- Treasury & Banking
  - Finance Services
  - Cash Management
  - Credit Services

In providing the foregoing services, VCSC shall be acting on behalf of and as agent for the Partnership Parties.

VALERO L.P.
STATEMENT OF COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Thousands of Dollars, Except Ratio)

	Six Months Ended June 30, 2005	Years Ended December 31, 2004	2003	2002	2001	2000
Earnings:						
Income from continuing operations before provision for income taxes and income from equity investees	$ 37,317	$ 77,074	$ 67,177	$ 52,350	$ 42,694	$ 35,968
Add:						
Fixed charges	12,260	21,625	16,443	5,492	4,203	5,266
Amortization of capitalized interest	33	60	55	48	39	34
Distributions from Skelly-Belvieu Pipeline Company	113	1,373	2,803	3,590	2,874	4,658
Less: Interest capitalized	(168)	(192)	(123)	(255)	(298)	—
Total earnings	$ 49,555	$ 99,940	$ 86,355	$ 61,225	$ 49,512	$ 45,926
Fixed charges:						
Interest expense (1)	$ 11,640	$ 20,630	$ 15,291	$ 4,968	$ 3,721	$ 5,181
Amortization of debt issuance costs	212	407	740	160	90	—
Interest capitalized	168	192	123	255	298	—
Rental expense interest factor (2)	240	396	289	109	94	85
Total fixed charges	$ 12,260	$ 21,625	$ 16,443	$ 5,492	$ 4,203	$ 5,266
Ratio of earnings to fixed charges	4.0x	4.6x	5.3x	11.1x	11.8x	8.7x

(1) The “interest and other expense, net” reported in Valero L.P.’s consolidated statements of income for the six months ended June 30, 2005 and the year ended December 31, 2004 includes investment income of $145,000 and $221,000, respectively and includes other expense of $0 and ($134,000), respectively.

(2) The interest portion of rental expense represents one-third of rents, which is deemed representative of the interest portion of rental expense.

Exhibit 31.01

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Curtis V. Anastasio, the principal executive officer of Valero GP, LLC, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Valero L.P. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2005

/s/ Curtis V. Anastasio

Curtis V. Anastasio
President and Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Steven A. Blank, the principal financial officer of Valero GP, LLC, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Valero L.P. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2005

/s/ Steven A. Blank

Steven A. Blank
Senior Vice President and Chief Financial Officer

Exhibit 32.01

**CERTIFICATION PURSUANT TO 18 U.S.C.
SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Valero L.P. on Form 10-Q for the quarter ended June 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Curtis V. Anastasio, President and Chief Executive Officer of Valero GP, LLC hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Valero L.P.

/s/ Curtis V. Anastasio

Curtis V. Anastasio
President and Chief Executive Officer
August 8, 2005

A signed original of the written statement required by Section 906 has been provided to Valero L.P. and will be retained by Valero L.P. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO 18 U.S.C.
SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Valero L.P. on Form 10-Q for the quarter ended June 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Steven A. Blank, Senior Vice President and Chief Financial Officer of Valero GP, LLC hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Valero L.P.

/s/ Steven A. Blank

Steven A. Blank
Senior Vice President and Chief Financial Officer
August 8, 2005

A signed original of the written statement required by Section 906 has been provided to Valero L.P. and will be retained by Valero L.P. and furnished to the Securities and Exchange Commission or its staff upon request.
