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

FORM 10-K

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

For the fiscal year ended December 31, 2007

OR

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

For the transition period from ______ to ______

Commission File Number 1-16417

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

Delaware **(State or other jurisdiction of incorporation or organization)**	**74-2956831** **(I.R.S. Employer Identification No.)**
2330 North Loop 1604 West **San Antonio, Texas** **(Address of principal executive offices)**	**78248** **(Zip Code)**

Registrant's telephone number, including area code (210) 918-2000

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule12b-2 of the Exchange Act (Check one):

Large accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the common units held by non-affiliates was approximately $2,506 million based on the last sales price quoted as of June 29, 2007, the last business day of the registrant's most recently completed second quarter.

The number of common units outstanding as of February 1, 2008 was 49,409,749.

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PART I

Unless otherwise indicated, the terms “NuStar Energy L.P.,” “the Partnership,” “we,” “our” and “us” are used in this report to refer to NuStar Energy L.P., to one or more of our consolidated subsidiaries or to all of them taken as a whole. In the following Items 1., 1A. and 2., “Business, Risk Factors and Properties,” we make certain forward-looking statements, including statements regarding our plans, strategies, objectives, expectations, intentions and resources. The words “forecasts,” “intends,” “believes,” “expects,” “plans,” “scheduled,” “goal,” “may,” “anticipates,” “estimates” and similar expressions identify forward-looking statements. We do not undertake to update, revise or correct any of the forward-looking information. You are cautioned that such forward-looking statements should be read in conjunction with our disclosures beginning on page 40 of this report under the heading: “CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION.”

ITEMS 1., 1A. and 2. BUSINESS,RISK FACTORS AND PROPERTIES

OVERVIEW

NuStar Energy L.P., a Delaware limited partnership, completed its initial public offering of common units on April 16, 2001 (NuStar Energy). Our common units are traded on the New York Stock Exchange (NYSE) under the symbol “NS.” Our principal executive offices are located at 2330 North Loop 1604 West, San Antonio, Texas 78248 and our telephone number is (210) 918-2000.

We are engaged in the crude oil and refined product transportation, terminalling and storage business in the United States, the Netherland Antilles, Canada, Mexico, the Netherlands and the United Kingdom. Also, we purchase certain petroleum products for resale to third parties.

During the fourth quarter of 2007, we revised the manner in which we internally evaluate our segment performance and made certain organizational changes. As a result, we changed the way we report our segmental results such that all product sales and related costs are included in the marketing segment. We now manage our operations through the following five operating segments: refined product terminals, refined product pipelines, crude oil pipelines, crude oil storage tanks and marketing. As of December 31, 2007, our assets included:

- 61 refined product terminal facilities providing approximately 58.5 million barrels of storage capacity and one crude oil terminal facility providing approximately 3.4 million barrels of storage capacity;
- 8,251 miles of refined product pipelines, including 2,000 miles of anhydrous ammonia pipelines, with 21 associated terminals providing storage capacity of 4.6 million barrels and two tank farms providing storage capacity of 1.2 million barrels;
- 812 miles of crude oil pipelines with 11 associated storage tanks providing storage capacity of 1.7 million barrels; and
- 60 crude oil storage tanks providing storage capacity of 12.5 million barrels.

We conduct our operations through our wholly owned subsidiaries, primarily NuStar Logistics, L.P. (NuStar Logistics) and Kaneb Pipe Line Operating Partnership, L.P. (KPOP). Our revenues include:

- tariffs for transporting crude oil, refined products and anhydrous ammonia through our pipelines;
- fees for the use of our terminals and crude oil storage tanks and related ancillary services;
- sales of bunker fuel to marine vessels;
- sales of heavy fuels, asphalt and refined products to third parties; and
- the mark-to-market impact of our limited trading program.

Our business strategy is to increase per unit cash distributions to our partners through:

- continuous improvement of our operations by improving safety and environmental stewardship, cost controls and asset reliability and integrity;
- internal growth through enhancing the utilization of our existing assets by expanding our business with current and new customers as well as investments in strategic expansion projects;
- external growth from acquisitions that meet our financial and strategic criteria; and

- complementary operations such as our product marketing and trading organization, which we created to capitalize on opportunities to optimize the use and profitability of our assets.

Our internet website address is http://www.nustarenergy.com. Information contained on our website is not part of this report on Form 10-K. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K filed with (or furnished to) the Securities and Exchange Commission (SEC) are available on our internet website (in the "Investors" section), free of charge, as soon as reasonably practicable after we file or furnish such material. We also post our corporate governance guidelines, code of business conduct and ethics, code of ethics for senior financial officers and the charters of our board's committees in the same website location. Our governance documents are available in print to any unitholder that makes a written request to Corporate Secretary, NuStar Energy L.P., 2330 North Loop 1604 West, San Antonio, Texas 78248.

The term "throughput" as used in this document generally refers to the crude oil or refined product barrels or tons of ammonia, as applicable, that pass through each pipeline, terminal or storage tank.

RECENT DEVELOPMENTS

On December 10, 2007, NuStar Logistics replaced the existing $600 million revolving credit agreement with a $1.25 billion five-year revolving credit agreement (the 2007 Revolving Credit Agreement). NuStar Logistics borrowed $528.4 million under the 2007 Revolving Credit Agreement to repay in full the balance on its $600 million revolving credit agreement and $525 million term loan agreement.

On November 19, 2007, we issued 2,600,000 common units representing limited partner interests at a price of $57.20 per unit. We received proceeds of $146.1 million, including a contribution of $3.0 million from our general partner to maintain its 2% general partner interest, net of issuance costs. The proceeds were used to repay a portion of the outstanding principal balance under our then active $600 million revolving credit agreement.

On November 6, 2007, we entered into a definitive agreement to acquire CITGO Asphalt Refining Company's asphalt operations and assets (East Coast Asphalt Operations) for approximately $450.0 million, plus an inventory adjustment. The East Coast Asphalt Operations include a 74,000 barrels-per-day (BPD) asphalt refinery in Paulsboro, New Jersey, a 30,000 BPD asphalt refinery in Savannah, Georgia and three asphalt terminals on the East Coast with a combined storage capacity of 4.8 million barrels.

ACQUISITIONS AND DISPOSITIONS

On December 1, 2006, we acquired a crude oil storage and blending facility in St. James, Louisiana from Koch Supply and Trading, L.P. for approximately $141.7 million. The acquisition includes 17 crude oil tanks with a total capacity of approximately 3.4 million barrels. Additionally, the facility has three docks with barge and ship access. The facility is located on the west bank of the Mississippi River approximately 60 miles west of New Orleans. We funded the acquisition with borrowings under our revolving credit agreement.

On March 30, 2006, we sold our subsidiaries located in Australia and New Zealand to ANZ Terminals Pty. Ltd., for total proceeds of $70.1 million. This transaction included the sale of eight terminals with an aggregate storage capacity of 1.1 million barrels.

On July 1, 2005, we completed our acquisition (the Kaneb Acquisition) of Kaneb Services LLC (KSL) and Kaneb Pipe Line Partners, L.P. (KPP, and, together with KSL, Kaneb). We acquired all of KSL's outstanding equity securities for approximately $509 million in cash. Additionally, we issued approximately 23.8 million of our common units valued at approximately $1.45 billion in exchange for all of the outstanding common units of KPP.

ORGANIZATIONAL STRUCTURE

Our operations are managed by NuStar GP, LLC, the general partner of Riverwalk Logistics, L.P., our general partner. NuStar GP, LLC is a wholly owned subsidiary of NuStar GP Holdings, LLC (NuStar GP Holdings) (NYSE: NSH). We use the term "general partner" in this report to refer to Riverwalk Logistics, L.P., NuStar GP, LLC, Riverwalk Holdings, LLC and/or NuStar GP Holdings.

In two separate public offerings in 2006, Valero Energy Corporation (Valero Energy) sold their ownership interest in NuStar GP Holdings. NuStar GP Holdings did not receive any proceeds from their public offering, and Valero Energy's ownership interest in NuStar GP Holdings was reduced to zero.

On April 1, 2007, we changed our name to NuStar Energy L.P. (formerly Valero L.P.), and Valero GP Holdings, LLC changed its name to NuStar GP Holdings, LLC. Prior to April 1, 2007, our common units traded on the NYSE under the symbol "VLI" and the common units of NuStar GP Holdings traded under the symbol "VEH."

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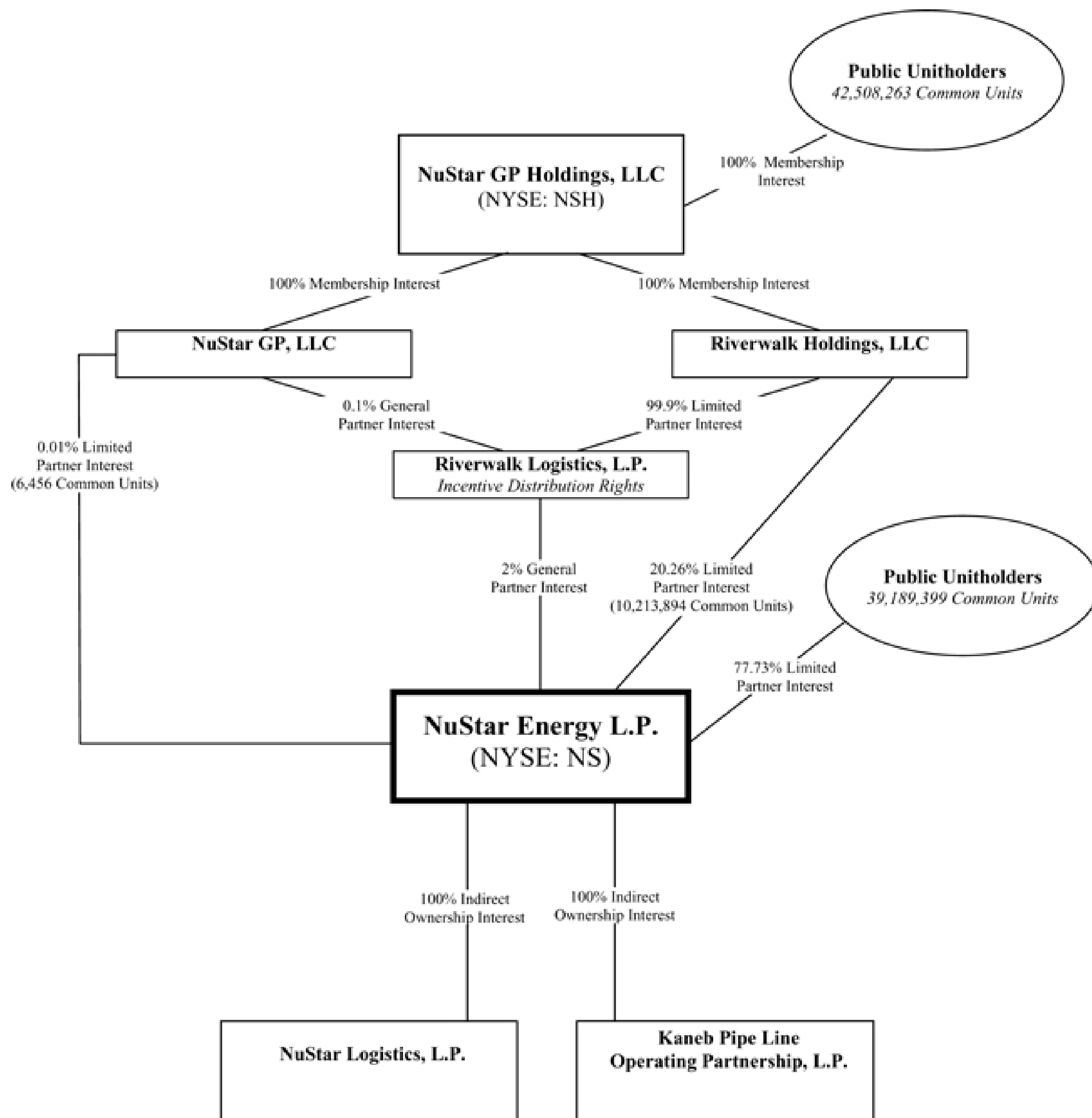
The following chart depicts our organizational structure at December 31, 2007.



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SEGMENTS

During the fourth quarter of 2007, we revised the manner in which we internally evaluate our segment performance and made certain organizational changes. As a result, we changed the way we report our segmental results such that all product sales and related costs are included in the marketing segment. Previous periods have been restated to conform to this presentation.

Our five reportable business segments are refined product terminals, refined product pipelines, crude oil pipelines, crude oil storage tanks and marketing. Detailed financial information about our segments is included in Note 20 in the Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data.”

The following map depicts our operations at December 31, 2007.

REFINED PRODUCT TERMINALS

Our terminal facilities provide storage and handling services on a fee basis for petroleum products, specialty chemicals, crude oil and other liquids. In addition, our terminals located on the island of St. Eustatius, Netherlands Antilles and in Point Tupper, Nova Scotia provide services such as pilotage, tug assistance, line handling, launch service, emergency response services and other ship services. As of December 31, 2007, we owned and operated:

- 52 terminals in the United States, with a total storage capacity of approximately 34.9 million barrels;
- A terminal on the island of St. Eustatius, Netherlands Antilles with a tank capacity of 13.0 million barrels and a transshipment facility;
- A terminal located in Point Tupper, Nova Scotia with a tank capacity of 7.4 million barrels and a transshipment facility;
- Six terminals located in the United Kingdom and one terminal located in Amsterdam, the Netherlands, having a total storage capacity of approximately 6.6 million barrels; and
- A terminal located in Nuevo Laredo, Mexico.

Our five largest terminal facilities are located on the island of St. Eustatius, Netherlands Antilles; in Point Tupper, Nova Scotia; in Piney Point, Maryland; in Linden, New Jersey (50% owned joint venture); and in St. James, Louisiana.

Description of Largest Terminal Facilities

St. Eustatius, Netherlands Antilles. We own and operate a 13.0 million barrel petroleum storage and terminalling facility located on the Netherlands Antilles island of St. Eustatius, which is located at a point of minimal deviation from major shipping routes. This facility is capable of handling a wide range of petroleum products, including crude oil and refined products, and it can accommodate the world's largest tankers for loading and discharging crude oil and other petroleum products. A two-berth jetty, a two-berth monopile with platform and buoy systems, a floating hose station and an offshore single point mooring buoy with loading and unloading capabilities serve the terminal's customers' vessels. The St. Eustatius facility has a total of 58 tanks. The fuel oil and petroleum product facilities have in-tank and in-line blending capabilities, while the crude tanks have tank-to-tank blending capability as well as in-tank mixers. In addition to the storage and blending services at St. Eustatius, this facility has the flexibility to utilize certain storage capacity for both feedstock and refined products to support our atmospheric distillation unit. This unit is capable of processing up to 25,000 barrels per day of feedstock, ranging from condensates to heavy crude oil. We own and operate all of the berthing facilities at the St. Eustatius terminal. Separate fees apply for the use of the berthing facilities as well as associated services, including pilotage, tug assistance, line handling, launch service, spill response services and other ship services.

Point Tupper, Nova Scotia. We own and operate a 7.4 million barrel terminalling and storage facility located at Point Tupper on the Strait of Canso, near Port Hawkesbury, Nova Scotia, which is located approximately 700 miles from New York City and 850 miles from Philadelphia. This facility is the deepest independent, ice-free marine terminal on the North American Atlantic coast, with access to the East Coast and Canada as well as the Midwestern United States via the St. Lawrence Seaway and the Great Lakes system. With one of the premier jetty facilities in North America, the Point Tupper facility can accommodate substantially all of the world's largest, fully laden very large crude carriers and ultra large crude carriers for loading and discharging crude oil, petroleum products and petrochemicals. Crude oil and petroleum product movements at the terminal are fully automated. Separate fees apply for the use of the jetty facility as well as associated services, including pilotage, tug assistance, line handling, launch service, spill response services and other ship services. We also charter tugs, mooring launches and other vessels to assist with the movement of vessels through the Strait of Canso and the safe berthing of vessels at the terminal facility.

Piney Point, Maryland. Our terminal and storage facility in Piney Point, Maryland is located on approximately 400 acres on the Potomac River. The Piney Point terminal has approximately 5.4 million barrels of storage capacity in 28 tanks and is the closest deep-water facility to Washington, D.C. This terminal competes with other large petroleum terminals in the East Coast water-borne market extending from New York Harbor to Norfolk, Virginia. The terminal currently stores petroleum products consisting primarily of fuel oils and asphalt. The terminal has a dock with a 36-foot draft for tankers and four berths for barges. It also has truck-loading facilities, product-blending capabilities and is connected to a pipeline that supplies residual fuel oil to two power generating stations.

Linden, New Jersey. We own 50% of ST Linden Terminal LLC, which owns a terminal and storage facility in Linden, New Jersey. The terminal is located on a 44-acre facility that provides it with deep-water terminalling capabilities at New

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York Harbor. This terminal primarily stores petroleum products, including gasoline, jet fuel and fuel oils. The facility has a total capacity of approximately 4.1 million barrels in 24 tanks, can receive products via ship, barge and pipeline and delivers product by ship, barge, pipeline and truck. The terminal includes two docks and leases a third with draft limits of 36, 26 and 20 feet, respectively.

St. James, Louisiana. Our terminal has 17 crude oil storage tanks with a total capacity of approximately 3.4 million barrels. Additionally, the facility has a rail-loading facility and three docks with barge and ship access. The facility is located on approximately 220 acres of land on the west bank of the Mississippi River approximately 60 miles west of New Orleans and has an additional 675 acres of undeveloped land.

In 2007, we began construction of four crude oil storage tanks with capacity of approximately 1.5 million barrels at our St. James facility, with estimated completion in the fourth quarter of 2008.

In addition, we are constructing 18 tanks with storage capacity of approximately 2.7 million barrels at our Amsterdam terminal with estimated completion in phases throughout 2008.

The following table outlines our terminal locations, tank capacity in barrels, number of tanks and primary products handled:

Facility	Tank Capacity	Number of Tanks	Primary Products Handled
Major U.S. Terminals:			
Piney Point, MD	5,404,000	28	Petroleum products, asphalt
Linden, NJ (a)	4,055,000	24	Petroleum products
St. James, LA	3,357,000	17	Crude oil and feedstocks
Selby, CA	2,829,000	22	Petroleum products, ethanol
Jacksonville, FL	2,057,000	30	Petroleum products, asphalt
Texas City, TX	2,131,000	103	Chemicals, petrochemicals, petroleum products
Other U.S. Terminals:			
Montgomery, AL	162,000	7	Petroleum products
Moundville, AL	310,000	6	Petroleum products
Tucson, AZ (b)	85,000	4	Petroleum products
Los Angeles, CA	606,000	19	Petroleum products
Pittsburg, CA	361,000	10	Asphalt
Stockton, CA	803,000	33	Petroleum products, ethanol, fertilizer
Colorado Springs, CO	320,000	7	Petroleum products, ethanol
Denver, CO	110,000	9	Petroleum products, ethanol
Bremen, GA	178,000	8	Petroleum products
Brunswick, GA	160,000	2	Fertilizer, pulp liquor
Macon, GA	307,000	10	Petroleum products
Savannah, GA	857,000	21	Petroleum products, caustic
Blue Island, IL	729,000	15	Petroleum products, ethanol
Indianapolis, IN	412,000	18	Petroleum products
Westwego, LA	852,000	53	Molasses, caustic, chemicals, lube oil, fertilizer
Andrews AFB, MD	72,000	3	Petroleum products
Baltimore, MD	837,000	49	Chemicals, asphalt
Salisbury, MD	177,000	14	Petroleum products
Reno, NV	98,000	7	Petroleum products
Linden, NJ	439,000	9	Petroleum products
Paulsboro, NJ	69,000	9	Petroleum products
Alamogordo, NM	120,000	5	Petroleum products
Albuquerque, NM	245,000	10	Petroleum products, ethanol
Rosario, NM	160,000	8	Asphalt
Catoosa, OK	340,000	24	Asphalt
Portland, OR	1,197,000	31	Petroleum products, ethanol
Abernathy, TX	155,000	7	Petroleum products
Amarillo, TX	255,000	8	Petroleum products
Corpus Christi, TX	357,000	11	Petroleum products

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Facility	Tank Capacity	Number of Tanks	Primary Products Handled
Edinburg, TX	267,000	6	Petroleum products
El Paso, TX (b)	343,000	12	Petroleum products
Harlingen, TX	315,000	7	Petroleum products
Houston, TX (Hobby Airport)	106,000	4	Petroleum products
Houston, TX	90,000	6	Asphalt
Laredo, TX	320,000	7	Petroleum products
Placedo, TX	97,000	4	Petroleum products
San Antonio (east), TX	148,000	5	Petroleum products
San Antonio (south), TX	215,000	5	Petroleum products
Southlake, TX	285,000	5	Petroleum products, ethanol
Texas City, TX	146,000	12	Petroleum products
Dumfries, VA	548,000	14	Petroleum products, asphalt
Virginia Beach, VA	41,000	2	Petroleum products
Tacoma, WA	359,000	14	Petroleum products, ethanol
Vancouver, WA	301,000	14	Chemicals
Vancouver, WA	408,000	7	Petroleum products
Milwaukee, WI	308,000	7	Petroleum products, ethanol
Total U.S. Terminals	34,903,000	772	
Foreign Terminals:			
St. Eustatius, Netherlands Antilles	12,997,000	58	Petroleum products, crude oil
Point Tupper, Canada	7,376,000	37	Petroleum products, crude oil
Grays, England	1,945,000	53	Petroleum products
Eastham, England	2,185,000	162	Chemicals, petroleum products, animal fats
Runcorn, England	146,000	4	Molten sulfur
Grangemouth, Scotland	530,000	46	Petroleum products, chemicals and molasses
Glasgow, Scotland	344,000	16	Petroleum products
Belfast, Northern Ireland	407,000	41	Petroleum products
Amsterdam, the Netherlands	1,024,000	24	Petroleum products
Nuevo Laredo, Mexico	34,000	5	Petroleum products
Total Foreign Terminals	26,827,000	446	

(a) We own 50% of this terminal through a joint venture.

(b) We own a 66.67% undivided interest in the El Paso refined product terminal and a 50% undivided interest in the Tucson refined product terminal. The tankage capacity and number of tanks represent the proportionate share of capacity attributable to our ownership interest.

In 2007, we sold three refined product terminals with approximately 700,000 barrels of storage capacity for total proceeds of approximately $3.6 million.

Terminal Operations

Revenues for the refined product terminals segment include fees for tank storage agreements, whereby a customer agrees to pay for a certain amount of storage in a tank over a period of time (storage lease revenues), and throughput agreements, whereby a customer pays a fee per barrel for volumes moving through our terminals (throughput revenues). Our terminals also provide blending, additive injections, handling and filtering services. Our facilities at Point Tupper and St. Eustatius charge fees to provide services such as pilotage, tug assistance, line handling, launch service, emergency response services and other ship services.

Demand for Refined Petroleum Products

The operations of our refined product terminals depend in large part on the level of demand for products stored in our terminals in the markets served by those assets. The majority of products stored in our terminals are refined petroleum products. Demand for our terminalling services will generally increase or decrease with demand for refined petroleum products, and demand for refined petroleum products tends to increase or decrease with the relative strength of the economy.

Customers

We provide terminalling services for crude oil and refined petroleum products to many of the world's largest producers of crude oil, integrated oil companies, chemical companies, oil traders and refiners. The largest customer of our refined product terminals segment is Valero Energy, which accounted for $70.2 million, or 19.2% of the total revenues of the segment, for the year ended December 31, 2007. No other customer accounted for more than 10% of the revenues of the segment for this period. Our crude oil transshipment customers include an oil producer that leases and utilizes 5.0 million barrels of storage at St. Eustatius and a major international oil company which leases and utilizes 3.6 million barrels of storage at Point Tupper, both of which have long-term contracts with us. In addition, two different international oil companies each lease and utilize more than 1.0 million barrels of clean products storage at St. Eustatius and Point Tupper. Also in Canada, a consortium consisting of major oil companies sends natural gas liquids via pipeline to certain processing facilities on land leased from us. After processing, certain products are stored at the Point Tupper facility under a long-term contract. In addition, our blending capabilities have attracted customers who have leased capacity primarily for blending purposes.

Competition and Business Considerations

Many major energy and chemical companies own extensive terminal storage facilities. Although such terminals often have the same capabilities as terminals owned by independent operators, they generally do not provide terminalling services to third parties. In many instances, major energy and chemical companies that own storage and terminalling facilities are also significant customers of independent terminal operators. Such companies typically have strong demand for terminals owned by independent operators when independent terminals have more cost-effective locations near key transportation links, such as deep-water ports. Major energy and chemical companies also need independent terminal storage when their owned storage facilities are inadequate, either because of size constraints, the nature of the stored material or specialized handling requirements.

Independent terminal owners generally compete on the basis of the location and versatility of terminals, service and price. A favorably located terminal will have access to various cost-effective transportation modes both to and from the terminal. Transportation modes typically include waterways, railroads, roadways and pipelines. Terminals located near deep-water port facilities are referred to as “deep-water terminals,” and terminals without such facilities are referred to as “inland terminals,” although some inland facilities located on or near navigable rivers are served by barges.

Terminal versatility is a function of the operator's ability to offer complex handling requirements for diverse products. The services typically provided by the terminal include, among other things, the safe storage of the product at specified temperature, moisture and other conditions, as well as receipt at and delivery from the terminal, all of which must be in compliance with applicable environmental regulations. A terminal operator's ability to obtain attractive pricing is often dependent on the quality, versatility and reputation of the facilities owned by the operator. Although many products require modest terminal modification, operators with versatile storage capabilities typically require less modification prior to usage, ultimately making the storage cost to the customer more attractive.

The main competition at our St. Eustatius and Point Tupper locations for crude oil handling and storage is from “lightering,” which is the process by which liquid cargo is transferred to smaller vessels, usually while at sea. The price differential between lightering and terminalling is primarily driven by the charter rates for vessels of various sizes. Lightering generally takes significantly longer than discharging at a terminal. Depending on charter rates, the longer charter period associated with lightering is generally offset by various costs associated with terminalling, including storage costs, dock charges and spill response fees. However, terminalling is generally safer and reduces the risk of environmental damage associated with lightering, provides more flexibility in the scheduling of deliveries and allows our customers to deliver their products to multiple locations. Lightering in U.S. territorial waters creates a risk of liability for owners and shippers of oil under the U.S. Oil Pollution Act of 1990 and other state and federal legislation. In Canada, similar liability exists under the Canadian Shipping Act. Terminalling also provides customers with the ability to access value-added terminal services.

REFINED PRODUCT PIPELINES

Our refined product pipelines operations consist primarily of the transportation of refined petroleum products as a common carrier in Texas, Oklahoma, Colorado, New Mexico, Kansas, Nebraska, Iowa, South Dakota, North Dakota and Minnesota and cover approximately 6,251 miles. In addition, we own a 2,000 mile anhydrous ammonia pipeline located in Louisiana, Arkansas, Missouri, Illinois, Indiana, Iowa and Nebraska. As of December 31, 2007, we owned and operated:

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- 26 refined product pipelines with an aggregate length of 3,911 miles that connect Valero Energy's McKee, Three Rivers, Corpus Christi and Ardmore refineries to certain of NuStar Energy's terminals, or to interconnections with third-party pipelines or terminals for further distribution, including a 25-mile crude hydrogen pipeline (collectively, the Central West System);
- a 1,900-mile refined product pipeline originating in southern Kansas and terminating at Jamestown, North Dakota, with a western extension to North Platte, Nebraska and an eastern extension into Iowa (the East Pipeline);
- a 440-mile refined product pipeline originating at Tesoro Corporation's Mandan, North Dakota refinery (the Tesoro Mandan refinery) and terminating in Minneapolis, Minnesota (the North Pipeline); and
- a 2,000-mile anhydrous ammonia pipeline originating at the Louisiana delta area that travels north through the midwestern United States forking east and west to terminate in Nebraska and Indiana (the Ammonia Pipeline).

We charge tariffs on a per barrel basis for transporting refined products in our refined product pipelines and on a per ton basis for transporting anhydrous ammonia in our ammonia pipeline.

Description of Pipelines

Central West System. The pipelines included in the Central West System were constructed to support the refineries to which they are connected. These pipelines are physically integrated with and principally serve refineries owned by Valero Energy. We have entered into various agreements with Valero Energy governing the usage of these pipelines. Please read the disclosure contained in Note 14 of Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" for additional information.

The refined products transported in these pipelines include gasoline, distillates (including diesel and jet fuel), natural gas liquids (such as propane and butane), blendstocks and other products produced primarily by Valero Energy's refineries. These pipelines connect certain of Valero Energy's refineries to key markets in Texas, New Mexico and Colorado.

The following table lists information about each of our refined product pipelines included in the Central West System:

Origin and Destination	Valero Energy Refinery	Length (Miles)	Ownership	Capacity (Barrels/Day)	Year Ended December 31, 2007 Throughput (Barrels/Day)	Year Ended December 31, 2007 Capacity Utilization
McKee to El Paso, TX	McKee	408	67%	40,000	28,436	71%
McKee to Colorado Springs, CO (a)	McKee	256	100%	38,000	11,559	63%
Colorado Springs, CO to Airport	McKee	2	100%	14,000	1,018	7%
Colorado Springs to Denver, CO	McKee	101	100%	32,000	13,058	41%
McKee to Denver, CO	McKee	321	30%	9,870	7,760	79%
McKee to Amarillo, TX (6") (a)(b)	McKee	49	100%	51,000	17,837	42%
McKee to Amarillo, TX (8") (a)(b)	McKee	49	100%			
Amarillo to Abernathy, TX (a)	McKee	102	67%	11,733	4,633	46%
Amarillo, TX to Albuquerque, NM	McKee	293	50%	17,150	5,823	34%
Abernathy to Lubbock, TX (a)	McKee	19	46%	8,029	790	10%
McKee to Skellytown, TX	McKee	53	100%	52,000	5,053	10%
Skellytown to Mont Belvieu,TX	McKee	572	50%	26,000	11,750	45%
McKee to Southlake, TX	McKee	375	100%	27,300	9,956	36%
Three Rivers to San Antonio, TX	Three Rivers	81	100%	33,600	29,574	88%
Three Rivers to US/Mexico International Border near Laredo, TX	Three Rivers	108	100%	32,000	25,232	79%
Corpus Christi to Three Rivers, TX	Corpus Christi	68	100%	32,000	7,060	22%
Three Rivers to Corpus Christi, TX	Three Rivers	72	100%	15,000	10,886	73%
Three Rivers to Pettus to San Antonio, TX	Three Rivers	103	100%	30,000	24,272	81%
Three Rivers to Pettus to Corpus Christi, TX (c)	Three Rivers	87	100%	15,000	—	0%
Ardmore to Wynnewood, OK (d)	Ardmore	31	100%	84,000	59,692	66%
El Paso, TX to Kinder Morgan	McKee	12	67%	64,000	22,696	35%

Origin and Destination	Valero Energy Refinery	Length (Miles)	Ownership	Capacity (Barrels/Day)	Year Ended December 31, 2007 Throughput (Barrels/Day)	Capacity Utilization
Corpus Christi to Pasadena, TX	Corpus Christi	208	100%	105,000	87,344	83%
Corpus Christi to Brownsville, TX	Corpus Christi	194	100%	45,000	40,289	90%
US/Mexico International Border near Penitas, TX to Edinburg, TX	N/A	33	100%	24,000	6,157	26%
Clear Lake, TX to Texas City, TX	N/A	25	100%	N/A	N/A	N/A
Other refined product pipeline (e)	N/A	289	50%	N/A	N/A	N/A
Total		3,911		806,682	430,875	

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

(b) The throughput, capacity and capacity utilization information disclosed above for the McKee to Amarillo, Texas 6-inch pipeline reflects both McKee to Amarillo, Texas pipelines on a combined basis.

(c) The refined product pipeline from Three Rivers to Pettus to Corpus Christi, Texas is temporarily idled. In the fourth quarter of 2005, an eight-mile portion of this pipeline was permanently idled. As a result, we recorded an impairment charge of $2.1 million included in "Other income (expense), net" in the consolidated statements of income for the year ended December 31, 2005.

(d) Included in this segment are two refined product storage tanks with a total capacity of 180,000 barrels located at Wynnewood, Oklahoma. Refined products may be stored and batched prior to shipment into a third party pipeline.

(e) This category consists of the temporarily idled 6-inch Amarillo, Texas to Albuquerque, New Mexico refined product pipeline.

East Pipeline. The East Pipeline covers 1,900 miles and moves refined products north in pipelines ranging in size from 6 inches to 16 inches. The East Pipeline system also includes 22 product tanks with total storage capacity of approximately 1.2 million barrels at our two tank farms at McPherson and El Dorado, Kansas. The East Pipeline transports refined petroleum products to our terminals along the system and to receiving pipeline connections in Kansas. Shippers on the East Pipeline obtain refined petroleum products from refineries in southeast Kansas connected to the East Pipeline or through other pipelines directly connected to the pipeline system. The East Pipeline transported approximately 56.5 million barrels for the year ended December 31, 2007.

North Pipeline. The North Pipeline runs from west to east approximately 440 miles from its origin at the Tesoro Mandan refinery to the Minneapolis, Minnesota area. The North Pipeline crosses our East Pipeline near Jamestown, North Dakota where the two pipelines are connected. While the North Pipeline is currently supplied primarily by the Tesoro Mandan refinery, it is capable of delivering or receiving products to or from the East Pipeline. The North Pipeline transported approximately 16.8 million barrels for the year ended December 31, 2007.

The East and North Pipelines also include 21 truck-loading terminals through which refined petroleum products are delivered to storage tanks and then loaded into petroleum transport trucks. Revenues earned at these terminals relate solely to the volumes transported on the pipeline. In the case of the North Pipeline, separate fees are not charged for the use of these terminals. Instead, the terminalling fees are a portion of the transportation rate included in the pipeline tariff. In the case of the East Pipeline, separate fees are charged for the use of the terminals, even though such fees are separately stated within the filed pipeline tariff. As a result, these terminals are included in this segment instead of the refined product terminals segment.

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The following table shows the number of tanks we own as of December 31, 2007 at each of the 21 refined petroleum product terminals connected to the East or North Pipelines, the storage capacity in barrels and the pipeline to which each such terminal was connected:

Location of Terminals	Tank Capacity	Number of Tanks	Related Pipeline System
Iowa:			
LeMars	103,000	8	East
Milford	172,000	11	East
Rock Rapids	223,000	5	East
Kansas:			
Concordia	79,000	6	East
Hutchinson	115,000	5	East
Salina	86,000	8	East
Minnesota:			
Moorhead	518,000	10	North
Sauk Centre	116,000	7	North
Roseville	479,000	10	North
Nebraska:			
Columbus	171,000	8	East
Geneva	674,000	37	East
Norfolk	182,000	15	East
North Platte	247,000	23	East
Osceola	79,000	7	East
North Dakota:			
Jamestown (North)	139,000	6	North
Jamestown (East)	176,000	11	East
South Dakota:			
Aberdeen	181,000	12	East
Mitchell	63,000	6	East
Sioux Falls	381,000	12	East
Wolsey	148,000	20	East
Yankton	245,000	25	East
Total	4,577,000	252	

Ammonia Pipeline. The 2,000 mile pipeline originates in the Louisiana delta area, where it has access to three marine terminals and three anhydrous ammonia plants on the Mississippi River. It runs north through Louisiana and Arkansas into Missouri, where at Hermann, Missouri, one branch splits and goes east into Illinois and Indiana, while the other branch continues north into Iowa and then turns west into Nebraska. The Ammonia Pipeline is connected to multiple third-party-owned terminals, which include industrial facility delivery locations. Product is supplied to the pipeline from anhydrous ammonia plants in Louisiana and imported product delivered through the marine terminals. Anhydrous ammonia is primarily used as agricultural fertilizer. It is also used as a feedstock to produce other nitrogen derivative fertilizers and explosives. The Ammonia Pipeline transported approximately 13.8 million barrels (converted from tons) for the year ended December 31, 2007.

Other Systems. We also own three single-use pipelines, located near Umatilla, Oregon, Rawlings, Wyoming and Pasco, Washington, each of which supplies diesel fuel to a railroad fueling facility.

Pipeline Operations

Revenues for the Central West System are based upon throughput volumes traveling through our system and the related tariffs. Revenues for the East Pipeline, North Pipeline and Ammonia Pipeline are based upon volumes and the distance the product is shipped and the related tariffs.

In general, a shipper on one of our refined petroleum product pipelines delivers products to the pipeline from refineries or third-party pipelines that connect to the pipelines. Each shipper transporting product on a pipeline is required to supply us with a notice of shipment indicating sources of products and destinations. All shipments are tested or receive refinery certifications to ensure compliance with our specifications. Refined product shippers are generally invoiced by us upon delivery for the Central West, North and Ammonia pipelines and upon the product entering our East pipeline. Tariffs for transportation are charged to shippers based upon transportation from the origination point on the pipeline to the point of delivery.

The pipelines in the Central West System, the East Pipeline, the North Pipeline and the Ammonia Pipeline are subject to federal regulation by one or more of the following governmental agencies or laws: the Federal Energy Regulatory Commission (the FERC), the Surface Transportation Board (the STB), the Department of Transportation (DOT), the Environmental Protection Agency (EPA) and the Homeland Security Act. Additionally, the operations and integrity of the Pipelines are subject to the respective state jurisdictions along the route of the systems.

The majority of our pipelines are common carrier and are subject to federal tariff regulation. In general, we are authorized by the FERC to adopt market-based rates. Common carrier activities are those for which transportation through our pipelines is available at published tariffs filed, in the case of interstate petroleum product shipments, with the FERC or, in the case of intrastate petroleum product shipments in Colorado, Kansas, North Dakota, Oklahoma and Texas, with the relevant state authority, to any shipper of refined petroleum products who requests such services and satisfies the conditions and specifications for transportation. The Ammonia Pipeline is subject to federal regulation by the STB and state regulation by Louisiana.

We use Supervisory Control and Data Acquisition remote supervisory control software programs to continuously monitor and control the pipelines. The system monitors quantities of products injected in and delivered through the pipelines and automatically signals the appropriate personnel upon deviations from normal operations that require attention.

Demand for and Sources of Refined Products

The operations of our Central West, East and North Pipelines depend in large part on the level of demand for refined products in the markets served by the pipelines and the ability and willingness of refiners and marketers having access to the pipelines to supply such demand by deliveries through the pipelines.

Virtually all of the refined products delivered through the pipelines in the Central West System are gasoline and diesel fuel that originate at refineries owned by Valero Energy. Demand for these products fluctuates as prices for these products fluctuate. Prices fluctuate for a variety of reasons including the overall balance in supply and demand, which is affected by refinery utilization rates, among other factors. Prices for gasoline and diesel fuel tend to increase in the warm weather months as more people drive automobiles.

The majority of the refined products delivered through the North Pipeline are delivered to the Minneapolis, Minnesota metropolitan area and consist primarily of gasoline and diesel fuel. Demand for those products fluctuates based on general economic conditions and with changes in the weather as more people drive during the warmer months.

Much of the refined products delivered through the East Pipeline and volumes on the North Pipeline that are not delivered to Minneapolis are ultimately used as fuel for railroads or in agricultural operations, including fuel for farm equipment, irrigation systems, trucks used for transporting crops and crop drying facilities. Demand for refined products for agricultural use, and the relative mix of products required, is affected by weather conditions in the markets served by the East and North Pipelines. The agricultural sector is also affected by government agricultural policies and crop prices. Although periods of drought suppress agricultural demand for some refined products, particularly those used for fueling farm equipment, the demand for fuel for irrigation systems often increases during such times. The mix of refined products delivered for agricultural use varies seasonally, with gasoline demand peaking in early summer, diesel fuel demand peaking in late summer and propane demand higher in the fall. In addition, weather conditions in the areas served by the East Pipeline affect the mix of the refined products delivered through the East Pipeline, although historically any overall impact on the total volumes shipped has not been significant.

Our refined product pipelines are also dependent upon adequate levels of production of refined products by refineries connected to the pipelines, directly or through connecting pipelines. The refineries are, in turn, dependent upon adequate supplies of suitable grades of crude oil. The pipelines in the Central West System are connected to refineries owned by Valero Energy and generally are subject to long-term throughput agreements with Valero Energy. Valero Energy's refineries connected directly to our pipelines obtain crude oil from a variety of foreign and domestic sources. The refineries connected directly to the East Pipeline obtain crude oil from producing fields located primarily in Kansas, Oklahoma and Texas, and, to a much lesser extent, from other domestic or foreign sources. In addition, refineries in Kansas, Oklahoma and Texas are also connected to the East Pipeline through other pipelines. These refineries obtain their supplies of crude oil from a variety of sources. The pipelines in our Central West System are dependent upon the refineries owned by Valero Energy to which they connect. If operations at one of these refineries were discontinued or reduced, it could have a material adverse effect on our operations, although we would endeavor to minimize the impact by seeking alternative customers for those pipelines. The North Pipeline is heavily dependent on the Tesoro Mandan refinery, which primarily runs North Dakota crude oil (although it has the ability to run other crude oils). If operations at the Tesoro Mandan refinery were interrupted, it could have a material effect on our operations. Other than the Valero Energy refineries described above and the Tesoro Mandan refinery, if operations at any one refinery were discontinued, we believe (assuming unchanged demand for refined products in markets served by the refined product pipelines) that the effects thereof would be short-term in nature and our business would not be materially adversely affected over the long term because such discontinued production could be replaced by other refineries or other sources.

Virtually all of the refined products transported through the pipelines in the Central West System are produced by refineries owned by Valero Energy. The majority of the refined products transported through the East Pipeline are produced at three refineries located at McPherson and El Dorado, Kansas and Ponca City, Oklahoma, which are operated by the National Cooperative Refining Association (NCRA), Frontier Oil Corporation and ConocoPhillips Company, respectively. The NCRA and Frontier Refining refineries are connected directly to the East Pipeline. The East Pipeline also has direct access by third party pipelines to four other refineries in Kansas, Oklahoma and Texas and to Gulf Coast supplies of products through connecting pipelines that receive products from pipelines originating on the Gulf Coast.

Demand for and Sources of Anhydrous Ammonia

The Ammonia Pipeline is one of two major anhydrous ammonia pipelines in the United States and the only one capable of receiving foreign production directly into the system and transporting anhydrous ammonia into the nation's corn belt.

Our Ammonia Pipeline operations depend on overall nitrogen fertilizer use, management practice, the level of demand for direct application of anhydrous ammonia as a fertilizer for crop production (Direct Application), the weather, as Direct Application is not effective if the ground is too wet or too dry, and the price of natural gas, the primary component of anhydrous ammonia.

Corn producers have fertilizer alternatives such as liquid or dry nitrogen fertilizers. Liquid and dry nitrogen fertilizers are both upgrades of anhydrous ammonia and therefore are generally more costly but are less sensitive to weather conditions during application. However, anhydrous ammonia has the highest nitrogen content of any nitrogen derivative fertilizer.

Customers

The largest customer of our refined product pipeline segment was Valero Energy, which accounted for $96.7 million, or 39.8% of the total segment revenues, for the year ended December 31, 2007. In addition to Valero Energy, we had a total of approximately 54 shippers for the year ended December 31, 2007, including integrated oil companies, refining companies, farm cooperatives and a railroad. No other customer accounted for greater than 15% of the total revenues of the refined product pipeline segment for the year ended December 31, 2007.

Competition and Business Considerations

Because pipelines are generally the lowest cost method for intermediate and long-haul movement of refined petroleum products, our more significant competitors are common carrier and proprietary pipelines owned and operated by major integrated and large independent oil companies and other companies in the areas where we deliver products. Competition between common carrier pipelines is based primarily on transportation charges, quality of customer service and proximity

to end users. We believe high capital costs, tariff regulation, environmental considerations and problems in acquiring rights-of-way make it unlikely that other competing pipeline systems comparable in size and scope to our pipelines will be built in the near future, as long as our pipelines have available capacity to satisfy demand and our tariffs remain at economically reasonable levels.

The costs associated with transporting products from a loading terminal to end users limit the geographic size of the market that can be served economically by any terminal. Transportation to end users from our loading terminals is conducted primarily by trucking operations of unrelated third parties. Trucks may competitively deliver products in some of the areas served by our pipelines. However, trucking costs render that mode of transportation uncompetitive for longer hauls or larger volumes. We do not believe that trucks are, or will be, effective competition to our long-haul volumes over the long-term.

The pipelines within the Central West System are physically integrated with and principally serve refineries owned by Valero Energy. Additionally, we have entered into various agreements with Valero Energy governing the usage of these pipelines. As a result, we believe that we will not face significant competition for transportation services provided to the Valero Energy refineries we serve. Please read the disclosure contained in Note 14 of Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” for additional information on our agreements with Valero Energy.

The East and North Pipelines compete with an independent, regulated common carrier pipeline system owned by Magellan Midstream Partners, L.P. (Magellan), formerly the Williams Companies, Inc., that operates approximately 100 miles east of and parallel to the East Pipeline and in close proximity to the North Pipeline. The Magellan system is a substantially more extensive system than the East and North Pipelines. Competition with Magellan is based primarily on transportation charges, quality of customer service and proximity to end users. In addition, refined product pricing at either the origin or terminal point on a pipeline may outweigh transportation costs. Certain of the East Pipeline’s and the North Pipeline’s delivery terminals are in direct competition with Magellan’s terminals.

Competitors of the Ammonia Pipeline include another anhydrous ammonia pipeline that originates in Oklahoma and Texas and terminates in Iowa. The competing pipeline has the same Direct Application demand and weather issues as the Ammonia Pipeline but is restricted to domestically produced anhydrous ammonia. Midwest production barges, nitrogen fertilizer substitutes and railroads represent other forms of direct competition to the pipeline under certain market conditions.

CRUDE OIL PIPELINES

Our crude oil pipeline operations consist primarily of the transportation of crude oil and other feedstocks, such as gas oil, from various points in Texas, Oklahoma, Kansas and Colorado to Valero Energy’s McKee, Three Rivers and Ardmore refineries. Also included in this segment are our four crude oil storage facilities in Texas and Oklahoma that are located along the crude oil pipelines and in which crude oil may be stored and batched prior to shipment in the crude oil pipelines. With the exception of the crude oil storage tanks at Corpus Christi discussed below in “Crude Oil Storage Tanks,” we do not generate any separate revenue from these four crude oil storage facilities. The costs associated with the crude oil storage facilities are considered in establishing the tariffs charged for transporting crude oil from the crude oil storage facilities to the refineries.

As of December 31, 2007, we had an ownership interest in eleven crude oil pipelines with an aggregate length of 812 miles. We charge tariffs on a per barrel basis for transporting crude oil and other feedstocks in our crude oil pipelines.

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The following table sets forth information about each of our crude oil pipelines:

Origin and Destination	Valero Energy Refinery	Length (Miles)	Ownership	Capacity (Barrels/Day)	Year Ended December 31, 2007 Throughput (Barrels/Day)	Year Ended December 31, 2007 Capacity Utilization
Cheyenne Wells, CO to McKee	McKee	210	100%	17,500	7,041	40%
Dixon, TX to McKee	McKee	44	100%	45,000	35,661	79%
Hooker, OK to Clawson, TX (a)	McKee	41	50%	22,000	13,038	59%
Clawson, TX to McKee (b)	McKee	31	100%	36,000	17,502	85%
Wichita Falls, TX to McKee	McKee	272	100%	110,000	48,454	44%
Corpus Christi, TX to Three Rivers	Three Rivers	70	100%	120,000	81,466	68%
Ringgold, TX to Wasson, OK (b)	Ardmore	44	100%	90,000	58,894	65%
Healdton to Ringling, OK	Ardmore	4	100%	52,000	2,521	5%
Wasson, OK to Ardmore (8”-10”) (c)	Ardmore	24	100%	90,000	48,975	54%
Wasson, OK to Ardmore (8”)	Ardmore	15	100%	40,000	32,624	82%
Patoka, IL to Wood River, IL	N/A	57	23.8%	60,600	31,464	52%
Total		812		683,100	377,640	

(a) We receive 50% of the tariff with respect to 100% of the barrels transported in the Hooker, Oklahoma to Clawson, Texas pipeline. Accordingly, the capacity, throughput and capacity utilization are given with respect to 100% of the pipeline.

(b) This pipeline transports barrels relating to two tariff routes. The first route begins at the pipeline’s origin and ends at its destination. The second route begins with an origin or destination on another of our connecting pipelines. Throughput disclosed above for this pipeline reflects only the barrels subject to the tariff route beginning at this pipeline’s origin and ending at this pipeline’s destination. To accurately determine the actual capacity utilization of the pipeline, as well as aggregate capacity utilization, all barrels passing through the pipeline have been taken into account.

(c) The Wasson, Oklahoma to Ardmore (8”- 10”) pipelines referred to above originate at Wasson as two pipelines but merge into one pipeline prior to reaching Ardmore.

The following table sets forth information about our crude oil storage facilities associated with the crude oil pipeline segment:

Location	Valero Energy Refinery	Capacity (Barrels)	Number of Tanks	Mode of Receipt	Mode of Delivery	Throughput Year Ended December 31, 2007 (Barrels/Day)
Dixon, TX	McKee	240,000	3	pipeline	pipeline	35,661
Ringgold, TX	Ardmore	600,000	2	pipeline	pipeline	58,894
Wichita Falls, TX	McKee	660,000	4	pipeline	pipeline	48,454
Wasson, OK	Ardmore	225,000	2	pipeline	pipeline	81,599
Total		1,725,000	11			244,608

Principal Customers

The primary customer of our crude oil pipeline segment is Valero Energy, which accounted for $50.6 million, or 95.6% of the total revenues of the segment, for the year ended December 31, 2007.

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Competition and Business Considerations

Our crude oil pipelines are physically integrated with and principally serve refineries owned by Valero Energy. Additionally, we have entered into various agreements with Valero Energy governing the usage of these pipelines. As a result, we believe that we will not face significant competition for transportation services provided to those refineries owned by Valero Energy. Please read the disclosure contained in Note 14 of Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” for additional information.

CRUDE OIL STORAGE TANKS

Our crude oil storage tanks operations consist primarily of storing and delivering crude oil to Valero Energy’s refineries in Benicia, Corpus Christi and Texas City.

At December 31, 2007, we owned 60 crude oil and intermediate feedstock storage tanks and related assets with aggregate storage capacity of approximately 12.5 million barrels. The land underlying these tanks is subject to long-term operating leases. We charge a fee for each barrel of crude oil and certain other feedstocks that we deliver to Valero Energy’s Benicia, Corpus Christi West and Texas City refineries.

The following table sets forth information about our crude oil storage tanks:

Location	Valero Energy Refinery	Capacity (Barrels)	Number of Tanks	Mode of Receipt	Mode of Delivery	Throughput Year Ended December 31, 2007 (Barrels/Day)
Benicia, CA	Benicia	3,815,000	16	marine/pipeline	pipeline	136,729
Corpus Christi, TX	Corpus Christi	4,023,000	26	marine	pipeline	152,442
Texas City, TX	Texas City	3,087,000	14	marine	pipeline	187,605
Corpus Christi, TX (North Beach)	Three Rivers	1,600,000	4	marine	pipeline	72,247
Total		12,525,000	60			549,023

Principal Customers

For the year ended December 31, 2007, Valero Energy accounted for 100% of the crude oil storage tanks segment revenues.

Competition and Business Considerations

Our crude oil storage tanks are physically integrated with and principally serve refineries owned by Valero Energy. Additionally, we have entered into various agreements with Valero Energy governing the usage of these tanks. As a result, we believe that we will not face significant competition for our services provided to those refineries owned by Valero Energy. Please read the disclosure contained in Note 14 of Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplementary Data” for additional information.

MARKETING

Our marketing segment operations consist primarily of purchasing petroleum products for resale to third parties. As part of its operations, our marketing segment may utilize storage space in certain of our refined products terminals and terminals operated by third parties. The marketing segment may also obtain transportation services from our refined products pipelines segment and other third party providers. Generally, the storage and throughput rates charged by our refined products terminals segment to the marketing segment are consistent with rates charged to third parties. Because our refined products pipelines are common carrier pipelines, the tariffs charged to the marketing segment from the refined products pipeline segment are based upon the published tariff applicable to all shippers.

We primarily market the following products:

- Heavy fuels, including bunker fuel used to supply marine vessels and refinery feedstocks;
- Refined products consisting primarily of gasoline and distillates; and
- Asphalt.

The operations of the marketing segment are meant to provide us the opportunity to generate additional margin while complementing the activities of our refined products terminals and refined product pipelines segments. Specifically, sales of bunker fuel occur from our terminal locations at St. Eustatius and Point Tupper where we also store bunker fuel for third parties. The strategic location of these two facilities and their storage capabilities provide us with a reliable supply of product and the ability to capture incremental sales margin. Additionally, we purchase gasoline, distillates, refinery feedstocks and asphalt to take advantage of arbitrage opportunities. Such opportunities can arise during contango markets (when the price for future deliveries exceeds current prices) or from geographic differences. During a contango market, we can utilize storage at strategically located terminals, including our own terminals, to deliver products at favorable prices. Additionally, we may take advantage of geographic arbitrage opportunities by utilizing transportation and storage assets, including our own terminals and pipelines, to deliver products from one geographic region to another with more favorable pricing.

Since the operations of our marketing segment expose us to commodity price risk, we enter into derivative instruments to mitigate the effect of commodity price fluctuations. We record the fair value of our derivative instruments in our consolidated balance sheet, with the change in fair value recorded in earnings. The derivative instruments we use consist primarily of futures contracts and swaps traded on the NYMEX for the purposes of hedging the outright price risk of our physical inventory. However, not all of our derivative instruments qualify for hedge accounting treatment under United States generally accepted accounting principles. In such cases, changes in the fair values of the derivative instrument, which are included in cost of product sales, generally are offset, at least partially, by changes in the values of the hedged physical inventory. However, the market fluctuations in inventory are not recognized until the physical sale takes place, unless the market price of inventory falls below our cost. In such as circumstance, we reduce the value of our inventory to market immediately. Therefore, our results for a period may include the gain or loss related to the derivative instrument without including the offsetting effect of the hedged physical inventory, which could result in greater earnings volatility.

On a limited basis, we also enter into derivative commodity instruments based on our analysis of market conditions in order to profit from market fluctuations. These derivative instruments are financial positions entered into without underlying physical inventory and are not considered hedges. We record the mark-to-market adjustments resulting from these derivatives in revenues.

Competition and Business Considerations

In the sale of bunker fuel, we compete with ports offering bunker fuels to which, or from which, each vessel travels or are along the route of travel of the vessel. We also compete with bunker fuel delivery locations around the world. In the Western Hemisphere, alternative bunker fuel locations include ports on the U.S. East Coast and Gulf Coast and in Panama, Puerto Rico, the Bahamas, Aruba, Curacao and Halifax, Nova Scotia.

EMPLOYEES

Our operations are managed by the general partner of our general partner, NuStar GP, LLC. As of December 31, 2007, NuStar GP, LLC had 1,104 employees performing services for our U.S. operations. Certain of our wholly owned subsidiaries had 332 employees performing services for our international operations. We believe that NuStar GP, LLC and our subsidiaries each have satisfactory relationships with their employees.

RATE REGULATION

Several of our petroleum pipelines are interstate common carrier pipelines, which are subject to regulation by the FERC under the ICA and the Energy Policy Act of 1992 (the EP Act). The ICA and its implementing regulations give the FERC authority to regulate the rates charged for service on interstate common carrier pipelines and generally require the rates and practices of interstate oil pipelines to be just, reasonable and nondiscriminatory. The ICA also requires tariffs to be maintained on file with the FERC that set forth the rates it charges for providing transportation services on its interstate common carrier liquids pipelines as well as the rules and regulations governing these services. The EP Act deemed certain rates in effect prior to its passage to be just, reasonable and limited the circumstances under which a complaint can be made against such “grandfathered” rates. The EP Act and its implementing regulations also allow interstate common carrier oil pipelines to annually index their rates up to a prescribed ceiling level. In addition, the FERC retains cost-of-service ratemaking, market-based rates and settlement rates as alternatives to the indexing approach.

Our interstate anhydrous ammonia pipeline is subject to regulation by the STB under the current version of the ICA. The ICA and its implementing regulations give the STB authority to regulate the rates we charge for service on our ammonia pipeline and generally require that our rates and practices be just, reasonable and nondiscriminatory.

Additionally, the rates and practices for our intrastate common carrier pipelines are subject to regulation by state commissions in Colorado, Kansas, Louisiana, North Dakota, and Texas. Although the applicable state statutes and regulations vary, they generally require that intrastate pipelines publish tariffs setting forth all rates, rules and regulations applying to intrastate service, and generally require that pipeline rates and practices be just, reasonable and nondiscriminatory. Shippers may also challenge our intrastate tariff rates and practices on our pipelines.

Neither the FERC nor the state commissions have investigated our rates or practices, and none of those rates are currently subject to challenge or complaint. We do not currently believe that it is likely that there will be a challenge to the tariffs on our petroleum products or crude oil pipelines by a current shipper that would materially affect our revenues or cash flows. In addition, Valero Energy is a significant shipper on many of our pipelines. Valero Energy has committed to refrain from challenging several of our petroleum products and crude oil tariffs until at least April 2008. Valero Energy has also agreed to be responsible for certain ICA liabilities with respect to activities or conduct occurring during periods prior to April 16, 2001. However, the FERC, the STB or a state regulatory commission could investigate our tariffs on their own motion or at the urging of a third party. Also, since our pipelines are common carrier pipelines, we may be required to accept new shippers who wish to transport in our pipelines and who could potentially decide to challenge our tariffs.

ENVIRONMENTAL AND SAFETY REGULATION

Our operations are subject to extensive federal, state and local environmental laws and regulations, including those relating to the discharge of materials into the environment, waste management and pollution prevention measures. Our operations are also subject to extensive federal and state health and safety laws and regulations, including those relating to pipeline safety. The principal environmental and safety risks associated with our operations relate to unauthorized emissions into the air, unauthorized releases into soil, surface water or groundwater and personal injury and property damage. Compliance with these environmental and safety laws, regulations and permits increases our capital expenditures and our overall cost of business, and violations of these laws, regulations and/or permits can result in significant civil and criminal liabilities, injunctions or other penalties.

We have adopted policies, practices and procedures in the areas of pollution control, pipeline integrity, operator qualifications, public relations and education, product safety, occupational health and the handling, storage, use and disposal of hazardous materials that are designed to prevent material environmental or other damage, to ensure the safety of our pipelines, our employees, the public and the environment and to limit the financial liability that could result from such events. Future governmental action and regulatory initiatives could result in changes to expected operating permits and procedures, additional remedial actions or increased capital expenditures and operating costs that cannot be assessed with certainty at this time. In addition, contamination resulting from spills of crude oil and refined products occurs within the industry. Risks of additional costs and liabilities are inherent within the industry, and there can be no assurances that significant costs and liabilities will not be incurred in the future.

WATER

The Federal Water Pollution Control Act of 1972, as amended, also known as the Clean Water Act, and analogous or more stringent state statutes impose restrictions and strict controls regarding the discharge of pollutants into state waters or waters of the United States. The discharge of pollutants into state waters or waters of the United States is prohibited, except in accordance with the terms of a permit issued by applicable federal or state authorities. The Oil Pollution Act, enacted in 1990, amends provisions of the Clean Water Act as they pertain to prevention and response to oil spills. Spill prevention control and countermeasure requirements of the Clean Water Act and some state laws require the use of dikes and similar structures to help prevent contamination of state waters or waters of the United States in the event of an overflow or release.

AIR EMISSIONS

Our operations are subject to the Federal Clean Air Act, as amended, and analogous or more stringent state and local statutes. The Clean Air Act Amendments of 1990, along with more restrictive interpretations of the Clean Air Act, may result in the imposition over the next several years of certain pollution control requirements with respect to air emissions from the operations of our pipelines, storage tanks and terminals. The Environmental Protection Agency (EPA) has been developing, over a period of many years, regulations to implement these requirements, including the revisions to the fuel content requirement under Section 211 of the Clean Air Act tightening diesel fuel specifications and effectively eliminating the use of MTBE in gasoline. These revisions, as well as any new EPA regulations or requirements that may be imposed by state and local regulatory authorities, may require us or our customers to incur further capital expenditures over the next several years for air pollution control equipment in connection with maintaining or obtaining operating permits and approvals and addressing other air emission-related issues. Until such time as the new Clean Air Act requirements are completely implemented, we are unable to estimate the effect on our financial condition or results of operations or the amount and timing of such required expenditures. At this time, however, we do not believe that we will be materially affected by any such requirements.

The Kyoto Protocol to the United Nations Framework Convention on Climate Change became effective February 2005. Under the Protocol, participating nations are required to implement programs to reduce emissions of certain gases, generally referred to as greenhouse gases, which are suspected of contributing to global warming. The United States is not currently a participant in the Protocol. In November 2007, the Senate Subcommittee on Private Sector and Consumer Solutions to Global Warming and Wildlife Protection approved SB 2191, America's Climate and Security Act of 2007, which would require companies to scale back certain emissions to 2005 levels by 2012 and to 1990 levels by 2020. SB 2191 is currently before the Senate Environment and Public Works Committee. The state of California adopted the California Global Warming Solutions Act of 2006, which requires a 25% reduction in greenhouse gas emissions by 2020. This legislation requires the California Air Resources Board to adopt regulations by 2012 that limit emissions until an overall reduction of 25% from all omission sources in California is achieved by 2020. Recently, the California Air Resources Board announced its intention to have a proposed draft of its 1990 baseline and mandatory reporting regulation by mid 2008 and commence mandatory reporting of Green House Gas emissions by mid-2009. The state of New Mexico and states that are a part of the Western Climate Initiative are proposing similar regulations. New Jersey, has adopted legislation addressing greenhouse gas emissions from various sources, primarily power plants. The oil and natural gas industry is a direct source of greenhouse gas emissions, namely carbon dioxide and methane, and future restrictions on such emissions could have an impact on our future operations. It is not possible, at this time to estimate accurately how regulations to be adopted by the California Air Resources Board in 2012 or that may be adopted by other states to address greenhouse gas emissions would affect our business.

SOLID WASTE

We generate non-hazardous and minimal quantities of hazardous solid wastes that are subject to the requirements of the federal Resource Conservation and Recovery Act (RCRA) and analogous or more stringent state statutes. We are not currently required to comply with a substantial portion of RCRA requirements because our operations generate minimal quantities of hazardous wastes. However, it is possible that additional wastes, which could include wastes currently generated during operations, will also be designated as "hazardous wastes." Hazardous wastes are subject to more rigorous and costly disposal requirements than are non-hazardous wastes.

HAZARDOUS SUBSTANCES

The Comprehensive Environmental Response, Compensation and Liability Act, referred to as CERCLA and also known as Superfund, and analogous or more stringent state laws, imposes liability, without regard to fault or the legality of the original act, on some classes of persons that contributed to the release of a "hazardous substance" into the environment. These persons include the owner or operator of the site and entities that disposed or arranged for the disposal of the hazardous substances found at the site. CERCLA also authorizes the EPA and, in some instances, third parties to act in response to threats to the public health or the environment and to seek recovery from the responsible classes of persons for the costs that they incur. In the course of our ordinary operations, we may generate waste that falls within CERCLA's definition of a "hazardous substance."

We currently own or lease, and have in the past owned or leased, properties where hydrocarbons are being or have been handled. Although we have utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons or other wastes may have been disposed of or released on or under the properties owned or leased by us or on or under other locations where these wastes have been taken for disposal. In addition, many of these properties have been operated by third parties whose treatment and disposal or release of hydrocarbons or other wastes was not under our control. These properties and wastes disposed thereon may be subject to CERCLA, RCRA and analogous state laws. Under these laws, we could be required to remove or remediate previously disposed wastes (including wastes disposed of or released by prior owners or operators), to clean up contaminated property (including contaminated groundwater) or to perform remedial operations to prevent future contamination. In addition, we may be exposed to joint and several liability under CERCLA for all or part of the costs required to clean up sites at which hazardous substances may have been disposed of or released into the environment.

Remediation of subsurface contamination is in process at many of our pipeline and terminal sites. Based on current investigative and remedial activities, we believe that the cost of these activities will not materially affect our financial condition or results of operations. Such costs, however, are often unpredictable and, therefore, there can be no assurances that the future costs will not become material.

PIPELINE INTEGRITY AND SAFETY

Our pipelines are subject to extensive federal and state laws and regulations governing pipeline integrity and safety. The federal Pipeline Safety Improvement Act of 2002 and its implementing regulations (collectively, PSIA) generally require pipeline operators to maintain qualification programs for key pipeline operating personnel, to review and update their existing pipeline safety public education programs, to provide information for the National Pipeline Mapping System, to maintain spill response plans, to conduct spill response training and to implement integrity management programs for pipelines that could affect high consequence areas (i.e., areas with concentrated populations, navigable waterways and other unusually sensitive areas). While compliance with PSIA and analogous or more stringent state laws may affect our capital expenditures and operating expenses, we believe that the cost of such compliance will not materially affect our competitive position and will not have a material effect on our financial condition or results of operations.

RISK FACTORS

RISKS RELATED TO OUR BUSINESS

We may not be able to generate sufficient cash from operations to enable us to pay distributions at current levels to our unitholders every quarter.

The amount of cash that we can distribute to our unitholders each quarter principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things:

- the amount of crude oil and refined product transported in our pipelines;
- throughput volumes in our terminals and storage facilities;
- tariff rates and fees we charge and the margins we realize for our services;
- the results of our marketing, trading and hedging activities;
- the level of our operating costs;
- weather conditions;
- domestic and foreign governmental regulations and taxes;
- the effect of worldwide energy conservation measures; and
- prevailing economic conditions.

In addition, the actual amount of cash that we will have available for distribution will depend on other factors, including:

- our debt service requirements and restrictions on distributions contained in our current or future debt agreements;
- receipts or payments under interest rate swaps;
- the sources of cash used to fund our acquisitions;
- the level of capital expenditures we make;
- fluctuations in our working capital needs;
- issuances of debt and equity securities; and

- adjustments in cash reserves made by our general partner in its discretion.

Because of these factors, we may not have sufficient available cash each quarter to continue paying distributions at their current level or at all. Furthermore, cash distributions to our unitholders depend primarily upon cash flow, including cash flow from financial reserves and working capital borrowings, and not solely on profitability, which is affected by non-cash items. Therefore, we may make cash distributions during periods when we record net losses and may not make cash distributions during periods when we record net income.

Reduced demand for refined products could affect our results of operations and ability to make distributions to our unitholders.

Any sustained decrease in demand for refined products in the markets served by our pipelines could result in a significant reduction in throughputs in our crude oil and refined product pipelines and therefore in our cash flow, reducing our ability to make distributions to our unitholders. Factors that could lead to a decrease in market demand include:

- a recession or other adverse economic condition that results in lower spending by consumers on gasoline, diesel and travel;
- higher fuel taxes or other governmental or regulatory actions that increase, directly or indirectly, the cost of gasoline;
- an increase in fuel economy, whether as a result of a shift by consumers to more fuel-efficient vehicles or technological advances by manufacturers;
- an increase in the market price of crude oil that leads to higher refined product prices, which may reduce demand for gasoline. Market prices for crude oil and refined products are subject to wide fluctuation in response to changes in global and regional supply that are beyond our control, and increases in the price of crude oil may result in a lower demand for refined products; and
- the increased use of alternative fuel sources, such as battery-powered engines. Several state and federal initiatives mandate this increased use. For example, the Energy Policy Act of 1992 requires 75% of new vehicles purchased by federal agencies since 1999, 75% of all new vehicles purchased by state governments since 2000, and 70% of all new vehicles purchased for private fleets in 2006 and thereafter to use alternative fuels.

A decline in production at the Valero Energy refineries we serve or the Tesoro Mandan refinery could materially reduce the volume of crude oil and refined petroleum products we transport or store in our assets.

A decline in production at the Valero Energy refineries we serve, or at the Tesoro Mandan refinery, could materially reduce the volume of crude oil and refined petroleum products we transport on our pipelines that are connected to these refineries or the volumes we store in related terminals. As a result, our financial position and results of operations and our ability to make distributions to our partners could be adversely affected. The Valero Energy refineries served by our assets or the Tesoro Mandan refinery could partially or completely shut down their operations, temporarily or permanently, due to factors affecting their ability to produce refined petroleum products such as:

- scheduled upgrades or maintenance;
- unscheduled maintenance or catastrophic events, such as a fire, flood, explosion or power outage;
- labor difficulties that result in a work stoppage or slowdown;
- environmental proceedings or other litigation that require the halting of all or a portion of the operations of the refinery; or
- legislation or regulation that adversely impacts the economics of refinery operations.

We depend on Valero Energy for a significant portion of our revenues and throughputs of crude oil and refined products. Any reduction in the crude oil and refined products that we transport or store for Valero Energy, as a result of scheduled or unscheduled refinery maintenance, upgrades or shutdowns or otherwise, could result in a decline in our revenues, earnings and cash available to pay distributions.

We continue to rely on Valero Energy for a significant portion of our revenues. For the year ended December 31, 2007, Valero Energy accounted for approximately 18% of our revenues. While some of our relationships with Valero Energy are subject to long-term contracts, we may be unable to negotiate extensions or replacements of these contracts on favorable terms, if at all. For example, the Pipelines and Terminals Usage Agreement with respect to the crude oil processed and the refined products produced at Valero Energy’s Ardmore, McKee and Three Rivers refineries will expire on April 16, 2008, and Valero Energy may elect not to renew such agreement or only agree to renew it at substantially less favorable terms.

Additionally, if Valero Energy elects not to renew certain of these contracts, it will no longer be precluded from challenging our tariffs covered by these contracts. Should Valero Energy successfully challenge some or all of such tariffs, we may be required to reduce these tariffs, which could adversely affect our cash flow and therefore our ability to make distributions.

Because of the geographic location of certain of our pipelines, terminals and storage facilities, we depend largely upon Valero Energy to provide throughput for some of our assets. Any decrease in throughputs would cause our revenues to decline and adversely affect our ability to make cash distributions to our unitholders. A decrease in throughputs could result from a temporary or permanent decline in the amount of crude oil transported to and stored at or refined products stored at and transported from the refineries we serve. Factors that could result in such a decline include:

- a material decrease in the supply of crude oil;
- a material decrease in demand for refined products in the markets served by our pipelines and terminals;
- scheduled turnarounds or unscheduled maintenance;
- operational problems or catastrophic events at a refinery;
- environmental proceedings or other litigation that compel the cessation of all or a portion of the operations at a refinery;
- a decision by Valero Energy to redirect refined products transported in our pipelines to markets not served by our pipelines or to transport crude oil by means other than our pipelines;
- increasingly stringent environmental regulations; or
- a decision by Valero Energy to sell one or more of the refineries we serve to a purchaser that elects not to use our pipelines and terminals.

Unless we were able to find customers with comparable volumes, the loss of all or even a portion of the volumes of crude oil and refined petroleum products supplied by Valero Energy would have a material adverse effect on our business, results of operations and financial condition and our ability to make cash distributions.

Under the Pipelines and Terminals Usage Agreement, which expires April 2008, Valero Energy may use other transportation methods or providers for up to 25% of the crude oil processed and refined products produced at the Ardmore, McKee and Three Rivers refineries. Furthermore, Valero Energy is not required to use our pipelines if there is a change in market conditions that has a material adverse effect on Valero Energy for the transportation of crude oil and refined products, or in the markets for refined products served by these refineries. These factors could adversely affect our ability to make distributions to our unitholders.

The Pipelines and Terminals Usage Agreement expires on April 16, 2008, and Valero Energy may elect not to renew such agreement or only agree to renew it at substantially less favorable terms. If market conditions with respect to the transportation of crude oil or refined products or with respect to the end markets in which Valero Energy sells refined products change in a material manner such that Valero Energy would suffer a material adverse effect if it were to continue to use our pipelines and terminals at the required levels, Valero Energy's obligation to us will be suspended during the period of the change in market conditions to the extent required to avoid the material adverse effect. Any suspension of Valero Energy's obligation could adversely affect throughputs in our pipelines and terminals and therefore our ability to make distributions to our unitholders.

Our future financial and operating flexibility may be adversely affected by restrictions in our debt agreements and by our leverage.

As of December 31, 2007, our consolidated debt was approximately $1.4 billion. Among other things, this amount of debt may be viewed negatively by credit rating agencies, which could result in increased costs for us to access the capital markets. NuStar Logistics and KPOP have senior unsecured ratings of Baa3 with Moody's Investor Service and BBB minus with Standard & Poors and Fitch, all with a negative outlook. The negative outlook was assigned by the credit rating agencies as a result of our announced acquisition of CITGO Asphalt Refining Company's asphalt operations and assets (East Coast Asphalt Operations). Any future downgrade of the debt held by these wholly owned subsidiaries could significantly increase our capital costs or adversely affect our ability to raise capital in the future.

Debt service obligations, restrictive covenants in our credit facilities and the indentures governing our outstanding senior notes and maturities resulting from this leverage may adversely affect our ability to finance future operations, pursue acquisitions and fund other capital needs and our ability to pay cash distributions to unitholders. In addition, this leverage may make our results of operations more susceptible to adverse economic or operating conditions. For example, during an event of default under any of our debt agreements, we would be prohibited from making cash distributions to our unitholders.

Additionally, we may not be able to access the capital markets in the future at economically attractive terms, which may adversely affect our future financial and operating flexibility and our ability to pay cash distributions at current levels.

Increases in interest rates could adversely affect our business and the trading price of our units.

We have significant exposure to increases in interest rates. At December 31, 2007, we had approximately $1.4 billion of consolidated debt, of which $0.7 billion was at fixed interest rates and $0.7 billion was at variable interest rates after giving effect to interest rate swap agreements. Our results of operations, cash flows and financial position could be materially adversely affected by significant increases in interest rates above current levels. Further, the trading price of our units is sensitive to changes in interest rates and any rise in interest rates could adversely impact such trading price.

We may not be able to integrate effectively and efficiently with any future businesses or operations we may acquire. Any future acquisitions may substantially increase the levels of our indebtedness and contingent liabilities.

Part of our business strategy includes acquiring additional assets that complement our existing asset base and distribution capabilities or provide entry into new markets. We may not be able to identify suitable acquisitions, or we may not be able to purchase or finance any acquisitions on terms that we find acceptable. Additionally, we compete against other companies for acquisitions, and we cannot assure unitholders that we will be successful in the acquisition of any assets or businesses appropriate for our growth strategy. Our capitalization and results of operations may change significantly as a result of future acquisitions, and unitholders will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in connection with any future acquisitions. Unexpected costs or challenges may arise whenever businesses with different operations and management are combined. For example, the incurrence of substantial unforeseen environmental and other liabilities, including liabilities arising from the operation of an acquired business or asset prior to our acquisition for which we are not indemnified or for which indemnity is inadequate, may adversely affect our ability to realize the anticipated benefit from an acquisition. Inefficiencies and difficulties may arise because of unfamiliarity with new assets and new geographic areas of any acquired businesses. Successful business combinations will require our management and other personnel to devote significant amounts of time to integrating the acquired businesses with our existing operations. These efforts may temporarily distract their attention from day-to-day business, the development or acquisition of new properties and other business opportunities. If we do not successfully integrate any past or future acquisitions, or if there is any significant delay in achieving such integration, our business and financial condition could be adversely affected.

Our pending acquisition of the East Coast Asphalt Operations may not be successful and we may not realize the anticipated benefits from this acquisition.

We may be unable to consummate the acquisition of the East Coast Asphalt Operations. Customary conditions to closing may not be satisfied, or the parties may agree to terminate the agreement and, as a result, we may not be able to consummate the transaction without a material adjustment to its proposed terms or at all, which may have an adverse effect on the trading price of our units. Even if all conditions to the consummation of the acquisition are satisfied, our acquisition of the East Coast Asphalt Operations may pose risks to our business. In addition to the risks ordinarily associated with an acquisition, we will also be exposed to risks specific to the East Coast Asphalt Operations, such as:

- earnings volatility;
- additional working capital requirements; and
- the asphalt operations’ exposure to the volatility of the cost of crude oil and the price and volumes at which asphalt may be sold.

Accordingly, we may not be able to realize strategic, operational and financial benefits as a result of the East Coast Asphalt Operations acquisition, which could adversely affect our operating and financial results.

In addition, we will face certain challenges as we work to integrate the asphalt operations into our business. In particular, the acquisition of the East Coast Asphalt Operations will, by adding two refineries, expand our operations and the types of businesses in which we engage, significantly expanding our geographic scope and increasing the number of our employees, thereby presenting us with significant challenges as we work to manage the increase in scale resulting from the acquisition. We must integrate a large number of systems, both operational and administrative, which we have not historically used in our operations. Delays in this process could have a material adverse effect on our revenues, expenses, operating results and financial condition. In addition, events outside of our control, including changes in state and federal regulation and laws as well as economic trends, also could adversely affect our ability to realize the anticipated benefits from the acquisition of the East Coast Asphalt Operations.

Further, the asphalt operations may not perform in accordance with our expectations, we may lose customers or key employees, and our expectations with regards to integration and synergies may not be fully realized. Our failure to successfully integrate and operate the asphalt refineries, and to realize the anticipated benefits of the acquisition, could adversely affect our operating and financial results.

The East Coast Asphalt Operations are dependent upon a steady supply of crude oil from PDVSA, the national oil company of Venezuela, and the Venezuelan economic and political environment may disrupt our supply of Venezuelan crude oil.

The terms of the acquisition of the East Coast Asphalt Operations include commitments, over a minimum seven-year period, to purchase from PDVSA an annual average of 75,000 barrels per day of crude oil and provide us with a right of first offer to purchase up to 4,000,000 barrels of paving grade asphalt and 4,750,000 barrels of roofing flux asphalt each year for marketing and sale.

Venezuela has been experiencing political, economic and social turmoil, including labor strikes and demonstrations. Such instability could severely affect or halt PDVSA's production or delivery of crude oil or asphalt. For example, in January 2008, Venezuela's president ordered the halt of asphalt exports to the U.S. and threatened to nationalize companies that monopolize asphalt production in the country. Further, we may be forced to replace all or a portion of the crude oil we would normally have purchased under our PDVSA crude oil supply contract with purchases of crude oil on the spot market on pricing and credit terms that are less favorable than we would have obtained under the PDVSA crude oil supply contract. The pricing terms of our crude oil supply contract with PDVSA will be designed to provide a measure of stability to our refining margins. If we are required to make purchases on the spot market instead of under our contract we will lose this protection. As a result, if we experience disruption to our purchases of crude oil under the PDVSA crude oil supply contract, we could experience additional volatility in our earnings and cash flow.

Additionally, the Paulsboro refinery and the Savannah refinery are optimized to process specific types of crude oil that are only produced in Venezuela. Processing alternate crudes would result in reduced refinery run rates, significantly reduced production, and additional capital expenditures, which could be material. Accordingly, any disruption of our supply of crude oil from Venezuela would result in substantially lower revenues and additional volatility in our earnings and cash flow.

A significant interruption or casualty loss at one of the refineries included in the East Coast Asphalt Operations could reduce our production, particularly if not fully covered by our insurance.

Upon closing the pending acquisition of the East Coast Asphalt Operations, our business will include owning and operating refineries. As a result, our operations could be subject to significant interruption if one of our refineries were to experience a major accident or fire, be damaged by severe weather or other natural disaster, or otherwise be forced to shut down. These hazards could result in substantial losses due to personal injury and/or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in curtailment or suspension of our related operations. We also face risks of mechanical failure and equipment shutdowns. If any of these situations occur, undamaged refinery processing units may be dependent on or interact with damaged sections of our refineries and, accordingly, are also subject to being shut down. In the event any of our refining facilities are forced to shut down for a significant period of time, it would have a material adverse effect on our earnings, our other results of operations and our financial condition as a whole.

We carry property and casualty insurance policies which contain limits, terms, conditions, exclusions and deductibles that will impact the amount of any recovery from a loss. As a result of market conditions, premiums and deductibles for certain insurance policies could increase. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. If we were to incur a significant liability for which we were not fully insured, it could diminish our ability to make distributions to unitholders.

The price volatility of hydrocarbon products and by-products can reduce our results of operations and ability to make distributions to our unitholders.

Expected revenues from the acquisition of the East Coast Asphalt Operations will be mostly generated by the refining of crude oil into asphalt products and other products and the marketing thereof. The price and market value of hydrocarbon

products and by-products is volatile. Our revenues will be adversely affected by this volatility during periods of decreasing prices because of the reduction in the value and resale price of our inventory. Future price volatility could have an adverse impact on our results of operations, cash flow and ability to make distributions to our unitholders.

The operating results for the asphalt we will produce and sell, following the closing of the acquisition of the East Coast Asphalt Operations, will be seasonal and generally lower in the first and fourth quarters of the year.

The operating results and selling prices of asphalt products we will produce can be seasonal. Asphalt demand is generally lower in the first and fourth quarters of the year as compared to the second and third quarters due to the seasonality of road construction. In addition, our natural gas costs can be higher during the winter months. Our operating results for the first and fourth calendar quarters may be lower than those for the second and third calendar quarters of each year as a result of this seasonality. As a result, our results and ability to make distributions to our unitholders may be adversely affected during periods with seasonally lower operating results.

Following our acquisition of the East Coast Asphalt Operations, we could be subject to damages based on claims brought against us by our customers or lose customers as a result of the failure of our products to meet certain quality specifications.

The specialty asphalt products produced at the refineries of the East Coast Asphalt Operations provide precise performance attributes to our customers' products. If a product fails to perform in a manner consistent with the detailed quality specifications required by the customer, the customer could seek replacement of the product or damages for costs incurred as a result of the product failing to perform as guaranteed. A successful claim or series of claims against us could result in a loss of one or more customers and reduce our ability to make distributions to unitholders.

We may incur liabilities from the refining assets we acquire in the acquisition of the East Coast Asphalt Operations. These costs and liabilities may not be covered by indemnification rights we will have against the seller of the assets.

Some of the assets included in the East Coast Asphalt Operations have been used for many years to refine and store asphalt products. Releases may have occurred prior to our acquisition that require remediation. In addition, releases may have occurred in the past that have not yet been discovered, which could require costly future remediation. If a significant release or event occurred in the past, the liability for which was not retained by the seller, or for which indemnification from the seller is not available, it could adversely affect our financial position and results of operations.

The obligations of several of the East Coast Asphalt Operations' key customers under their terminalling services agreements, as evidenced through "Key Customer" supply contracts, may be reduced or suspended in some circumstances, which would adversely affect our financial condition and results of operations.

The East Coast Asphalt Operations' outstanding agreements with several of its significant customers provide that, if any of a number of events occur, which are referred to as events of force majeure, and the event renders performance impossible with respect to a facility, usually for a specified minimum period of days, the customer's obligations would be temporarily suspended with respect to that facility. In that case, a significant customer's minimum revenue commitment may be reduced or the contract may be subject to termination. As a result, our revenues and results of operations could be materially adversely affected.

Competition in the asphalt industry is intense, and such competition in the markets in which we sell our asphalt products could adversely affect our earnings and ability to make distributions to our unitholders.

The East Coast Asphalt Operations compete with other refiners and with regional and national asphalt marketing companies. Many of these competitors are larger, more diverse companies with greater resources, providing them advantages in obtaining crude oil and other blendstocks and in competing through bidding process for asphalt supply contracts.

Our marketing and trading business may expose us to trading losses and hedging losses, and non-compliance with our risk management policies and could result in significant financial losses.

Our marketing and trading business for the purchase and sale of crude oil and petroleum products, including gasoline, distillates, fuel oil and asphalt may expose us to price volatility risk We attempt to mitigate this volatility risk through hedging, but we are still exposed to basis risk. We may also be exposed to inventory and financial liquidity risk due to the inability to trade certain products on demand or rising costs of carrying some inventories. Further, our marketing and trading activities, including our hedging activities, may cause volatility in our earnings. In addition, we will be exposed to credit risk in the event of non-performance by counterparties.

Our risk management policies may not eliminate all price risk since open trading positions will expose us to price volatility. Further, there is a risk that our risk management policies will not be complied with. Although we have designed procedures to anticipate and detect non-compliance, we cannot assure you that these steps will detect and prevent all violations of our trading policies and procedures, particularly if deception and other intentional misconduct are involved.

As a result of the risks described above, the activities associated with our marketing and trading business may expose us to volatility in earnings and financial losses, which may adversely affect our financial condition and our ability to distribute cash to our unitholders.

Our operations are subject to federal, state and local laws and regulations relating to environmental protection and operational safety that could require us to make substantial expenditures.

Our operations are subject to increasingly strict environmental and safety laws and regulations. The transportation and storage of petroleum and other products, such as specialty liquids, produces a risk that these products may be suddenly released into the environment, potentially causing substantial expenditures for a response action, significant government penalties, liability to government agencies for natural resources damages, personal injury or property damages to private parties and significant business interruption. We own or lease a number of properties that have been used to store or distribute refined products for many years. Many of these properties were operated by third parties whose handling, disposal, or release of hydrocarbons and other wastes was not under our control.

If we were to incur a significant liability pursuant to environmental or safety laws or regulations, such a liability could have a material adverse effect on our financial position, our ability to make distributions to our unitholders and our ability to meet our debt service requirements. Please read Item 3. "Legal Proceedings" and Note 12 of Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data."

Some of our pipelines are interstate common carrier pipelines, subject to regulation by the Federal Energy Regulatory Commission (FERC) under the Interstate Commerce Act (ICA).

Under the ICA, common carrier pipelines must maintain tariffs on file with the FERC. These tariffs include the rates we charge for providing transportation services on our common carrier pipelines as well as the rules and regulations governing these services. The ICA requires, among other things, that such rates on interstate common carrier pipelines be "just and reasonable" and nondiscriminatory. The ICA permits interested persons to challenge newly proposed or changed rates and authorizes the FERC to suspend the effectiveness of such rates for a period of up to seven months and to investigate such rates. If, upon completion of an investigation, the FERC finds that the new or changed rate is unlawful, it is authorized to require the carrier to refund the revenues in excess of the prior tariff collected during the pendency of the investigation. The FERC may also investigate, upon complaint or on its own motion, rates that are already in effect and may order a carrier to change its rates prospectively. Upon an appropriate showing, a shipper may obtain reparations for damages sustained during the two years prior to the filing of a complaint.

We use various FERC-authorized rate change methodologies for our interstate pipelines, including indexing, cost-of-service rates, market-based rates and settlement rates. Typically, we annually adjust our rates in accordance with FERC indexing methodology, which currently allows a pipeline to change their rates within prescribed ceiling levels that are tied to an inflation index. In 2003, the FERC made a significant positive adjustment to the index that oil pipelines use to adjust their regulated tariffs for inflation. The former index used percent growth in the producer price index for finished goods, and then subtracted one percent. The index adjustment in 2003 eliminated the one percent reduction. Pursuant to a subsequent review of the index by the FERC in 2005, the index is now measured by the producer price index for finished goods plus 1.3%, and it will apply for five years, commencing July 1, 2006. Shippers may protest rate increases made within the ceiling levels, but such protests must show that the portion of the rate increase resulting from application of the index is substantially in excess of the pipeline's increase in costs from the previous year. As a result of the 2003 index adjustment, we filed for indexed rate adjustments on a number of our pipelines and realized benefits from the new index. However, if the index results in a negative adjustment, we will typically be required to reduce any rates that exceed the new maximum allowable rate. In addition, changes in the index might not be large enough to fully reflect actual increases in our costs. The FERC's authorized rate-making methodologies may also delay the use or implementation of rates that reflect increased costs. If the FERC's rate-making methodologies change, any such change or new methodologies could result in rates that generate lower revenues and cash flow and could adversely affect our ability to make distributions to our unitholders and to meet our debt service requirements. Additionally, competition constrains our rates in various markets. As a result, we may from time to time be forced to reduce some of our rates to remain competitive.

Our pipeline operations are subject to FERC rate-making principles that could have an adverse impact on our ability to recover the full cost of operating our pipeline facilities and our ability to make distributions to our unitholders.

In May 2005, the FERC issued a statement of general policy stating it will permit pipelines to include in cost of service a tax allowance to reflect actual or potential tax liability on their public utility income attributable to all partnership or limited liability company interests, if the ultimate owner of the interest has an actual or potential income tax liability on such income. Whether a pipeline's owners have such actual or potential income tax liability will be reviewed by the FERC on a case-by-case basis. Although the new policy is generally favorable for pipelines that are organized as pass-through entities, it still entails rate risk due to the case-by-case review requirement. The new tax allowance policy and the FERC's application of that policy were appealed to the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Court), and, on May 29, 2007, the D.C. Court issued an opinion upholding the FERC's tax allowance policy. Because the extent to which an interstate oil pipeline is entitled to an income tax allowance is subject to a case-by-case review at the FERC, the level of income tax allowance to which we will ultimately be entitled is not certain. If the FERC were to disallow a substantial portion of our income tax allowance, it is possible that the maximum rates that could be charged could decrease from current levels.

The rates that we may charge on our interstate pipelines are subject to regulation by the Surface Board of Transportation.

The Surface Transportation Board (STB), a part of the U.S. Department of Transportation, has jurisdiction over interstate pipeline transportation and rate regulations of ammonia. Transportation rates must be reasonable and a pipeline carrier may not unreasonably discriminate among its shippers. If the STB finds that a carrier's rates violate these statutory commands, it may prescribe a reasonable rate. In determining a reasonable rate, the STB will consider, among other factors, the effect of the rate on the volumes transported by that carrier, the carrier's revenue needs and the availability of other economic transportation alternatives. The STB does not need to provide rate relief unless shippers lack effective competitive alternatives. If the STB determines that effective competitive alternatives are not available and we hold market power, then we may be required to show that our rates are reasonable.

Some shipments on our pipeline system move within a single state and thus are considered to be intrastate commerce.

Shipments on our pipeline system are subject to regulation with respect to intrastate transportation by state regulatory authorities in the states of Colorado, Kansas, Louisiana, North Dakota and Texas.

Increases in natural gas and power prices could adversely affect our ability to make distributions to our unitholders.

Power costs constitute a significant portion of our operating expenses. Power costs represented approximately 10.9% of our operating expenses for the year ended December 31, 2007. We use mainly electric power at our pipeline pump stations and terminals and such electric power is furnished by various utility companies that use primarily natural gas to generate electricity. Accordingly, our power costs typically fluctuate with natural gas prices. Increases in natural gas prices may cause our power costs to increase further. If natural gas prices remain high or increase further, our cash flows may be adversely affected, which could adversely affect our ability to make distributions to our unitholders.

Our exposure to a diversified national and international geographic asset and product mix may have an adverse impact on our results of operations.

Our business is geographically diversified both in the United States and internationally, which exposes us to supply and demand risks in different markets. A significant overall decrease in supply or demand for refined petroleum products or anhydrous ammonia may have an adverse effect on our financial condition. Further, we have significant international terminalling operations, which expose us to risks particular to such operations. A significant decrease in supply or demand at our main international terminals in Point Tupper, Nova Scotia or St. Eustatius, Netherlands Antilles, as well as foreign currency risks and other risks associated with operations in foreign legal and political environments, could have an adverse impact on our financial results.

Our pipeline integrity program may subject us to significant costs and liabilities.

As a result of pipeline integrity testing under the Pipeline Safety Improvement Act of 2002, we may incur significant and unanticipated operating and capital expenditures for repairs or upgrades deemed necessary to ensure the continued safe and reliable operation of our pipelines. Further, the Act or an increase in public expectations for pipeline safety may require additional reporting, the replacement of our pipeline segments, additional monitoring equipment and more frequent inspection or testing of our pipeline facilities. Any repair, remediation, preventative or mitigating actions may require significant capital and operating expenditures. Should we fail to comply with the U.S. Department of Transportation rules and related regulations and orders, we could be subject to penalties and fines, which could have a material adverse effect on our ability to make distributions to our unitholders.

Our operations are subject to operational hazards and unforeseen interruptions for which we may not be adequately insured.

Our operations are subject to operational hazards and unforeseen interruptions such as natural disasters, adverse weather, accidents, fires, explosions, hazardous materials releases, mechanical failures and other events beyond our control. These events might result in a loss of equipment or life, injury or extensive property damage, as well as an interruption in our operations. We may not be able to maintain insurance of the type and amount we desire at reasonable rates. As a result of market conditions, premiums and deductibles for certain of our insurance policies have increased substantially and could escalate further. Certain insurance coverage could become unavailable or available only for reduced amounts of coverage and at higher rates. For example, our insurance carriers require broad exclusions for losses due to terrorist acts. If we were to incur a significant liability for which we are not fully insured, such a liability could have a material adverse effect on our financial position and our ability to make distributions to our unitholders and to meet our debt service requirements.

Terrorist attacks and the threat of terrorist attacks have resulted in increased costs to our business. Continued hostilities in the Middle East or other sustained military campaigns may adversely impact our results of operations.

The long-term impact of terrorist attacks, such as the attacks that occurred on September 11, 2001, and the threat of future terrorist attacks on the energy transportation industry in general, and on us in particular, is not known at this time. Increased security measures we have taken as a precaution against possible terrorist attacks have resulted in increased costs to our business. Uncertainty surrounding continued hostilities in the Middle East or other sustained military campaigns may affect our operations in unpredictable ways, including disruptions of crude oil supplies and markets for refined products, the possibility that infrastructure facilities could be direct targets of, or indirect casualties of, an act of terror and instability in the financial markets that could restrict our ability to raise capital.

Our cash distribution policy may limit our growth.

Consistent with the terms of our partnership agreement, we distribute our available cash to our unitholders each quarter. In determining the amount of cash available for distribution, our management sets aside cash reserves, which we use to fund our growth capital expenditures. Additionally, we have relied upon external financing sources, including commercial borrowings and other debt and equity issuances, to fund our acquisition capital expenditures. Accordingly, to the extent we do not have sufficient cash reserves or are unable to finance growth externally, our cash distribution policy will significantly impair our ability to grow. In addition, to the extent we issue additional units in connection with any acquisitions or growth capital expenditures, the payment of distributions on those additional units may increase the risk that we will be unable to maintain or increase our per unit distribution level. Incurring additional debt to finance our growth strategy would increase our interest expense.

We may sell additional limited partnership units, diluting existing interests of our unitholders.

Our partnership agreement allows us to issue additional limited partnership units and certain other equity securities without unitholder approval. When we issue additional limited partnership units or other equity securities, the proportionate partnership interest of our existing unitholders will decrease. The issuance could negatively affect the amount of cash distributed to unitholders and the market price of the limited partnership units. Issuance of additional units will also diminish the relative voting strength of the previously outstanding units.

NuStar GP Holdings may have conflicts of interest and limited fiduciary responsibilities, which may permit it to favor its own interests to the detriment of our unitholders.

NuStar GP Holdings currently indirectly owns an aggregate 20.3% limited partner interest in us and owns NuStar Energy’s general partner. Conflicts of interest may arise between NuStar GP Holdings and its affiliates, including NuStar Energy’s general partner, on the one hand, and NuStar Energy and its limited partners, on the other hand. As a

result of these conflicts, the general partner may favor its own interests and the interests of its affiliates over the interests of the unitholders. These conflicts include, among others, the following situations:

- NuStar Energy's general partner is allowed to take into account the interests of parties other than us, such as NuStar GP Holdings, in resolving conflicts of interest, which has the effect of limiting its fiduciary duty to the unitholders;
- NuStar Energy's general partner may limit its liability and reduce its fiduciary duties, while also restricting the remedies available to unitholders. As a result of purchasing our common units, unitholders have consented to some actions and conflicts of interest that might otherwise constitute a breach of fiduciary or other duties under applicable state law;
- NuStar Energy's general partner determines the amount and timing of asset purchases and sales, capital expenditures, borrowings, issuance of additional limited partner interests and reserves, each of which can affect the amount of cash that is paid to our unitholders;
- NuStar Energy's general partner determines in its sole discretion which costs incurred by NuStar GP Holdings and its affiliates are reimbursable by us;
- NuStar Energy's general partner may cause us to pay the general partner or its affiliates for any services rendered on terms that are fair and reasonable to us or enter into additional contractual arrangements with any of these entities on our behalf;
- NuStar Energy's general partner decides whether to retain separate counsel, accountants, or others to perform services for us; and
- In some instances, NuStar Energy's general partner may cause us to borrow funds in order to permit the payment of distributions.

Our partnership agreement gives the general partner broad discretion in establishing financial reserves for the proper conduct of our business, including interest payments. These reserves also will affect the amount of cash available for distribution.

TAX RISKS TO OUR UNITHOLDERS

If we were treated as a corporation for federal or state income tax purposes, then our cash available for distribution to unitholders would be substantially reduced.

The anticipated after-tax benefit of an investment in our units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested, and do not plan to request, a ruling from the IRS on this matter.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35%. Distributions to unitholders would generally be taxed again as corporate distributions, and no income, gains, losses, deductions or credits would flow through to unitholders. Thus, treatment of us as a corporation would result in a material reduction in our anticipated cash flow and after-tax return to unitholders, likely causing a substantial reduction in the value of our units.

Current law may change, causing us to be treated as a corporation for federal income tax purposes or otherwise subjecting us to entity-level taxation. In addition, because of widespread state budget deficits, several states are evaluating ways to subject partnerships to entity level taxation through the imposition of state income, franchise or other forms of taxation. For example, the State of New Jersey imposes a state level tax which we currently pay at the maximum amount of $250,000. Partnerships and limited liability companies, unless specifically exempted, are also subject to a state-level tax imposed on Texas source revenues. Specifically, the Texas margin tax is imposed at a maximum effective tax rate of 0.7% of our gross revenue or 1% of our gross margin that is apportioned to Texas. Imposition of any entity-level tax on us by Texas, or additional states, will reduce the cash available for distribution to our unitholders.

A successful IRS contest of the federal income tax positions we take may adversely impact the market for our units, and the costs of any contest will reduce cash available for distribution to our unitholders.

The IRS may adopt positions that differ from the positions we take, even positions taken with the advice of counsel. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take. A court may not agree with all of the positions we take. Any contest with the IRS may materially and adversely impact the market for our units and the prices at which they trade. In addition, the costs of any contest between us and the IRS will result in a reduction in cash available for distribution to our unitholders. Moreover, the costs of any contest between us and the IRS will result in a reduction in cash available for distribution to our unitholders and thus will be borne indirectly by our unitholders and our general partner.

Even if unitholders do not receive any cash distributions from us, they will be required to pay taxes on their respective share of our taxable income.

Unitholders will be required to pay federal income taxes and, in some cases, state and local income taxes on the unitholder's respective share of our taxable income, whether or not such unitholder receives cash distributions from us. Unitholders may not receive cash distributions from us equal to the unitholder's respective share of our taxable income or even equal to the actual tax liability that results from the unitholder's respective share of our taxable income.

The sale or exchange of 50% or more of our capital and profits interests, within a 12-month period, will result in the termination of our partnership for federal income tax purposes.

A termination would, among other things, result in the closing of our taxable year for all unitholders and would result in a deferral of depreciation and cost recovery deductions allowable in computing our taxable income. If our partnership were terminated for federal income tax purposes, a NuStar Energy unitholder would be allocated an increased amount of federal taxable income for the year in which the partnership is considered terminated and the subsequent years as a percentage of the cash distributed to the unitholder with respect to that period.

Tax gain or loss on the disposition of our units could be different than expected.

If a unitholder sells units, the unitholder will recognize gain or loss equal to the difference between the amount realized and that unitholder's tax basis in those units. Prior distributions to the unitholder in excess of the total net taxable income the unitholder was allocated for a unit, which decreased the tax basis in that unit, will, in effect, become taxable income to the unitholder if the unit is sold at a price greater than the tax basis in that unit, even if the price the unitholder receives is less than the original cost. A substantial portion of the amount realized, whether or not representing gain, may be ordinary income to the selling unitholder.

Tax-exempt entities and foreign persons face unique tax issues from owning units that may result in adverse tax consequences to them.

Investment in units by tax-exempt entities, such as individual retirement accounts (known as IRAs) and non-U.S. persons raises issues unique to them. For example, virtually all of our income allocated to organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, will be unrelated business taxable income and will be taxable to them. Distributions to non-U.S. persons will be reduced by withholding taxes at the highest applicable effective tax rate, and non-U.S. persons will be required to file U.S. federal income tax returns and pay tax on their share of our taxable income.

We will treat each purchaser of our units as having the same tax benefits without regard to the units purchased. The IRS may challenge this treatment, which could adversely affect the value of our units.

Because we cannot match transferors and transferees of units, we will adopt depreciation and amortization positions that may not conform to all aspects of existing Treasury regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to unitholders. It also could affect the timing of these tax benefits or the amount of gain from any sale of units and could have a negative impact on the value of our units or result in audit adjustments to a unitholder's tax returns.

Unitholders will likely be subject to state and local taxes and return filing requirements as a result of investing in our units.

In addition to federal income taxes, unitholders will likely be subject to other taxes, such as state and local income taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by various jurisdictions in which we do business or own property. Unitholders will likely be required to file state and local income tax returns and pay state and local income taxes in some or all of these various jurisdictions. Further, unitholders may be subject to penalties for failure to comply with those requirements. We may own property or conduct business in other states or foreign countries in the future. It is each unitholder's responsibility to file all federal, state or local tax returns.

We have adopted certain valuation methodologies that may result in a shift of income, gain, loss and deduction between the general partner and the unitholders. The IRS may challenge this treatment, which could adversely affect the value of our common units.

When we issue additional units or engage in certain other transactions, we determine the fair market value of our assets and allocate any unrealized gain or loss attributable to our assets to the capital accounts of our unitholders and our general partner. Our methodology may be viewed as understating the value of our assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and the general partner, which may be unfavorable to such unitholders. Moreover, under our current valuation methods, subsequent purchasers of common units may have a greater portion of their Internal Revenue Code Section 743(b) adjustment allocated to our tangible assets and a lesser portion allocated to our intangible assets. The IRS may challenge our valuation methods, our methods, allocation of the Section 743(b) adjustment attributable to our tangible and intangible assets, and allocations of income, gain, loss and deduction between the general partner and certain of our unitholders.

A successful IRS challenge to these methods or allocations could adversely affect the amount of taxable income or loss being allocated to our unitholders. It also could affect the amount of gain from our unitholders' sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to our unitholders' tax returns without the benefit of additional deductions.

PROPERTIES

Our principal properties are described above under the caption "Segments," and that information is incorporated herein by reference. We believe that we have satisfactory title to all of our assets. Although title to these properties is subject to encumbrances in some cases, such as customary interests generally retained in connection with acquisition of real property, liens related to environmental liabilities associated with historical operations, liens for current taxes and other burdens and easements, restrictions and other encumbrances to which the underlying properties were subject at the time of acquisition by us or our predecessors, we believe that none of these burdens will materially detract from the value of these properties or from our interest in these properties or will materially interfere with their use in the operation of our business. In addition, we believe that we have obtained sufficient right-of-way grants and permits from public authorities and private parties for us to operate our business in all material respects as described in this report. We perform scheduled maintenance on all of our pipelines, terminals, crude oil tanks and related equipment and make repairs and replacements when necessary or appropriate. We believe that our pipelines, terminals, crude oil tanks and related equipment have been constructed and are maintained in all material respects in accordance with applicable federal, state and local laws and the regulations and standards prescribed by the American Petroleum Institute, the DOT and accepted industry practice.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 3. LEGAL PROCEEDINGS

We are named as a defendant in litigation relating to our normal business operations, including regulatory and environmental matters. We are insured against various business risks to the extent we believe is prudent; however, we cannot assure you that the nature and amount of such insurance will be adequate, in every case, to indemnify us against liabilities arising from future legal proceedings as a result of our ordinary business activity. We believe that, should we be unable to successfully defend ourselves in any of these matters, the ultimate payment of any or all of the amounts reserved would not have a material adverse effect on our financial position or liquidity. However, if any actual losses exceed the amounts accrued, there could be a material adverse effect on our results of operations.

GRACE ENERGY CORPORATION MATTER

In 1997, Grace Energy Corporation (Grace Energy) sued subsidiaries of Kaneb in Texas state court. The complaint sought recovery of the cost of remediation of fuel leaks in the 1970s from a pipeline that had once connected a former Grace Energy terminal with Otis Air Force Base (Otis AFB) in Massachusetts. Grace Energy alleges the Otis AFB pipeline and related environmental liabilities had been transferred in 1978 to an entity that was part of Kaneb's acquisition of Support Terminal Services, Inc. and its subsidiaries from Grace Energy in 1993. Kaneb contends that it did not acquire the Otis AFB pipeline and never assumed any responsibility for any associated environmental damage.

In 2000, the court entered final judgment that: (i) Grace Energy could not recover its own remediation costs of $3.5 million, (ii) Kaneb owned the Otis AFB pipeline and its related environmental liabilities and (iii) Grace Energy was awarded $1.8 million in attorney costs. Both Kaneb and Grace Energy appealed the trial court's final judgment to the Texas Court of Appeals in Dallas. In 2001, Grace Energy filed a petition in bankruptcy, which created an automatic stay of actions against Grace Energy. Once that stay is lifted, we intend to resume vigorous prosecution of the appeal.

The Otis AFB is a part of a Superfund Site pursuant to CERCLA. The site contains a number of groundwater contamination plumes, two of which are allegedly associated with the Otis AFB pipeline. Relying on the Texas state court's final judgment assigning ownership of the Otis AFB pipeline to Kaneb, the U.S. Department of Justice advised Kaneb in 2001 that it intends to seek reimbursement from Kaneb for the remediation costs associated with the two spill areas. In 2002, the Department of Justice asserted that it had incurred over $49.0 million in costs and expected to incur additional costs of approximately $19.0 million for remediation of the two spill areas. The Department of Justice has not filed a lawsuit against us related to this matter and we have not made any payments toward costs incurred by the Department of Justice.

PORT OF VANCOUVER MATTER

We own a chemical and refined product terminal on property owned by the Port of Vancouver, and we lease the land under the terminal from the Port of Vancouver. Under an Agreed Order entered into with the Washington Department of Ecology when Kaneb purchased the terminal in 1998, Kaneb agreed to investigate and remediate groundwater contamination by the terminal's previous owner and operator originating from the terminal. Investigation and remediation at the terminal are ongoing in compliance with the Agreed Order. In April 2006, the Washington Department of Ecology commented on our site investigation work plan and asserted that the groundwater contamination at the terminal was commingled with a groundwater contamination plume under other property owned by the Port of Vancouver. Since that time, we have negotiated with the Washington Department of Ecology, and on November 7, 2007, we entered into an Agreed Order that outlines a plan for site assessment, monitoring and interim action with regard to the plume for which Kaneb is responsible. The Agreed Order contains a diagram indicating that the plume for which Kaneb is responsible is separate from proximately located plumes. Based on the Agreed Order, and the fact that there is no currently pending claim asserting that Kaneb is responsible for the second plume, we believe at this time that this issue is resolved.

ENVIRONMENTAL AND SAFETY COMPLIANCE MATTERS

With respect to the environmental proceedings listed below, if any one or more of them were decided against us, we believe that it would not have a material effect on our consolidated financial position. However, it is not possible to predict the ultimate outcome of any these proceedings or whether such ultimate outcome may have a material effect of our consolidated financial position. We report these proceedings to comply with Securities and Exchange Commission regulations, which require us to disclose proceedings arising under federal, state or local provisions regulating the discharge of materials into the environment or protecting the environment if we reasonably believe that such proceedings will result in monetary sanctions of $100,000 or more.

In particular, the Illinois State Attorney General's Office has proposed penalties totaling $133,000 related to a pipeline leak at a storage terminal in Chillicothe, Illinois that we owned through a joint venture with Center Oil Company until we sold our interest in October 2006. The Pipeline and Hazardous Materials Safety Agency has proposed penalties totaling $255,000 based on alleged violations of various pipeline safety requirements in the McKee System. We are currently in settlement negotiations with these government agencies to resolve these matters.

On November 14, 2006, agents of the U.S. Environmental Protection Agency (the EPA) presented a search warrant issued by a U.S. District Court at one of our California terminals. Since then, the U.S. District Court has also served us with five subpoenas. The search warrant and subpoenas all seek information regarding allegations of potential illegal conduct by us, certain of our subsidiaries and/or our employees concerning compliance with certain environmental and safety laws and regulations. We are cooperating fully with the EPA in producing documents in response to the subpoenas. We have no information as to when the EPA will conclude their investigation, and we are also conducting an internal investigation of any possible noncompliance. At this time, the EPA has not suggested any fines or penalties. There can be no assurances that the conclusion of the EPA's investigation will not result in a determination that we violated applicable laws. If we are found to have violated such laws, we could be subject to fines, civil penalties and criminal penalties. A final determination that we violated applicable laws could, among other things, result in our debarment from future federal government contracts. Because of the preliminary nature of the investigation, we are not able to estimate a loss or range of loss, if any. However, if any of the consequences described above ultimately occur, it is reasonably possible that the effects could be material to our results of operations in the period we would be required to record a liability, and could be material to our cash flows in the periods we would be required to pay such liability.

In a letter dated February 6, 2008, the Department of Justice (the DOJ) advised us that Region VII of the EPA has requested that the DOJ initiate a lawsuit against Kaneb Pipe Line Operating Partnership, L.P. (KPOP) for violations of the Clean Water Act. The notice alleges that KPOP violated the Clean Water Act by failing to prepare a Facility Response Plan, as required by Section 311(j)(5) of the Clean Water Act, 33 U.S.C. §1321(j), for certain of its pipeline terminals located in Region VII by August 30, 1994. A Facility Response Plan is a plan for responding to a worst case discharge, and to a substantial threat of such a discharge, of oil or hazardous substances. The notice does not specify a penalty amount, but we reasonably believe that such proceeding may result in monetary sanctions of $100,000 or more.

We are also a party to additional claims and legal proceedings arising in the ordinary course of business. We believe the possibility is remote that the final outcome of any of the claims or proceedings to which we are a party would have a material adverse effect on our financial position, results of operations or liquidity; however, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on our results of operations, financial position or liquidity.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the unitholders, through solicitation of proxies or otherwise, during the fourth quarter of the year ended December 31, 2007.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON UNITS, RELATED UNITHOLDER MATTERS AND ISSUER PURCHASES OF COMMON UNITS

Market Information, Holders and Distributions

Our common units are listed and traded on the New York Stock Exchange under the symbol "NS." At the close of business on February 7, 2008, we had 896 holders of record of our common units. The high and low sales prices (composite transactions) by quarter for the years ended December 31, 2007 and 2006 were as follows:

	Price Range of Common Unit	
	High	Low
Year 2007		
4th Quarter	$63.89	$51.80
3rd Quarter	70.09	52.31
2nd Quarter	71.50	61.83
1st Quarter	68.00	54.11
Year 2006		
4th Quarter	$57.75	$49.05
3rd Quarter	52.50	48.75
2nd Quarter	54.00	48.82
1st Quarter	54.70	49.75

The cash distributions applicable to each of the quarters in the years ended December 31, 2007 and 2006 were as follows:

	Record Date	Payment Date	Amount Per Unit
Year 2007			
4th Quarter	February 7, 2008	February 14, 2008	$0.985
3rd Quarter	November 8, 2007	November 14, 2007	0.985
2nd Quarter	August 7, 2007	August 14, 2007	0.950
1st Quarter	May 7, 2007	May 14, 2007	0.915
Year 2006			
4th Quarter	February 7, 2007	February 14, 2007	$0.915
3rd Quarter	November 7, 2006	November 14, 2006	0.915
2nd Quarter	August 7, 2006	August 14, 2006	0.885
1st Quarter	May 5, 2006	May 12, 2006	0.885

Prior to May 8, 2006, we had 9,599,322 subordinated units outstanding, all of which were held by our general partner, for which there was no established public trading market. The issuance of subordinated units was exempt from registration with the SEC under Section 4(2) of the Securities Act of 1933. Effective April 1, 2006, we satisfied all the conditions included in our partnership agreement for the subordination period to end. Accordingly, all 9,599,322 subordinated units converted into common units on a one-for-one basis on May 8, 2006, the first business day after the record date for the distribution related to the first quarter earnings of 2006.

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

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

Our general partner's incentive distributions for the years ended December 31, 2007 and 2006 totaled $18.4 million and $14.8 million, respectively. The general partner's share of our distributions for the years ended December 31, 2007 and 2006 was 11.0% and 9.9%, respectively, due to the impact of the incentive distributions.

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ITEM 6. SELECTED FINANCIAL DATA

The following table contains selected financial data derived from our audited financial statements.

	Year Ended December 31,				
	2007	2006	2005 (a)	2004	2003 (b)
	(Thousands of Dollars, Except Per Unit Data)				
Statement of Income Data:					
Revenues	$1,475,014	$1,137,261	$ 659,557	$220,792	$ 181,450
Operating income	192,599	212,899	152,952	97,268	82,261
Income from continuing operations	150,298	149,906	107,675	78,418	69,593
Income from continuing operations per unit applicable to limited partners (c)	2.74	2.84	2.76	3.15	3.02
Cash distributions per unit applicable to limited partners	3.835	3.600	3.365	3.20	2.95

	As of December 31,				
	2007	2006	2005 (a)	2004	2003 (b)
	(Thousands of Dollars)				
Balance Sheet Data:					
Property and equipment, net	$2,492,086	$2,345,135	$2,160,213	$784,999	$ 765,002
Total assets	3,783,087	3,494,208	3,366,992	857,507	827,557
Long-term debt (less current portion)	1,445,626	1,353,720	1,169,659	384,171	353,257
Partners’ equity	1,994,832	1,875,681	1,900,779	438,311	438,163

(a) The significant increase in revenues, operating income, income from continuing operations and balance sheet data are due primarily to the Kaneb Acquisition.

(b) On March 18, 2003, Valero Energy contributed the South Texas Pipeline and Terminal Business and certain feedstock storage tanks to us for $350.3 million, including transaction costs.

(c) Income from continuing operations per unit applicable to limited partners is computed by dividing income from continuing operations applicable to limited partners, after deduction of the general partner’s 2% interest and incentive distributions, by the weighted average number of limited partnership units outstanding for each class of unitholder. Basic and diluted income from continuing operations per unit applicable to limited partners is the same because we have no potentially dilutive securities outstanding.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following review of our results of operations and financial condition should be read in conjunction with Items 1., 1A. and 2. "Business, Risk Factors and Properties," and Item 8. "Financial Statements and Supplementary Data," included in this report.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Form 10-K 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 our 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. Please read Item 1A. "Risk Factors" for a discussion of certain of those risks.

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. Other unknown or unpredictable factors could also have material adverse effects on our future results. Readers are cautioned not to place undue reliance on this forward-looking information, which is as of the date of the Form 10-K. 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 result 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

Our operations are managed by NuStar GP, LLC, the general partner of Riverwalk Logistics, L.P., our general partner. NuStar GP, LLC is a wholly owned subsidiary of NuStar GP Holdings, LLC (NuStar GP Holdings) (NYSE: NSH). We use the term "general partner" in this report to refer to Riverwalk Logistics, L.P., NuStar GP, LLC, Riverwalk Holdings, LLC and/or NuStar GP Holdings. On April 1, 2007, we changed our name to NuStar Energy L.P. (NuStar Energy) (NYSE: NS), and Valero GP Holdings, LLC, our general partner, changed its name to NuStar GP Holdings, LLC (NYSE: NSH).

In two separate public offerings in 2006, Valero Energy Corporation (Valero Energy) sold their ownership interest in NuStar GP Holdings. NuStar GP Holdings did not receive any proceeds from either public offering, and Valero Energy's ownership interest in NuStar GP Holdings was reduced to zero.

As used in this report, references to "we," "us," "our" or the "Partnership" collectively refer, depending on the context, to NuStar Energy or a wholly owned subsidiary of NuStar Energy.

Recent Developments

On December 10, 2007, NuStar Logistics replaced the existing $600 million revolving credit agreement with a $1.25 billion five-year revolving credit agreement (the 2007 Revolving Credit Agreement). NuStar Logistics borrowed $528.4 million under the 2007 Revolving Credit Agreement to repay in full the balance on its $600 million revolving credit agreement and $525 million term loan agreement.

On November 19, 2007, we issued 2,600,000 common units representing limited partner interests at a price of $57.20 per unit. We received proceeds of $146.1 million, including a contribution of $3.0 million from our general partner to maintain its 2% general partner interest, net of issuance costs. The proceeds were used to repay a portion of the outstanding principal balance under our then active $600 million revolving credit agreement.

On November 6, 2007, we entered into a definitive agreement to acquire CITGO Asphalt Refining Company's asphalt operations and assets (East Coast Asphalt Operations) for approximately $450.0 million, plus an inventory adjustment. The East Coast Asphalt Operations include a 74,000 barrels-per-day (BPD) asphalt refinery in Paulsboro, New Jersey, a 30,000 BPD asphalt refinery in Savannah, Georgia and three asphalt terminals on the East Coast with a combined storage capacity of 4.8 million barrels.

Acquisitions and Dispositions

On December 1, 2006, we acquired a crude oil storage and blending facility in St. James, Louisiana from Koch Supply and Trading, L.P. for approximately $141.7 million. The acquisition included 17 crude oil tanks with a total capacity of approximately 3.4 million barrels. Additionally, the facility has three docks with barge and ship access. The facility is located on the west bank of the Mississippi River approximately 60 miles west of New Orleans. We funded the acquisition with borrowings under our $600 million revolving credit agreement.

On March 30, 2006, we sold our Australia and New Zealand subsidiaries to ANZ Terminals Pty. Ltd., for total proceeds of $70.1 million. This transaction included the sale of eight terminals with an aggregate storage capacity of 1.1 million barrels.

On July 1, 2005, we completed our acquisition (the Kaneb Acquisition) of Kaneb Services LLC (KSL) and Kaneb Pipe Line Partners, L.P. (KPP, and, together with KSL, Kaneb). We acquired all of KSL's outstanding equity securities for approximately $509 million in cash. Additionally, we issued approximately 23.8 million of our common units valued at approximately $1.45 billion in exchange for all of the outstanding common units of KPP.

Operations

We provide transportation, storage services and related services to our customers. Also, we purchase certain petroleum products for resale to third parties. The following factors affect the results of our operations:

- company-specific factors, such as integrity issues and maintenance requirements that impact the throughput rates of our assets;
- seasonal factors that affect the demand for refined products and fertilizers transported by and/or stored in our assets;
- industry factors, such as changes in the prices of petroleum products that affect demand and operations of our competitors;
- factors such as seasonal inventory levels, commodity price volatility and market structure that impact our marketing and trading organization; and
- other factors such as refinery utilization rates and maintenance turnaround schedules that impact the operations of refineries served by our assets.

We conduct our operations through our wholly owned subsidiaries, primarily NuStar Logistics, L.P. (NuStar Logistics) and Kaneb Pipe Line Operating Partnership, L.P. (KPOP). During the fourth quarter of 2007, we revised the manner in which we internally evaluate our segment performance and made certain organizational changes. As a result, we changed the way we report our segmental results such that all product sales and related costs are included in the marketing segment. Previous periods have been restated to conform to this presentation. Our operations are divided into five reportable business segments: refined product terminals, refined product pipelines, crude oil pipelines, crude oil storage tanks and marketing.

Refined Product Terminals. We own 52 terminals in the United States that provide storage and handling services on a fee basis for petroleum products, specialty chemicals and other liquids, including one that provides storage services for crude oil and other feedstocks. We also own international terminal operations on the island of St. Eustatius in the Caribbean, Point Tupper in Nova Scotia, Canada, the United Kingdom, the Netherlands and Nuevo Laredo in Mexico.

Refined Product Pipelines. We own common carrier pipelines in Texas, Oklahoma, Colorado, New Mexico, Kansas, Nebraska, Iowa, South Dakota, North Dakota and Minnesota covering approximately 6,251 miles, consisting of the Central West System, the East Pipeline and the North Pipeline. In addition, we own a 2,000 mile anhydrous ammonia pipeline located in Louisiana, Arkansas, Missouri, Illinois, Indiana, Iowa and Nebraska.

Crude Oil Pipelines. We own 755 miles of crude oil pipelines which transport crude oil and other feedstocks, such as gas oil, from various points in Texas, Oklahoma, Kansas and Colorado to Valero Energy's McKee, Three Rivers and Ardmore refineries as well as associated crude oil storage facilities in Texas and Oklahoma that are located along the crude oil pipelines. We also own an interest in 57 miles of crude oil pipeline in Illinois, which serves ConocoPhillips' Wood River refinery.

Crude Oil Storage Tanks. We own 60 crude oil and intermediate feedstock storage tanks and related assets that store and deliver crude oil and intermediate feedstock to Valero Energy's refineries in Benicia, California and Corpus Christi and Texas City in Texas.

Marketing. During 2007 we expanded our product sales activities beyond the sale of bunker fuel to include the sale of other petroleum products such as asphalt, gasoline and distillates. The results of all of our product sales activities are now included in our marketing segment. Our marketing segment is meant to provide us the opportunity to generate additional margin while complementing the activities of our refined products terminals and refined product pipelines segments. However, these activities expose us to the risk of fluctuations in commodity prices, which directly impact the results of operations for the marketing segment. Since there are many factors that influence commodity prices, the results of our marketing segment may be more volatile than our other segments.

We enter into derivative contracts to mitigate the effect of commodity price fluctuations. We record the fair value of our derivative instruments in our consolidated balance sheet, with the change in fair value recorded in earnings. The derivative instruments we use consist primarily of futures contracts and swaps traded on the NYMEX for the purposes of hedging the outright price risk of our physical inventory. However, not all of our derivative instruments qualify for hedge accounting treatment under United States generally accepted accounting principles. In such cases, changes in the fair values of the derivative instrument, which are included in cost of product sales, generally are offset, at least partially, by changes in the values of the hedged physical inventory. However, the market fluctuations in inventory are not recognized until the physical sale takes place, unless the market price of inventory falls below our cost. In such as circumstance, we reduce the value of our inventory to market immediately. Therefore, our results for a period may include the gain or loss related to the derivative instrument without including the offsetting effect of the hedged physical inventory, which could result in greater earnings volatility.

On a limited basis, we also enter into derivative commodity instruments based on our analysis of market conditions in order to profit from market fluctuations. These derivative instruments are financial positions entered into without underlying physical inventory and are not considered hedges. Mark-to-market adjustments resulting from these derivative instruments are recorded in revenues.

Demand for certain of the products we market fluctuates seasonally. For example, demand for gasoline and asphalt is typically higher in the summer months than the winter months, whereas demand for heating oil is higher in the winter months than the summer months. Prices for these commodities generally are highest during those times of higher demand. In addition to purchasing inventory for immediate resale, we have and expect to continue to employ a strategy of purchasing inventory during times of lower demand and lower prices and storing that inventory until it can be sold at higher prices. We expect that our overall level of working capital will increase to support the operations of the marketing segment. Additionally, the level of working capital employed by the marketing segment will likely fluctuate seasonally. The absolute increase in the level of working capital as well as the seasonal fluctuations may require us to borrow additional amounts or utilize other sources of liquidity.

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Results of Operations

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

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

	Year Ended December 31,		
	2007	2006	Change
Statement of Income Data:			
Revenues:			
Service revenues	$ 696,623	$ 636,154	$ 60,469
Product sales	778,391	501,107	277,284
Total revenues	1,475,014	1,137,261	337,753
Costs and expenses:			
Cost of product sales	742,972	466,276	276,696
Operating expenses	357,235	312,604	44,631
General and administrative expenses	67,915	45,216	22,699
Depreciation and amortization expense	114,293	100,266	14,027
Total costs and expenses	1,282,415	924,362	358,053
Operating income	192,599	212,899	(20,300)
Equity earnings from joint ventures	6,833	5,882	951
Interest expense, net	(76,516)	(66,266)	(10,250)
Other income, net	38,830	3,252	35,578
Income from continuing operations before income tax expense	161,746	155,767	5,979
Income tax expense	11,448	5,861	5,587
Income from continuing operations	150,298	149,906	392
Loss from discontinued operations, net of income tax	—	(376)	376
Net income	150,298	149,530	768
Less net income applicable to general partner	(21,063)	(16,910)	(4,153)
Net income applicable to limited partners	$ 129,235	$ 132,620	$ (3,385)
Weighted average number of basic units outstanding	47,158,790	46,809,749	349,041
Net income (loss) per unit applicable to limited partners:			
Continuing operations	$ 2.74	$ 2.84	$ (0.10)
Discontinued operations	—	(0.01)	0.01
Net income	$ 2.74	$ 2.83	$ (0.09)

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

	Year Ended December 31, 2007	2006	Change
Refined Product Terminals:			
Throughput (barrels/day)(a)(b)	251,309	272,054	(20,745)
Throughput revenues	$ 51,135	$ 50,264	$ 871
Storage lease revenues	314,255	266,234	48,021
Total revenues	365,390	316,498	48,892
Operating expenses	221,890	191,698	30,192
Depreciation and amortization expense	54,635	45,485	9,150
Segment operating income	$ 88,865	$ 79,315	$ 9,550
Refined Product Pipelines:			
Throughput (barrels/day)(a)	678,573	711,476	(32,903)
Throughput revenues	$243,828	$222,356	$ 21,472
Operating expenses	105,010	94,326	10,684
Depreciation and amortization expense	45,006	42,084	2,922
Segment operating income	$ 93,812	$ 85,946	$ 7,866
Crude Oil Pipelines:			
Throughput (barrels/day)	377,640	421,666	(44,026)
Revenues	$ 52,968	$ 58,654	$ (5,686)
Operating expenses	15,332	16,825	(1,493)
Depreciation and amortization expense	4,940	5,061	(121)
Segment operating income	$ 32,696	$ 36,768	$ (4,072)
Crude Oil Storage Tanks:			
Throughput (barrels/day)	549,023	502,689	46,334
Revenues	$ 45,237	$ 46,915	$ (1,678)
Operating expenses	11,785	10,108	1,677
Depreciation and amortization expense	7,682	7,636	46
Segment operating income	$ 25,770	$ 29,171	$ (3,401)
Marketing:			
Product sales	$778,391	$501,107	$277,284
Cost of product sales	750,120	471,576	278,544
Operating expenses	6,737	2,616	4,121
Depreciation and amortization expense	423	—	423
Segment operating income	$ 21,111	$ 26,915	$ (5,804)
Consolidation and Intersegment Eliminations:			
Revenues	$ (10,800)	$ (8,269)	$ (2,531)
Cost of product sales	(7,148)	(5,300)	(1,848)
Operating expenses	(3,519)	(2,969)	(550)
Depreciation and amortization expense	1,607	—	1,607
Total	$ (1,740)	$ —	$ (1,740)

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

	Year Ended December 31, 2007	2006	Change
Consolidated Information:			
Revenues	$1,475,014	$1,137,261	$337,753
Cost of product sales	742,972	466,276	276,696
Operating expenses	357,235	312,604	44,631
Depreciation and amortization expense	114,293	100,266	14,027
Segment operating income	260,514	258,115	2,399
General and administrative expenses	67,915	45,216	22,699
Consolidated operating income	$ 192,599	$ 212,899	$ (20,300)

(a) Throughput related to newly acquired assets included in the table above is calculated based on throughput for the period from the date of acquisition through December 31 of the year of acquisition divided by the number of days in the applicable year.
(b) Excludes throughputs related to storage lease revenues.

Annual Highlights

Net income increased $0.8 million for the year ended December 31, 2007, compared to the year ended December 31, 2006, primarily due to a significant increase in other income and slightly higher segment operating income, partially offset by increased general and administrative expense, interest expense and income tax expense.

Total segment operating income increased $2.4 million for the year ended December 31, 2007, compared to the year ended December 31, 2006, primarily due to a $9.6 million increase in operating income for the refined product terminals segment and a $7.9 million increase in operating income for the refined product pipelines segment, partially offset by a $5.8 million decrease in operating income for the marketing segment, a $4.1 million decrease in operating income for the crude oil pipelines segment and a $3.4 million decrease in operating income for the crude oil storage tanks segment.

The throughputs on the refined product pipelines, the refined product terminals and the crude oil pipelines segments were affected by a fire at the McKee refinery in February 2007, which shut down the refinery through mid-April 2007. After the refinery restarted in mid-April 2007, its throughputs increased throughout the second quarter, and it was near capacity by July 2007.

Refined Product Terminals

Revenues increased by $48.9 million for the year ended December 31, 2007, compared to the year ended December 31, 2006, primarily due to an increase in storage lease revenues of $48.0 million due to the following:

- an increase of $19.2 million resulting from the St. James terminal acquisition in December 2006;
- an increase in storage lease terminal revenues of $24.7 million mainly due to additional customers, increased storage utilization and contract extensions by current customers, higher reimbursable project revenue and the effect of foreign exchange rates; and
- an increase in revenues of $4.1 million at our St. Eustatius facility due to leasing additional storage capacity that resulted from completed tank expansion projects.

Despite lower revenues and throughputs related to our terminals serving the McKee refinery, our throughput revenues increased $0.9 million primarily due to increased throughputs at our Laredo, Harlingen and Paulsboro terminals. The Laredo and Harlingen terminals experienced increased demand for refined products in 2007, and the Paulsboro terminal experienced lower throughput in 2006 due to a turnaround at the Paulsboro refinery in 2006.

Operating expenses increased $30.2 million for the year ended December 31, 2007, compared to the year ended December 31, 2006, primarily due to higher reimbursable project expenses. Reimbursable project expenses are charged back to our customers, and its increase is consistent with the increase in reimbursable project revenues. Operating expenses also increased due to higher maintenance and regulatory expenses, higher salaries and wages, the acquisition of the St. James terminal in December 2006, and higher marine expenses due to increased vessel calls at St. Eustatius and Point Tupper.

Depreciation and amortization expense increased $9.2 million for the year ended December 31, 2007, compared to the year ended December 31, 2006, due to the acquisition of the St. James terminal in December 2006 and the completion of various capital projects, including two phases of the St. Eustatius tank expansion.

Refined Product Pipelines

Throughputs decreased 32,903 barrels per day for the year ended December 31, 2007, compared to the year ended December 31, 2006, primarily due to the impact of the McKee refinery fire, offset by increased throughputs on the East Pipeline, Ammonia Pipeline and Burgos Pipeline. Despite lower overall throughputs, revenues increased by $21.5 million for the year ended December 31, 2007, compared to the year ended December 31, 2006, primarily due to:

- higher tariff rates on virtually all of the refined product pipelines as the annual index adjustment was effective July 1, 2007;
- increased revenues and throughputs on the East Pipeline due to the closing of one of our competitor's terminals in the second quarter of 2007 and increased throughputs to supply the Colorado market. The East Pipeline also experienced increased revenues due to a turnaround at the Ponca City refinery in prior year and increased long haul deliveries in 2007;
- increased revenues on the Ammonia Pipeline due to a record corn crop; and
- increased revenues on the Burgos pipeline due to our receipt of throughput deficiency payments in 2007. In addition, revenues increased due to a full year of operations of the Burgos pipeline, which commenced operations in the middle of the third quarter of 2006.

Operating expenses increased $10.7 million for the year ended December 31, 2007, compared to the year ended December 31, 2006, primarily due to higher maintenance and environmental costs and higher internal overhead costs mainly due to increased headcount.

Depreciation and amortization expense increased $2.9 million for the year ended December 31, 2007, compared to the year ended December 31, 2006, mainly due to increased amortization of deferred costs in connection with the throughput deficiency payments discussed above. In addition, depreciation and amortization expense increased due to the completion of various capital projects.

Crude Oil Pipelines

Throughputs decreased 44,026 barrels per day and revenues decreased $5.7 million for the year ended December 31, 2007, compared to the year ended December 31, 2006, primarily due to the impact of the McKee refinery fire.

Operating expenses decreased $1.5 million for the year ended December 31, 2007, compared to the year ended December 31, 2006, primarily due to decreased power costs resulting from the McKee refinery fire.

Crude Oil Storage Tanks

Throughputs increased 46,334 barrels per day for the year ended December 31, 2007, compared to the year ended December 31, 2006, primarily due to a change in the Corpus Christi (North Beach) crude oil storage tank agreement from a storage lease to a throughput fee agreement effective January 1, 2007. Throughputs for the Corpus Christi (North Beach) crude oil storage tanks were not reported prior to January 1, 2007. However, revenues decreased by $1.7 million for the year ended December 31, 2007, compared to the year ended December 31, 2006, primarily due to turnarounds at the Benicia, Three Rivers and Corpus Christi refineries and operating issues at the Texas City refinery in January and December 2007. The Corpus Christi refinery further experienced multiple operating issues during the first half of 2007.

Operating expenses increased by $1.7 million for the year ended December 31, 2007, compared to the year ended December 31, 2006, primarily due to higher wharfage and dockage costs related to the Corpus Christi (North Beach) crude oil facility.

Marketing

Bunker fuel sales increased $171.5 million for the year ended December 31, 2007 compared to the year ended December 31, 2006 due to increased vessel calls at our St. Eustatius facility, partially offset by a decrease in bunker fuel sales of $10.9 million at our Point Tupper facility due to decreased vessel calls. Cost of product sales associated with bunker fuel sales also increased $159.8 million due to the increase in vessel calls.

Sales of refined products, heavy fuels and asphalt increased $115.4 million for the year ended December 31, 2007 compared to December 31, 2006 because those operations began in 2007. Cost of product sales related to the sales of refined products, heavy fuels and asphalt increased $121.3 million for the year ended December 31, 2007 compared to the year ended December 31, 2006. For the year ended December 31, 2007 cost of product sales related to the sale of refined products, heavy fuels and asphalt includes $7.5 million related to the change in fair value of certain derivative instruments. Operating expenses increased by $4.1 million for the year ended December 31, 2007, compared to the year ended December 31, 2006, primarily due to salaries and wages and terminal storage fees relating to our sales of refined products, heavy fuels and asphalt, which began in 2007.

General

General and administrative expenses increased by $22.7 million for the year ended December 31, 2007, compared to the year ended December 31, 2006, primarily due to the following:

- increased expenses associated with unit option and restricted unit compensation expense as a result of the increase in the number of awards outstanding, partially offset by a decrease in the NuStar Energy unit price;
- increased headcount primarily resulting from a reduction in administrative services received from Valero Energy and increased information systems costs as a result of the separation from Valero Energy;
- increased professional fees primarily related to external legal costs; and
- increased rent expense related to our new headquarters.

Interest expense increased by $10.3 million for the year ended December 31, 2007, compared to the year ended December 31, 2006, primarily due to higher average debt balances arising from borrowings used to fund the acquisition of the St. James crude oil storage facility in December 2006 and various terminal expansion projects combined with higher interest rates, partially offset by capitalized interest.

Other income increased by $35.6 million for the year ended December 31, 2007, compared to the year ended December 31, 2006, primarily due to a $13.0 million payment from Valero Energy for exercising its option to terminate the 2007 Services Agreement, business interruption insurance income of $12.5 million associated with the McKee refinery fire, the sale of a net profit interest in Wyoming coal properties for $7.3 million and a gain of $5.2 million related to a settlement for damages at our Westwego terminal. Partially offsetting these increases are foreign exchange losses totaling approximately $6.3 million primarily relating to our Canadian subsidiary.

Income tax expense increased $5.6 million for the year ended December 31, 2007, compared to the year ended December 31, 2006. Income tax expense was higher in 2007 primarily due to the impact of the Texas margin tax effective January 1, 2007, recording a valuation allowance related to a capital loss carryforward in Canada and other adjustments. These increases were partially offset by reductions in the United Kingdom and Canadian income tax rates in 2007.

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Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

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

	Year Ended December 31,		
	2006	2005	Change
Statement of Income Data:			
Revenues:			
Service revenue	$ 636,154	$ 423,057	$ 213,097
Product sales	501,107	236,500	264,607
Total revenues	1,137,261	659,557	477,704
Costs and expenses:			
Cost of product sales	466,276	229,806	236,470
Operating expenses	312,604	185,351	127,253
General and administrative expenses	45,216	26,553	18,663
Depreciation and amortization expense	100,266	64,895	35,371
Total costs and expenses	924,362	506,605	417,757
Operating income	212,899	152,952	59,947
Equity earnings from joint ventures	5,882	2,319	3,563
Interest expense, net	(66,266)	(41,388)	(24,878)
Other income (expense), net	3,252	(1,495)	4,747
Income from continuing operations before income tax expense	155,767	112,388	43,379
Income tax expense	5,861	4,713	1,148
Income from continuing operations	149,906	107,675	42,231
Income (loss) from discontinued operations, net of income tax	(376)	3,398	(3,774)
Net income	149,530	111,073	38,457
Less net income applicable to the general partner	(16,910)	(10,758)	(6,152)
Net income applicable to limited partners	$ 132,620	$ 100,315	$ 32,305
Weighted average number of basic and diluted units outstanding	46,809,749	35,023,250	11,786,499
Net income (loss) per unit applicable to limited partners:			
Continuing operations	$ 2.84	$ 2.76	$ 0.08
Discontinued operations	(0.01)	0.10	(0.11)
Net income	$ 2.83	$ 2.86	$ (0.03)

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

	Year Ended December 31,		
	2006	2005	Change
Refined Product Terminals:			
Throughput (barrels/day)(a)(b)	272,054	253,585	18,469
Throughput revenues	$ 50,264	$ 44,400	$ 5,864
Storage lease revenues	266,234	126,292	139,942
Total revenues	316,498	170,692	145,806
Operating expenses	191,698	94,307	97,391
Depreciation and amortization expense	45,485	25,008	20,477
Segment operating income	$ 79,315	$ 51,377	$ 27,938
Refined Product Pipelines:			
Throughput (barrels/day)(a)	711,476	556,654	154,822
Throughput revenues	$ 222,356	$ 149,853	$ 72,503
Operating expenses	94,326	65,454	28,872
Depreciation and amortization expense	42,084	27,778	14,306
Segment operating income	$ 85,946	$ 56,621	$ 29,325
Crude Oil Pipelines:			
Throughput (barrels/day)	421,666	358,965	62,701
Revenues	$ 58,654	$ 51,429	$ 7,225
Operating expenses	16,825	16,378	447
Depreciation and amortization expense	5,061	4,612	449
Segment operating income	$ 36,768	$ 30,439	$ 6,329
Crude Oil Storage Tanks:			
Throughput (barrels/day)	502,689	517,409	(14,720)
Revenues	$ 46,915	$ 46,943	$ (28)
Operating expenses	10,108	9,695	413
Depreciation and amortization expense	7,636	7,497	139
Segment operating income	$ 29,171	$ 29,751	$ (580)
Marketing:			
Product sales	$ 501,107	$ 246,603	$ 254,504
Cost of product sales	471,576	233,102	238,474
Operating expenses	2,616	2,184	432
Depreciation and amortization expense	—	—	—
Segment operating income	$ 26,915	$ 11,317	$ 15,598
Consolidation and Intersegment Eliminations:			
Revenues	$ (8,269)	$ (5,963)	$ (2,306)
Cost of product sales	(5,300)	(3,296)	(2,004)
Operating expenses	(2,969)	(2,667)	(302)
Depreciation and amortization expense	—	—	—
Total	$ —	$ —	$ —

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

	Year Ended December 31, 2006	2005	Change
Consolidated Information:			
Revenues	$1,137,261	$659,557	$477,704
Cost of product sales	466,276	229,806	236,470
Operating expenses	312,604	185,351	127,253
Depreciation and amortization expense	100,266	64,895	35,371
Segment operating income	258,115	179,505	78,610
General and administrative expenses	45,216	26,553	18,663
Consolidated operating income	$ 212,899	$152,952	$ 59,947

(a) Throughput related to newly acquired assets included in the table above is calculated based on throughput for the period from the date of acquisition through December 31 of the year of acquisition divided by the number of days in the applicable year.
(b) Excludes throughputs related to storage lease revenues.

Annual Highlights

Net income increased $38.5 million for the year ended December 31, 2006, compared to the year ended December 31, 2005, due to higher segment operating income, partially offset by increased general and administrative expense, increased interest expense and increased income tax expense. All of these increases predominantly resulted from including the results of the Kaneb Acquisition for a full year in 2006 compared to six months in 2005.

Segment operating income increased $78.6 million for the year ended December 31, 2006, compared to the year ended December 31, 2005, primarily due to a $29.3 million increase in the refined product pipelines segment, a $27.9 million increase in the refined product terminals segment, a $15.6 million increase in the marketing segment and a $6.3 million increase in the crude oil pipelines segment. Increases in the marketing, refined product pipelines and refined product terminals segments relate primarily to the effect of the Kaneb Acquisition, while the crude oil pipelines segment increased due to the acquisition of our interest in the Capwood crude oil pipeline. Except for storage lease revenues and product sales, operating income for our segments depends upon the level of throughputs moving through our assets. In addition to the Kaneb Acquisition, which impacted the marketing, refined product pipelines and refined product terminals segments, all of our segments, except the marketing and crude oil storage tank segment, were affected by lower throughputs in 2005 resulting from scheduled maintenance turnarounds or other operational issues at the McKee, Three Rivers and Ardmore refineries.

Refined Product Terminals

Revenues increased $145.8 million for the year ended December 31, 2006, compared to the year ended December 31, 2005, primarily due to the following:

- the Kaneb Acquisition contributed $264.5 million of storage lease revenues for the year ended December 31, 2006 compared to $126.3 million of storage lease revenues for the period from July 1, 2005 to December 31, 2005;
- the acquisition of the St. James terminal in December of 2006 contributed $1.7 million to revenue;
- higher throughputs in 2006 as the McKee and Three Rivers refineries experienced scheduled turnarounds and unit downtime in 2005; and
- an increase in the fees charged at our terminals.

Partially offsetting the increases above were lower throughputs at our asphalt terminals due to a reduction in overall demand in 2006.

Operating expenses increased $97.4 million for the year ended December 31, 2006, compared to the year ended December 31, 2005, primarily due to the inclusion of a full year in 2006 of operating expenses related to the assets acquired in the Kaneb Acquisition.

Depreciation and amortization expense increased $20.5 million for the year ended December 31, 2006, compared to the year ended December 31, 2005, primarily due to the inclusion of a full year in 2006 of depreciation and amortization expense related to our property and equipment acquired in the Kaneb Acquisition.

Refined Product Pipelines

Revenues increased $72.5 million for the year ended December 31, 2006, compared to the year ended December 31, 2005, primarily due to the following:

- the Kaneb Acquisition contributed $116.4 million of revenues for the year ended December 31, 2006 compared to $57.4 million of revenue for the period from July 1, 2005 to December 31, 2005;
- higher throughputs and revenues on the McKee to El Paso refined product pipeline system and the McKee to Denver refined product pipelines and higher throughputs in 2006 as the McKee and Three Rivers refineries experienced turnarounds and unit downtime in 2005; and
- the completion of the Burgos project, which commenced operations on the Edinburg to Harlingen segment in October 2005, the Harlingen to Brownsville segment in March 2006 and made its first delivery of naphtha from Penitas, TX, near the Mexico border, to Brownsville in the third quarter of 2006.

Operating expenses increased $28.9 million for the year ended December 31, 2006, compared to the year ended December 31, 2005, primarily due to the inclusion of a full year in 2006 of operating expenses related to the assets acquired in the Kaneb Acquisition.

Depreciation and amortization expense increased $14.3 million for the year ended December 31, 2006, compared to the year ended December 31, 2005, primarily due to the inclusion of a full year in 2006 of depreciation and amortization expense related to our property and equipment acquired in the Kaneb Acquisition and the completion of the Burgos project in 2006.

Crude Oil Pipelines

Revenues increased $7.2 million for the year ended December 31, 2006, compared to the year ended December 31, 2005, primarily due to higher throughputs in 2006 as the McKee, Three Rivers and Ardmore refineries experienced scheduled turnarounds and unit downtime in 2005. In addition, our acquisition of the Capwood pipeline on January 1, 2006, which increased throughputs by approximately 41,000 barrels per day, resulted in additional revenues of $2.3 million.

Crude Oil Storage Tanks

Despite comparable revenues for the year ended December 31, 2006 compared to the year ended December 31, 2005, throughputs decreased by approximately 15,000 barrels per day due to scheduled turnarounds at Valero Energy’s Benicia and Texas City refineries in 2006. The lower throughput and revenue at the Benicia and Texas City facilities were offset by higher revenue from the Corpus Christi (North Beach) facility, which did not report throughput barrels through December 31, 2006 as revenues for this facility are mainly based on a lease agreement with Valero Energy.

Marketing

Revenues increased $254.5 million for the year ended December 31, 2006, compared to the year ended December 31, 2005, primarily due to the Kaneb Acquisition. The Kaneb Acquisition contributed $494.1 million of bunkering revenues for the year ended December 31, 2006 compared to $246.6 million for the period from July 1, 2005 to December 31, 2005.

Cost of product sales totaled $471.6 million for the year ended December 31, 2006 and $233.1 million for the period from July 1, 2005 to December 31, 2005. Cost of product sales reflects the cost of bunker fuel sold to marine vessels at the St. Eustatius and Point Tupper, which we acquired as part of the Kaneb Acquisition.

General

General and administrative expenses increased $18.7 million for the year ended December 31, 2006 compared to the year ended December 31, 2005, due to increased headcount as a result of the Kaneb Acquisition and reduced services received from Valero Energy under the services agreement. This increase in general and administrative expenses was partially offset by a decrease of $5.0 million in the service fee charged to us under a services agreement with Valero Energy.

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Equity earnings from joint ventures increased $3.6 million for the year ended December 31, 2006, compared to the year ended December 31, 2005, primarily related to our 50% ownership in a terminal and storage facility in Linden, New Jersey, which was acquired in the Kaneb Acquisition.

Interest expense increased $24.9 million for the year ended December 31, 2006, compared to the year ended December 31, 2005, due to higher average debt balances resulting from debt assumed as part of the Kaneb Acquisition and debt incurred to fund the Kaneb Acquisition combined with higher interest rates in 2006.

Other income increased $4.7 million for the year ended December 31, 2006, compared to the year ended December 31, 2005, primarily due to an impairment charge of $2.1 million in 2005 as a portion of the Three Rivers to Pettus to Corpus Christi, Texas refined product pipeline was permanently idled.

Income tax expense increased $1.1 million for the year ended December 31, 2006, compared to the year ended December 31, 2005, primarily due to the inclusion of a full year in 2006 of income tax expense related to certain operations acquired in the Kaneb Acquisition.

Outlook

Our business primarily consists of transportation, storage, terminalling and marketing of crude oil and refined products and is subject to the demand for those commodities in the regions in which we operate. Our business is generally more defensive in nature than other companies during times of economic slowdowns since we largely operate a stable, cash-flowing business; however, a recession, widely predicted to occur in 2008 according to several economists and regulators, or other adverse economic conditions, could negatively impact our operations.

We expect to see relatively few maintenance turnarounds in 2008, particularly at the Valero Energy refineries we serve. Therefore, we expect throughputs and revenues on our pipeline, terminal and storage business segments to improve in 2008 versus 2007, especially since our throughputs were impacted by Valero Energy's McKee refinery fire for part of 2007.

Longer term, we believe strong demand for more energy infrastructure in the U.S. and internationally, continued growth in product demand, a tight supply and demand balance and an expanding array of specialty products including renewable fuels will continue to drive the demand for our assets. High refinery utilization rates tend to be supportive of throughputs through our pipelines and terminals.

Crude Oil and Refined Product Pipelines Outlook

Overall demand for our pipeline services in 2008 should remain high, despite some indications of an economic slowdown. Turnarounds or outages at our customers' refineries have a significant effect on our pipeline results, as do maintenance expenses and market conditions. Barring any major unplanned turnaround activity or significant adverse economic condition, we expect our refined product and crude oil pipeline throughputs will generally grow at a rate typical for the demand of refined products. Additionally, effective July 1st, we expect the tariffs on our pipelines to increase, which will also positively impact our results.

Terminalling and Storage Outlook

We believe certain trends we see in the market are providing further terminalling opportunities for us for a number of reasons, including:

- high commodity prices, which in relative terms make logistics cheap compared to the value they deliver;
- volatility in the energy markets and the willingness of energy traders to take physical positions at storage facilities in order to enhance profits;
- growing governmental regulation mandating cleaner fuels, such as ethanol and biofuels, which provide logistical opportunities;
- strong refining fundamentals that are expected to remain good for some time;
- geopolitical factors, which cause concern over the security of supply; and
- arbitrage opportunities such as those between the gasoline short U.S. and diesel short Europe, which continue to enhance storage opportunities.

The markets where we are investing to increase storage are strategically located marine terminal facilities on the East, West and Gulf Coasts of the U.S. as well as internationally at our facilities in St. Eustatius in the Netherlands Antilles, Amsterdam and the United Kingdom.

During 2007, we completed key terminal expansion projects and we commenced construction on other significant terminal expansion projects, which we expect to positively impact our operations in 2008.

Marketing Outlook

In 2008, we plan to continue to increase our marketing segment activity, which we expect to positively affect our earnings. However, the operations of the marketing segment expose us to commodity price risk, which could increase the volatility of our earnings. In addition, we may experience additional volatility in our earnings and cash flows, as changes in the values of our derivative instruments may not completely offset changes in the values of our physical inventory.

LIQUIDITY AND CAPITAL RESOURCES

General

Our primary cash requirements are for distributions to partners, working capital requirements, debt service, reliability and strategic and other capital expenditures, acquisitions and normal operating expenses. We typically generate sufficient cash from our current operations to fund day-to-day operating and general and administrative expenses, reliability capital expenditures and distribution requirements. We also have available borrowing capacity under our existing revolving credit facility and, to the extent necessary, we may raise additional funds through equity or debt offerings under our $3.0 billion shelf registration statement to fund strategic capital expenditures or other cash requirements not funded from operations. However, there can be no assurance regarding the availability of any additional funds or whether such additional funds can be provided on terms acceptable to us.

Cash Flows for the Year Ended December 31, 2007 and 2006

Net cash provided by operating activities for the year ended December 31, 2007 was $222.7 million compared to $250.8 million for the year ended December 31, 2006. The decrease in cash generated from operating activities is primarily due to a $21.3 million use of cash in 2007 from changes in working capital accounts compared to a $10.7 million source of cash in 2006 from changes in working capital accounts. Accounts receivable and inventory increased by $22.1 million and $71.5 million, respectively, compared to 2006 primarily due to the operations of the marketing segment, particularly an increase in inventory associated with marketing of asphalt, gasoline and distillates which began in 2007. Offsetting the increases in inventory and accounts receivable was an increase in accounts payable of $72.9 million, also primarily related to the marketing of asphalt, gasoline and distillates. Cash flows from operations for the year ended December 31, 2007 also includes proceeds from business interruption insurance of $12.5 million.

Net cash provided by operating activities for the year ended December 31, 2007 was used to fund distributions to unitholders and the general partner in the aggregate amount of $197.3 million. The proceeds from long-term debt borrowings, net of repayments, were used to fund a portion of our capital expenditures, primarily related to various terminal expansion projects. Additionally, we issued 2,600,000 common units for proceeds of $146.1 million, including a contribution from our general partner, which were used to repay borrowing on our long-term debt.

Net cash provided by operating activities for the year ended December 31, 2006, combined with available cash on hand, was used primarily to fund distributions to unitholders and the general partner in the aggregate amount of $183.3 million. Proceeds from long-term debt borrowings totaling $269.0 million, combined with the proceeds totaling $70.1 million from the sale of the Australia and New Zealand subsidiaries on March 30, 2006, were used to fund asset acquisitions of $154.5 million, repay long-term debt of $83.5 million and to fund capital expenditures and investment of other noncurrent assets of $124.0 million and $10.8 million, respectively.

Equity

Equity Offering. On November 19, 2007, we issued 2,600,000 common units representing limited partner interests at a price of $57.20 per unit. We received total proceeds of $146.1 million, including a contribution of $3.0 million from our general partner, net of issuance costs. The proceeds were used to repay a portion of the outstanding principal balance under our $600 million revolving credit agreement.

Shelf Registration Statement. On May 18, 2007, the SEC declared effective our shelf registration statement on Form S-3, which permits us to offer and sell various types of securities, including NuStar Energy common units and debt securities of each NuStar Logistics and KPOP, having an aggregate value of up to $3.0 billion (the 2007 Shelf Registration Statement). We filed the 2007 Shelf Registration Statement to gain additional flexibility in accessing capital markets for, among other things, the repayment of outstanding indebtedness, working capital, capital expenditures and acquisitions. As of December 31, 2007, we had $2.85 billion remaining under the 2007 Shelf Registration Statement. The 2007 Shelf Registration Statement replaces our 2003 Shelf Registration Statement, which was effective October 2, 2003 and filed by us and NuStar Logistics to register $750.0 million of securities for potential future use.

Distributions. NuStar Energy’s partnership agreement, as amended, determines the amount and priority of cash distributions that our common unitholders and general partner may receive. The general partner receives a 2% distribution with respect to its general partner interest. The general partner is also entitled to incentive distributions if the amount we distribute with respect to any quarter exceeds $0.60 per unit. For a detailed discussion of the incentive distribution targets, please read Item 5. “Market for Registrant’s Common Units, Related Unitholder Matters and Issuer Purchases of Common Units.”

The following table reflects the allocation of total cash distributions to the general and limited partners applicable to the period in which the distributions are earned:

	Year Ended December 31,		
	2007	2006	2005
	(Thousands of Dollars, Except Per Unit Data)		
General partner interest	$ 4,092	$ 3,742	$ 3,036
General partner incentive distribution	18,426	14,778	10,259
Total general partner distribution	22,518	18,520	13,295
Limited partners' distribution	182,076	168,515	138,500
Total cash distributions	$ 204,594	$ 187,035	$ 151,795
Cash distributions per unit applicable to limited partners	$ 3.835	$ 3.600	$ 3.365

Actual distribution payments are made within 45 days after the end of each quarter as of a record date that is set after the end of each quarter.

On January 24, 2008, we declared a quarterly cash distribution of $0.985, which was paid on February 14, 2008 to unitholders of record on February 7, 2008. This distribution related to the fourth quarter of 2007 and totaled $55.0 million, of which $6.3 million represented the general partner's share of such distribution. The general partner's distribution included a $5.2 million incentive distribution.

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 of:

- reliability capital expenditures, such as those required to maintain equipment reliability and safety and to address environmental and safety regulations; and
- strategic and other capital expenditures, such as those to expand and upgrade pipeline capacity and to construct new pipelines, terminals and storage tanks. In addition, expansion capital expenditures may include acquisitions of pipelines, terminals or storage tank assets.

During the year ended December 31, 2007, we incurred reliability capital expenditures of $40.3 million primarily related to system automation and maintenance upgrade projects at our terminals and pipelines, and strategic capital expenditures of $211.0 million primarily related to the Amsterdam, St. Eustatius and St. James tank expansions and other terminal expansion projects. Also, we incurred expenditures required as a result of our separation from Valero Energy, such as separating our information systems and improvements made to our new headquarters.

For 2008, we budgeted for $182.0 million of capital expenditures, including $53.0 million for reliability capital projects and $129.0 million for strategic and other capital projects. We continuously evaluate our capital budget and make changes as economic conditions warrant. If conditions warrant, our actual capital expenditures for 2008 may exceed the budgeted amounts. We believe cash generated from operations combined with other sources of liquidity previously described will be sufficient to fund our capital expenditures in 2008.

Long-Term Contractual Obligations

6.875% and 6.05% Senior Notes

On March 18, 2003, NuStar Logistics issued $250 million of 6.05% senior notes, maturing in 2013, with interest payable semi-annually in arrears on March 15 and September 15 of each year.

On July 15, 2002, NuStar Logistics issued $100.0 million of 6.875% senior notes, maturing in 2012, with interest payable semi-annually in arrears on January 15 and July 15 of each year.

The 6.05% and the 6.875% senior notes do not have sinking fund requirements. These notes rank equally with existing senior unsecured indebtedness of NuStar Logistics. Both series of senior notes contain restrictions on NuStar Logistics' ability to incur secured indebtedness unless the same security is also provided for the benefit of holders of the senior notes. In addition, the senior notes limit NuStar Logistics' ability to incur indebtedness secured by certain liens and to engage in certain sale-leaseback transactions.

At the option of NuStar Logistics, the 6.05% and the 6.875% senior notes may be redeemed in whole or in part at any time at a redemption price, which includes a make-whole premium, plus accrued and unpaid interest to the redemption date. The NuStar Logistics senior notes also include a change-in-control provision, which requires (1) that Valero Energy or an investment grade entity own, directly or indirectly, 51% of our general partner interests and (2) that we (or an investment grade entity) own, directly or indirectly, all of the general partner and limited partner interests in NuStar Logistics.

Due to the completed sale of Valero Energy's remaining interests in NuStar GP Holdings on December 22, 2006, the change-in-control provision was triggered, and NuStar Logistics offered to purchase the senior notes at a price equal to 100% of their outstanding principal balance plus accrued interest through the date of purchase. This offer expired on January 23, 2007, with approximately $20.1 million of the 6.05% senior notes tendered to us for repurchase. We retired the senior notes that were tendered with borrowings under our $600 million revolving credit agreement on February 1, 2007. The retirement of those senior notes did not significantly affect either our financial position or results of operations.

7.75% and 5.875% Senior Notes

As a result of the Kaneb Acquisition, we assumed the outstanding senior notes issued by KPOP, having an aggregate face value of $500.0 million, and an aggregate fair value of $555.0 million. We use the effective interest method to amortize the difference between the fair value and the face value of the senior notes as a reduction of interest expense over the remaining lives of the senior notes.

The senior notes were issued in two series, the first of which bears interest at 7.75% annually (due semi-annually on February 15 and August 15) and matures February 15, 2012. The second series bears interest at 5.875% annually (due on June 1 and December 1) and matures June 1, 2013.

The 7.75% and 5.875% senior notes do not contain sinking fund requirements. These notes contain restrictions on our ability to incur indebtedness secured by liens, to engage in certain sale-leaseback transactions, to engage in certain transactions with affiliates, as defined, and to utilize proceeds from the disposition of certain assets. At the option of KPOP, the 7.75% and 5.875% senior notes may be redeemed in whole or in part at any time at a redemption price, which includes a make-whole premium, plus accrued and unpaid interest to the redemption date.

The senior notes issued by NuStar Logistics are fully and unconditionally guaranteed by NuStar Energy. In connection with the Kaneb Acquisition, NuStar Energy fully and unconditionally guaranteed the outstanding senior notes issued by KPOP. Additionally, effective July 1, 2005, both NuStar Logistics and KPOP fully and unconditionally guaranteed the outstanding senior notes of the other.

2007 Revolving Credit Agreement

On December 10, 2007, NuStar Logistics replaced the existing $600 million revolving credit agreement with the $1.25 billion five-year revolving credit agreement (the 2007 Revolving Credit Agreement), which includes a Euro sub-limit of $250 million. NuStar Logistics borrowed $528.4 million under the 2007 Revolving Credit Agreement to repay in full the balance on its $600 million revolving credit agreement (Revolving Credit Agreement) and $525 million term loan agreement (Term Loan Agreement). Obligations under the 2007 Revolving Credit Agreement are guaranteed by NuStar Energy and KPOP. KPOP will be released from its guarantee of the 2007 Revolving Credit Agreement when it no longer guarantees NuStar Logistics public debt instruments.

As of December 31, 2007, we had $720.8 million available for borrowing under the 2007 Revolving Credit Agreement. The 2007 Revolving Credit Agreement bears interest based on either an alternative base rate or a LIBOR based rate, which was 5.7% as of December 31, 2007. The weighted-average interest rate related to outstanding borrowings under the 2007 Revolving Credit Agreement for the year ended December 31, 2007 was 5.7%.

The 2007 Revolving Credit Agreement requires that we maintain certain financial ratios and includes other restrictive covenants, including a prohibition on distributions if any defaults, as defined in the agreements, exist or would result from the distribution. The 2007 Revolving Credit Agreement also requires us to maintain, as of the end of each rolling period, consisting of any period of four consecutive fiscal quarters, a consolidated debt coverage ratio (consolidated indebtedness to consolidated EBITDA, as defined in the 2007 Revolving Credit Agreement) not to exceed 5.00-to-1.00; provided, that if at any time NuStar Energy or any of its restricted subsidiaries consummates an acquisition for an aggregate net consideration of at least $100 million, then for two rolling periods, the last day of which immediately follows the day on which such acquisition is consummated, the consolidated debt coverage ratio must not exceed 5.50-to-1.00. Management believes that we are in compliance with all ratios and covenants of the 2007 Revolving Credit Agreement as of December 31, 2007.

Term Loan Agreement

On July 1, 2005, we entered into the Term Loan Agreement, the majority of which was used to fund the Kaneb Acquisition. The weighted-average interest rate related to outstanding borrowings under the Term Loan Agreement for the year ended December 31, 2007 was 6.0%. The $225.0 million balance on the Term Loan Agreement was paid in full on December 10, 2007 with the proceeds from the 2007 Revolving Credit Agreement.

Revolving Credit Agreement

On July 1, 2005, we entered into the Revolving Credit Agreement. The weighted-average interest rate related to outstanding borrowings under the Revolving Credit Agreement for the year ended December 31, 2007 was 5.7%. The $303.4 million balance on the Revolving Credit Agreement was paid in full on December 10, 2007 with the proceeds from the 2007 Revolving Credit Agreement.

UK Term Loan

KPOP’s UK subsidiary, Kaneb Terminals Limited, is the borrower of £21 million ($41.6 million and $41.1 million as of December 31, 2007 and 2006, respectively). This amended and restated term loan agreement (the UK Term Loan) bears interest at 6.65% annually and matures on December 11, 2012.

In December 2007, the UK Term Loan was amended to be consistent with the covenants and provisions of the 2007 Revolving Credit Agreement. Management believes that we are in compliance with all ratios and covenants of the UK Term Loan as of December 31, 2007.

Port Authority of Corpus Christi Note Payable

The proceeds from the original $12.0 million note payable due to the Port of Corpus Christi Authority of Nueces County, Texas (Port Authority of Corpus Christi) were used for the construction of a crude oil storage facility in Corpus Christi, Texas. The note payable is due in annual installments of $1.2 million through December 31, 2015 and is collateralized by the crude oil storage facility. Interest on the unpaid principal balance accrues at a rate of 8.0% per annum. The land on which the crude oil storage facility was constructed is leased from the Port Authority of Corpus Christi.

Interest Rate Swaps

We are party to certain interest rate swap agreements to manage our exposure to changes in interest rates. The interest rate swap agreements have an aggregate notional amount of $167.5 million, of which $60.0 million is tied to the maturity of the 6.875% senior notes and $107.5 million is tied to the maturity of the 6.05% senior notes. Under the terms of the interest rate swap agreements, we will receive a fixed rate (6.875% and 6.05% for the $60.0 million and $107.5 million of interest rate swap agreements, respectively) and will pay a variable rate based on LIBOR plus a percentage that varies with each agreement. The aggregate estimated fair value of the interest rate swaps included in the consolidated balance sheet was $2.2 million included in deferred charges and other assets, net as of December 31, 2007 and $4.9 million included in other long-term liabilities as of December 31, 2006.

The interest rate swap contracts qualify for the shortcut method of accounting prescribed by SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended (SFAS 133). As a result, changes in the fair value of the swaps will completely offset the changes in the fair value of the underlying hedged debt. As of December 31, 2007 and 2006, the weighted average effective interest rate for the interest rate swaps was 6.1% and 7.1%, respectively.

The following table presents our long-term contractual obligations and commitments and the related payments due, in total and by period, as of December 31, 2007.

	Payments Due by Period						
	2008	2009	2010	2011	2012	Thereafter	Total
	(Thousands of Dollars)						
Long-term debt (stated maturities)	$ 663	$ 713	$ 770	$ 832	$920,503	$482,163	$1,405,644
Operating leases	11,034	7,650	7,099	6,557	6,394	102,368	141,102
Purchase obligations	544,294	110,953	7,069	968	962	1,523	665,769

A purchase obligation is an enforceable and legally binding agreement to purchase goods or services that specifies significant terms, including (i) fixed or minimum quantities to be purchased, (ii) fixed, minimum or variable price provisions, and (iii) the approximate timing of the transaction. Our purchase obligations primarily relate to purchases of inventory for resale to our customers.

We do not have any long-term contractual obligations related to our investment in joint ventures, other than the requirement to operate the joint ventures on behalf of the members and to fund our 50% share of capital expenditures as they arise.

Related Party Transactions

Our operations are managed by the general partner of our general partner, NuStar GP, LLC. The employees of NuStar GP, LLC perform services for our U.S. operations. Certain of our wholly owned subsidiaries employ persons who perform services for our international operations. We reimburse NuStar GP, LLC for all costs related to its employees. We had a receivable of $0.8 million and a payable of $2.3 million, as of December 31, 2007 and December 31, 2006, respectively, to our general partner, with both amounts representing payroll and plan benefits, net of payments made by us. We also had a long-term payable as of December 31, 2007 and 2006 of $5.7 million to our general partner related to amounts payable for retiree medical benefits and other post-employment benefits.

Prior to December 22, 2006, Valero Energy controlled our general partner. We have transactions with Valero Energy for pipeline tariff, terminalling fee and crude oil storage tank fee revenues, certain employee costs, insurance costs, administrative costs and lease expense, which were reported as related party transactions in the consolidated statement of income. Due to Valero Energy's sale of its interest in NuStar GP Holdings on December 22, 2006, we ceased reporting transactions with Valero Energy as related party transactions subsequent to that date.

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The following table summarizes information pertaining to related party transactions with NuStar GP, LLC for the year ended December 31, 2007 and with Valero Energy for the years ended December 31, 2006 and 2005:

	Year Ended December 31,		
	2007	2006	2005 (a)
	(Thousands of Dollars)		
Revenues	$ —	$260,980	$234,485
Operating expenses	93,211	94,587	60,921
General and administrative expenses	37,702	32,183	19,356

(a) The amounts reflected in the table include revenues and operating expenses of $1,867 and $1,850, respectively, which are included in income from discontinued operations in the consolidated statement of income.

Agreements with NuStar GP Holdings

Non-Compete Agreement

On July 19, 2006, we entered into a non-compete agreement with NuStar GP Holdings, Riverwalk Logistics, L.P., and NuStar GP, LLC (the Non-Compete Agreement). The Non-Compete Agreement became effective on December 22, 2006 when NuStar GP Holdings ceased being subject to the Amended and Restated Omnibus Agreement, dated March 31, 2006. Under the Non-Compete Agreement, we will have a right of first refusal with respect to the potential acquisition of assets that relate to the transportation, storage or terminalling of crude oil, feedstocks or refined petroleum products (including petrochemicals) in the United States and internationally. NuStar GP Holdings will have a right of first refusal with respect to the potential acquisition of general partner and other equity interests in publicly traded partnerships under common ownership with the general partner interest. With respect to any other business opportunities, neither the Partnership nor NuStar GP Holdings are prohibited from engaging in any business, even if the Partnership and NuStar GP Holdings would have a conflict of interest with respect to such other business opportunity.

Agreements with Valero Energy

We have entered into a number of operating agreements with Valero Energy, which govern the required services provided to and received from Valero Energy. Most of the operating agreements include adjustment provisions, which allow us to increase the handling, storage and throughput fees we charge to Valero Energy based on a consumer price index. In addition, the pipeline tariffs charged by us are reviewed annually and adjusted based on an inflation index and may also be adjusted to take into consideration additional costs incurred to provide the transportation services. The following is a summary of the significant terms of the individual agreements.

Services Agreement

Prior to our separation from Valero Energy, the employees of NuStar GP, LLC were provided to us under the terms of various services agreements between us and Valero Energy. The terms of these services agreements generally provided that the costs of employees who performed services directly on our behalf, including salaries, wages and employee benefits, were charged directly to us. In addition, Valero Energy charged us a net administrative services fee, which was $1.8 million and $6.6 million for the years ended December 31, 2006 and 2005, respectively.

Although Valero Energy no longer provided employees to work directly on our behalf, Valero Energy continued to provide certain services to us under the terms of a services agreement dated December 22, 2006 (the 2007 Services Agreement). Under the 2007 Services Agreement, we paid Valero Energy approximately $1.1 million for the year ended December 31, 2007 for administrative services (primarily information system services and human resource services) and telecommunication services.

On April 16, 2007, Valero Energy exercised its option to terminate the 2007 Services Agreement. As a result, Valero Energy paid us a termination fee of $13.0 million in May 2007 in accordance with the terms of the 2007 Services Agreement. However, Valero Energy continued providing certain services over a period of time sufficient to allow us to assume those functions by the end of 2007.

Omnibus Agreement

On March 31, 2006, we entered into an amended and restated omnibus agreement (the 2006 Omnibus Agreement) with Valero Energy, NuStar GP, LLC, Riverwalk Logistics, L.P., and NuStar Logistics. The 2006 Omnibus Agreement superseded the Omnibus Agreement among the parties dated effective April 16, 2001. The 2006 Omnibus Agreement governed potential competition between Valero Energy and us.

With the closing of Valero GP Holding's secondary public offering on December 22, 2006, Valero Energy ceased to own 20% or more of us, which allows Valero Energy to compete with us.

Also under the 2006 Omnibus Agreement, Valero Energy agreed to indemnify us for environmental liabilities related to the assets transferred to us in connection with our initial public offering, provided that such liabilities arose prior to and are discovered within ten years after that date (excluding liabilities resulting from a change in law after April 16, 2001).

Pipelines and Terminals Usage Agreement—McKee, Three Rivers and Ardmore

Under the terms of the Pipelines and Terminals Usage Agreement dated April 16, 2001, we provide transportation services that support Valero Energy's refining and marketing operations relating to the McKee, Three Rivers and Ardmore refineries. Pursuant to the agreement, Valero Energy has agreed through April 2008:

- to transport in our crude oil pipelines at least 75% of the aggregate volumes of crude oil shipped to the McKee, Three Rivers and Ardmore refineries;
- to transport in our refined product pipelines at least 75% of the aggregate volumes of refined products shipped from the McKee, Three Rivers and Ardmore refineries; and
- to use our refined product terminals for terminalling services for at least 50% of all refined products shipped from the McKee, Three Rivers and Ardmore refineries.

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

In the event Valero Energy does not transport in our pipelines or use our terminals to handle the minimum volume requirements and if its obligation has not been suspended under the terms of the agreement, Valero Energy will be required to make a cash payment determined by multiplying the shortfall in volume by the applicable weighted average pipeline tariff or terminal fee. For the years ended December 31, 2007, 2005 and 2004, Valero Energy exceeded its obligations under the Pipelines and Terminals Usage Agreement. Additionally, Valero Energy has agreed not to challenge, or cause others to challenge, our interstate or intrastate tariffs for the transportation of crude oil and refined products until at least April 2008.

Crude Oil Storage Tank Agreements

In conjunction with the acquisition of the Crude Oil Storage Tanks in March 2003, we entered into the following agreements with Valero Energy:

- *Handling and Throughput Agreement*, dated March 2003, pursuant to which Valero Energy agreed to pay us a fee for 100% of crude oil and certain other feedstocks delivered to each of the Corpus Christi West refinery, the Texas City refinery and the Benicia refinery and to use our logistic assets for handling all deliveries to these refineries. The throughput fees are adjustable annually, generally based on 75% of the regional consumer price index applicable to the location of each refinery. The initial term of the handling and throughput agreement is ten years, which may be extended by Valero Energy for up to an additional five years.
- *Services and Secondment Agreements*, dated March 2003, pursuant to which Valero Energy agreed to provide personnel to us who perform operating and routine maintenance services related to the crude oil storage tank operations. The annual reimbursement for those services is an aggregate $3.5 million. The initial term of the services and secondment agreements is ten years, which we may extend for an additional five years. In addition to the fees we have agreed to pay Valero Energy under the services and secondment agreements, we are responsible for operating expenses and specified capital expenditures related to the tank assets that are not addressed in the services and secondment agreements. These operating expenses and capital expenditures include tank safety inspections, maintenance and repairs, certain environmental expenses, insurance premiums and ad valorem taxes.

- *Lease and Access Agreements*, dated March 2003, pursuant to which Valero Energy leases to us the land on which the crude oil storage tanks are located for an aggregate amount of $0.7 million per year. The initial term of each lease is 25 years, subject to automatic renewal for successive one-year periods thereafter. We may terminate any of these leases upon 30 days notice after the initial term or at the end of a renewal period. In addition, we may terminate any of these leases upon 180 days notice prior to the expiration of the current term if we cease to operate the crude oil storage tanks or cease business operations.

South Texas Pipelines and Terminals Agreements

In conjunction with the acquisition of the South Texas Pipelines and Terminals in March 2003, we entered into the following agreements with Valero Energy:

- *Terminalling Agreement*, dated March 2003, pursuant to which Valero Energy agreed, during the initial period of five years, to pay a terminalling fee for each barrel of refined product stored or handled by or on behalf of Valero Energy at the terminals, including an additive fee for gasoline additive blended at the terminals. At the Houston Hobby Airport terminal, Valero Energy agreed to pay a filtering fee for each barrel of jet fuel stored or handled at the terminal.
- *Throughput Commitment Agreement*, dated March 2003, pursuant to which Valero Energy agreed, for an initial period of seven years:
  - to transport in the Houston and Valley pipeline systems an aggregate of 40% of the Corpus Christi refineries’ gasoline and distillate production but only if the combined throughput in these pipelines is less than 110,000 barrels per day;
  - to transport in the Pettus to San Antonio refined product pipeline 25% of the Three Rivers refinery gasoline and distillate production and in the Pettus to Corpus Christi refined product pipeline 90% of the Three Rivers refinery raffinate production;
  - to use the Houston asphalt terminal for an aggregate of 7% of the asphalt production of the Corpus Christi refineries;
  - to use the Edinburg refined product terminal for an aggregate of 7% of the gasoline and distillate production of the Corpus Christi refineries, but only if the throughput at this terminal is less than 20,000 barrels per day; and
  - to use the San Antonio East terminal for 75% of the throughput in the Pettus to San Antonio refined product pipeline.

In the event Valero Energy does not transport in our pipelines or use our terminals to handle the minimum volume requirements and if its obligation has not been suspended under the terms of the agreement, Valero Energy will be required to make a cash payment determined by multiplying the shortfall in volume by the applicable weighted average pipeline tariff or terminal fee. Valero Energy’s obligation to transport 90% of the Three Rivers refinery raffinate production in the Pettus to Corpus Christi refined product pipeline was suspended in the fourth quarter of 2005 due to the temporary idling of the pipeline in the fourth quarter of 2005.

St. James Terminalling Agreement

On December 1, 2006, we executed a terminal services agreement with Valero Energy for the St. James, Louisiana crude oil facility (the St. James Terminal Agreement). Pursuant to the St. James Terminal Agreement, we will provide crude oil storage and blending services to Valero Energy for a minimum throughput fee of $1.175 million per month, plus $0.08 per barrel throughput in excess of 4 million barrels per month and $0.03 per barrel blended. The St. James Terminal Agreement has an initial term of five years, with an option to extend for an additional five years, provided that Valero Energy provides notice of its intent to extend the term at least one year prior to the expiration of the initial term.

Corpus Christi North Beach Storage Facility

Effective January 1, 2007, we entered into a one-year terminal service agreement with Valero Energy for the 1.6 million barrels of capacity at our Corpus Christi North Beach storage facility. This agreement automatically renewed from year-to-year until either party elected to terminate upon 90-days written notice. This agreement was terminated on December 31, 2007.

We entered into a five-year shell barrel capacity lease agreement with Valero Energy on January 1, 2008 for the 1.6 million barrels of capacity at our Corpus Christi North Beach storage facility for $0.56 million per month. This lease automatically renews for additional one-year terms after the initial term unless either party terminates it with a 90-day written notice. Pursuant to this agreement, Valero Energy has agreed to maintain an annual average throughput of at least 70,000 barrels per day. In the event Valero Energy does not maintain the minimum guaranteed annual volume, Valero Energy will be required to make a cash payment determined by multiplying the shortfall in volume by a per barrel rate.

Other Agreements

We have other minor storage and throughput contracts with Valero Energy.

Environmental, Health and Safety

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, among others. 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.

The balance of and changes in our accruals for environmental matters as of and for the years ended December 31, 2007, 2006 and 2005 are included in Note 11 of Notes to Consolidated Financial Statements in Item 8. “Financial Statements and Supplemental Data.” We believe that we have adequately accrued for our environmental exposures.

Other Contingencies

We are subject to certain loss contingencies, the outcome of which could have an effect on our cash flows and results of operations. Specifically, we may be required to make substantial payments to the U.S. Department of Justice for certain remediation costs as further disclosed in Note 12 of the Notes to Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in accordance with United States generally accepted accounting principles requires management to select accounting policies and to make estimates and assumptions related thereto that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The accounting policies below are considered critical due to judgments made by management and the sensitivity of these estimates to deviations of actual results from management’s assumptions. The critical accounting policies should be read in conjunction with Note 2 of Notes to the Consolidated Financial Statements in Item 8. “Financial Statements and Supplemental Data,” which summarizes our significant accounting policies.

Depreciation

We calculate depreciation expense using the straight-line method over the estimated useful lives of our property and equipment. Because of the expected long useful lives of the property and equipment, we depreciate our property and equipment over periods ranging from 10 years to 40 years. Changes in the estimated useful lives of the property and equipment could have a material adverse effect on our results of operations.

Impairment of Long-Lived Assets and Goodwill

We test long-lived assets for recoverability whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Goodwill must be tested for impairment annually or more frequently if events or changes in circumstances indicate that the related asset might be impaired. An impairment loss should be recognized only if the carrying amount of the asset/goodwill is not recoverable and exceeds its fair value.

In order to test for recoverability, management must make estimates of projected cash flows related to the asset which include, but are not limited to, assumptions about the use or disposition of the asset, estimated remaining life of the asset, and future expenditures necessary to maintain the asset’s existing service potential. In order to determine fair value, management must make certain estimates and assumptions including, among other things, an assessment of market conditions, projected cash flows, investment rates, interest/equity rates and growth rates, that could significantly impact the fair value of the long-lived asset or goodwill. Due to the subjectivity of the assumptions used to test for recoverability and to determine fair value, significant impairment charges could result in the future, thus affecting our future reported net income.

Asset Retirement Obligations

We record a liability, which is referred to as an asset retirement obligation, at fair value for the estimated cost to retire a tangible long-lived asset at the time we incur that liability, which is generally when the asset is purchased, constructed or leased. We record a liability for asset retirement obligations when we have a legal obligation to incur costs to retire the asset and when a reasonable estimate of the fair value of the obligation can be made. If a reasonable estimate cannot be made at the time the liability is incurred, we record the liability when sufficient information is available to estimate the fair value.

We have asset retirement obligations with respect to certain of our assets due to various legal obligations to clean and/or dispose of those assets at the time they are retired. However, these assets can be used for extended and indeterminate period of time as long as they are properly maintained and/or upgraded. It is our practice and current intent to maintain our assets and continue making improvements to those assets based on technological advances. As a result, we believe that our assets have indeterminate lives for purposes of estimating asset retirement obligations because dates or ranges of dates upon which we would retire these assets cannot reasonably be estimated at this time. When a date or range of dates can reasonably be estimated for the retirement of any asset, we estimate the cost of performing the retirement activities and record a liability for the fair value of that cost using established present value techniques.

We also have legal obligations in the form of leases and right of way agreements, which require us to remove certain of our assets upon termination of the agreement. However, these lease or right of way agreements generally contain automatic renewal provisions that extend our rights indefinitely or we have other legal means available to extend our rights. We have recorded a liability of approximately $0.8 million and $2.0 million as of December 31, 2007 and 2006, respectively, which is included in other long-term liabilities on the consolidated balance sheet, for conditional asset retirement obligations related to the retirement of terminal assets with lease and right of way agreements. Prior to 2006, we had not recorded a liability for asset retirement obligations.

Environmental Reserve

Environmental remediation costs are expensed and an associated accrual established when site restoration and environmental remediation and cleanup obligations are either known or considered probable and can be reasonably estimated. Accrued liabilities are based on estimates of probable undiscounted future costs over a 20-year time period using currently available technology and applying current regulations, as well as our own internal environmental policies. The environmental liabilities have not been reduced by possible recoveries from third parties. Environmental costs include initial site surveys, costs for remediation and restoration and ongoing monitoring costs, as well as fines, damages and other costs, when estimable. Adjustments to initial estimates are recorded, from time to time, to reflect changing circumstances and estimates based upon additional information developed in subsequent periods. We believe that we have adequately accrued for our environmental exposures.

Contingencies

We accrue for costs relating to litigation, claims and other contingent matters, including tax contingencies, when such liabilities become probable and reasonably estimable. Such estimates may be based on advice from third parties or on management's judgment, as appropriate. Actual amounts paid may differ from amounts estimated, and such differences will be charged to income in the period when final determination is made.

Derivative Financial Instruments

We are party to certain interest rate swap agreements for the purpose of hedging the interest rate risk associated with a portion of our fixed-rate senior notes. We account for the interest rate swaps as fair value hedges and recognize the fair value of each interest rate swap in the consolidated balance sheet as either an asset or liability. The interest rate swap contracts qualify for the shortcut method of accounting prescribed by SFAS 133. As a result, changes in the fair value of the derivatives will completely offset the changes in the fair value of the underlying hedged debt.

Since the operations of our marketing segment expose us to commodity price risk, we enter into derivatives instruments to mitigate the effect of commodity price fluctuations. The derivative instruments we use consist primarily of futures contracts and swaps traded on the NYMEX.

Derivative instruments designated and qualifying as fair value hedges under Statement of Financial Accounting Standards No. 133 (SFAS 133) (Fair Value Hedges) are recorded in the consolidated balance sheet at fair value with mark-to-market

adjustments recorded in cost of sales. The offsetting gain or loss on the associated hedged physical inventory is recognized concurrently in cost of sales. We record derivative instruments that do not qualify for hedge accounting under SFAS 133 (Economic Hedges) in the consolidated balance sheet at fair value with mark-to-market adjustments recorded in cost of sales. The market fluctuations in inventory are not recognized until the physical sale takes place. Fair value is based on quoted market prices.

On a limited basis, we also enter into derivative commodity instruments based on our analysis of market conditions in order to profit from market fluctuations. These derivative instruments are financial positions entered into without underlying physical inventory and are not considered hedges. We record these derivatives in the consolidated balance sheet at fair value with mark-to-market adjustments recorded in revenues.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We manage our debt considering various financing alternatives available in the market and we manage our exposure to changing interest rates principally through the use of a combination of fixed-rate debt and variable-rate debt. In addition, we utilize interest rate swap agreements to manage a portion of the exposure to changing interest rates by converting certain fixed-rate debt to variable-rate debt. Borrowings under the 2007 Revolving Credit Agreement expose us to increases in the benchmark interest rate underlying these variable rate debt instruments.

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. Weighted-average variable rates are based on implied forward interest rates in the yield curve at the reporting date.

	December 31, 2007							
	Expected Maturity Dates							
	2008	2009	2010	2011	2012	Thereafter	Total	Fair Value
	(Thousands of Dollars, Except Interest Rates)							
Long-term Debt:								
Fixed rate	$663	$713	$770	$832	$392,527	$482,163	$877,668	$927,234
Average interest rate	8.0%	8.0%	8.0%	8.0%	7.4%	6.0%	6.6%	
Variable rate	$—	$—	$—	$—	$527,976	$ —	$527,976	$527,976
Average interest rate	—	—	—	—	5.7%	—	5.7%	
Interest Rate Swaps Fixed to Variable:								
Notional amount	$—	$—	$—	$—	$ 60,000	$107,500	$167,500	$ 2,232
Average pay rate	5.3%	5.6%	6.1%	6.4%	6.7%	6.5%	6.1%	
Average receive rate	6.3%	6.3%	6.3%	6.3%	6.3%	6.1%	6.3%	

	December 31, 2006							
	Expected Maturity Dates							
	2007	2008	2009	2010	2011	Thereafter	Total	Fair Value
	(Thousands of Dollars, Except Interest Rates)							
Long-term Debt:								
Fixed rate	$647	$660	$713	$770	$ 41,950	$854,049	$898,789	$939,191
Average interest rate	8.0%	8.0%	8.0%	8.0%	6.7%	6.6%	6.6%	
Variable rate	$—	$—	$—	$—	$415,526	$ —	$415,526	$415,526
Average interest rate	—	—	—	—	6.1%	—	6.1%	
Interest Rate Swaps Fixed to Variable:								
Notional amount	$—	$—	$—	$—	$ —	$167,500	$167,500	$ (4,908)
Average pay rate	7.0%	6.7%	6.7%	6.8%	6.9%	6.8%	6.8%	
Average receive rate	6.3%	6.3%	6.3%	6.3%	6.3%	6.2%	6.3%	

Commodity Price Risk

Since the operations of our marketing segment expose us to commodity price risk, we enter into derivative instruments to mitigate the effect of commodity price fluctuations. The derivative instruments we use consist primarily of futures contracts and swaps traded on the NYMEX.

We have a risk management group that has direct oversight responsibilities for our risk policies and our trading controls and procedures and certain aspects of risk management. Our risk management group also approves all new risk management strategies through a formal process.

Derivative instruments designated and qualifying as fair value hedges under Statement of Financial Accounting Standards No. 133 (SFAS 133) (Fair Value Hedges) are recorded in the consolidated balance sheet at fair value with mark-to-market adjustments recorded in cost of sales. The offsetting gain or loss on the associated hedged physical inventory is recognized concurrently in cost of sales. We record derivative instruments that do not qualify for hedge accounting under SFAS 133 (Economic Hedges) in the consolidated balance sheet at fair value with mark-to-market adjustments recorded in cost of sales. The market fluctuations in inventory are not recognized until the physical sale takes place. Fair value is based on quoted market prices.

On a limited basis, we also enter into derivative commodity instruments based on our analysis of market conditions in order to profit from market fluctuations. These derivative instruments are financial positions entered into without underlying physical inventory and are not considered hedges. We record these derivatives in the consolidated balance sheet at fair value with mark-to-market adjustments recorded in revenues.

The following table provides information about our derivative instruments:

	December 31, 2007			
		Weighted Average		
	Contract Volumes (Thousands of Barrels)	Pay Price	Receive Price	Fair Value of Current Asset (Liability) (Thousands of Dollars)
Fair Value Hedges:				
Futures – long:				
(refined products)	68	$104.26	N/A	$ 460
Futures – short:				
(refined products)	287	N/A	$ 103.78	(1,942)
Economic Hedges:				
Futures – long:				
(refined products)	60	$104.44	N/A	392
Futures – short:				
(crude oil and refined products)	459	N/A	$ 99.01	(3,001)
Total fair value of open positions				$ (4,091)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our management assessed the effectiveness of NuStar Energy L.P's internal control over financial reporting as of December 31, 2007. In its evaluation, management used the criteria set forth by the Committee of Sponsoring Organization of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on this assessment, management believes that, as of December 31, 2007, our internal control over financial reporting was effective based on those criteria.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The effectiveness of internal control over financial reporting as of December 31, 2007 has been audited by KPMG, the independent registered public accounting firm who audited our consolidated financial statements included in this Form 10-K. KPMG's attestation on the effectiveness of our internal control over financial reporting appears on page 68.

Report of Independent Registered Public Accounting Firm

The Board of Directors of NuStar GP, LLC
and Unitholders of NuStar Energy L.P.:

We have audited the accompanying consolidated balance sheets of NuStar Energy L.P. and subsidiaries (a Delaware limited partnership) (the Partnership) as of December 31, 2007 and 2006, and the related consolidated statements of income, partners' equity and cash flows for each of the years in the three-year period ended December 31, 2007. These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NuStar Energy L.P. and subsidiaries as of December 31, 2007 and 2006, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), NuStar Energy L.P.'s internal control over financial reporting as of December 31, 2007, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2008 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

San Antonio, Texas
February 28, 2008

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Report of Independent Registered Public Accounting Firm

The Board of Directors of NuStar GP, LLC
and Unitholders of NuStar Energy L.P.:

We have audited NuStar Energy L.P. and subsidiaries (a Delaware limited partnership) (the Partnership) internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Partnership's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Partnership's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, NuStar Energy L.P. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of NuStar Energy L.P. as of December 31, 2007 and 2006, and the related consolidated statements of operations, partners' equity and cash flows for each of the years in the three-year period ended December 31, 2007, and our report dated February 28, 2008 expressed an unqualified opinion on those consolidated financial statements.

/S/ KPMG LLP

San Antonio, Texas
February 28, 2008

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

	December 31, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	$ 89,838	$ 68,838
Accounts receivable, net of allowance for doubtful accounts of $365 and $1,220 as of December 31, 2007 and 2006, respectively	130,354	105,976
Receivable from related party	786	—
Inventories	88,532	16,979
Other current assets	37,624	21,205
Total current assets	347,134	212,998
Property and equipment, at cost	2,944,116	2,694,358
Accumulated depreciation and amortization	(452,030)	(349,223)
Property and equipment, net	2,492,086	2,345,135
Intangible assets, net	47,762	53,532
Goodwill	785,019	774,441
Investment in joint ventures	80,366	74,077
Deferred income tax asset	10,622	11,342
Deferred charges and other assets, net	20,098	22,683
Total assets	$3,783,087	$3,494,208
Liabilities and Partners' Equity		
Current liabilities:		
Current portion of long-term debt	$ 663	$ 647
Payable to related party	—	2,315
Accounts payable	163,309	86,307
Accrued interest payable	17,725	17,528
Accrued liabilities	47,189	37,651
Taxes other than income taxes	10,157	10,219
Income taxes payable	3,442	2,068
Total current liabilities	242,485	156,735
Long-term debt, less current portion	1,445,626	1,353,720
Long-term payable to related party	5,684	5,749
Deferred income tax liability	34,196	32,926
Other long-term liabilities	60,264	69,397
Commitments and contingencies (Note 12)		
Partners' equity:		
Limited partners (49,409,749 and 46,809,749 common units outstanding as of December 31, 2007 and 2006, respectively)	1,926,126	1,830,047
General partner	41,819	38,815
Accumulated other comprehensive income	26,887	6,819
Total partners' equity	1,994,832	1,875,681
Total liabilities and partners' equity	$3,783,087	$3,494,208

See Notes to Consolidated Financial Statements.

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NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Thousands of Dollars, Except Unit and Per Unit Data)

	Year Ended December 31,		
	2007	2006	2005
Revenues:			
Services revenues:			
Third parties	$ 696,623	$ 375,174	$ 190,439
Related party	—	260,980	232,618
Total services revenues	696,623	636,154	423,057
Product sales	778,391	501,107	236,500
Total revenues	1,475,014	1,137,261	659,557
Costs and expenses:			
Cost of product sales	742,972	466,276	229,806
Operating expenses:			
Third parties	264,024	218,017	126,280
Related party	93,211	94,587	59,071
Total operating expenses	357,235	312,604	185,351
General and administrative expenses:			
Third parties	30,213	13,033	7,197
Related party	37,702	32,183	19,356
Total general and administrative expenses	67,915	45,216	26,553
Depreciation and amortization expense	114,293	100,266	64,895
Total costs and expenses	1,282,415	924,362	506,605
Operating income	192,599	212,899	152,952
Equity earnings from joint ventures	6,833	5,882	2,319
Interest expense, net	(76,516)	(66,266)	(41,388)
Other income (expense), net	38,830	3,252	(1,495)
Income from continuing operations before income tax expense	161,746	155,767	112,388
Income tax expense	11,448	5,861	4,713
Income from continuing operations	150,298	149,906	107,675
Income (loss) from discontinued operations, net of income tax	—	(376)	3,398
Net income	150,298	149,530	111,073
Less net income applicable to general partner	(21,063)	(16,910)	(10,758)
Net income applicable to limited partners	$ 129,235	$ 132,620	$ 100,315
Income (loss) per unit applicable to limited partners:			
Continuing operations	$ 2.74	$ 2.84	$ 2.76
Discontinued operations	—	(0.01)	0.10
Net income	$ 2.74	$ 2.83	$ 2.86
Weighted average number of basic units outstanding	47,158,790	46,809,749	35,023,250

See Notes to Consolidated Financial Statements.

NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands of Dollars)

	Year Ended December 31,		
	2007	2006	2005
Cash Flows from Operating Activities:			
Net income	$ 150,298	$ 149,530	$ 111,073
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	114,293	100,266	66,667
Amortization of debt related items	(5,516)	(5,210)	(2,669)
Other non-cash gains	(8,356)	(388)	2,161
Provision (benefit) for deferred income taxes	276	(74)	4,283
Equity earnings from joint ventures	(6,833)	(5,969)	(2,499)
Distributions of equity earnings from joint ventures	544	5,155	2,499
Changes in current assets and liabilities (Note 17)	(21,326)	10,695	64
Other, net	(708)	(3,194)	4,851
Net cash provided by operating activities	222,672	250,811	186,430
Cash Flows from Investing Activities:			
Reliability capital expenditures	(40,333)	(33,952)	(23,707)
Strategic and other capital expenditures	(210,918)	(90,070)	(44,379)
Kaneb acquisition, net of cash acquired	—	—	(500,973)
Other acquisitions	—	(154,474)	—
Investment in other noncurrent assets	(62)	(10,820)	(3,319)
Proceeds from sale of Held Separate Businesses, net	—	—	454,109
Proceeds from dispositions of other assets	12,667	71,396	26,836
Proceeds from insurance settlement	250	3,661	—
Distributions in excess of equity earnings from joint ventures	—	113	2,433
Other, net	—	912	—
Net cash used in investing activities	(238,396)	(213,234)	(89,000)
Cash Flows from Financing Activities:			
Proceeds from issuance of common units, net of issuance costs	143,083	—	—
Proceeds from long-term debt borrowings, net of issuance costs	1,170,302	269,026	746,472
Long-term debt repayments	(1,077,975)	(83,510)	(735,064)
Proceeds from notes payable	75,000	—	—
Repayments of notes payable	(82,353)	—	—
Distributions to unitholders and general partner	(197,333)	(183,290)	(127,789)
Contributions from general partner	3,035	575	29,197
Increase (decrease) in cash book overdrafts	3,676	(6,305)	10,006
Other, net	(375)	(395)	—
Net cash provided by (used in) financing activities	37,060	(3,899)	(77,178)
Effect of foreign exchange rate changes on cash	(336)	(894)	(345)
Net increase in cash and cash equivalents	21,000	32,784	19,907
Cash and cash equivalents as of the beginning of year	68,838	36,054	16,147
Cash and cash equivalents as of the end of year	$ 89,838	$ 68,838	$ 36,054

See Notes to Consolidated Financial Statements.

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NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY
Years Ended December 31, 2007, 2006 and 2005
(Thousands of Dollars, Except Unit Data)

	Limited Partners				General Partner	Accumulated Other Comprehensive Income (Loss)	Total Partners' Equity
	Common		Subordinated				
	Units	Amount	Units	Amount			
Balance as of January 1, 2005	13,442,072	$ 310,537	9,599,322	$ 117,968	$ 9,836	$ (30)	$ 438,311
Net income	—	72,383	—	27,932	10,758	—	111,073
Other comprehensive loss – foreign currency translation	—	—	—	—	—	(1,238)	(1,238)
Total comprehensive income	—	72,383	—	27,932	10,758	(1,238)	109,835
Cash distributions to partners	—	(85,138)	—	(31,773)	(10,878)	—	(127,789)
Exchange of common units for all common units of KPP and related general partner interest contributions	23,768,355	1,451,225	—	—	29,197	—	1,480,422
Balance as of December 31, 2005	37,210,427	1,749,007	9,599,322	114,127	38,913	(1,268)	1,900,779
Net income	—	123,180	—	9,440	16,910	—	149,530
Other comprehensive income – foreign currency translation	—	—	—	—	—	8,087	8,087
Total comprehensive income	—	123,180	—	9,440	16,910	8,087	157,617
Cash distributions to partners	—	(149,004)	—	(16,703)	(17,583)	—	(183,290)
General partner contribution	—	—	—	—	575	—	575
Conversion of subordinated units to common units on May 8, 2006	9,599,322	106,864	(9,599,322)	(106,864)	—	—	—
Balance as of December 31, 2006	46,809,749	1,830,047	—	—	38,815	6,819	1,875,681
Net income	—	129,235	—	—	21,063	—	150,298
Other comprehensive income – foreign currency translation	—	—	—	—	—	20,068	20,068
Total comprehensive income	—	129,235	—	—	21,063	20,068	170,366
Cash distributions to partners	—	(176,239)	—	—	(21,094)	—	(197,333)
Issuance of 2,600,000 common units in November 2007 and related general partner interest contribution	2,600,000	143,083	—	—	3,035	—	146,118
Balance as of December 31, 2007	49,409,749	$1,926,126	—	$ —	$ 41,819	$ 26,887	$1,994,832

See Notes to Consolidated Financial Statements.

NUSTAR ENERGY L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2007, 2006 and 2005

1. ORGANIZATION AND OPERATIONS

Organization

NuStar Energy L.P. (NYSE: NS), formerly Valero L.P., is engaged in the crude oil and refined product transportation, terminalling and storage business in the United States, the Netherland Antilles, Canada, Mexico, the Netherlands and the United Kingdom. NuStar Energy L.P. also purchases certain petroleum products for resale to third parties. As used in this report, references to "we," "us," "our" or "the Partnership" collectively refer, depending on the context, to NuStar Energy L.P. or a wholly owned subsidiary of NuStar Energy L.P.

NuStar GP Holdings, LLC (NuStar GP Holdings) (NYSE: NSH) is our general partner, which is represented by a 2% general partner interest. NuStar GP Holdings, through various wholly owned subsidiaries, also owns limited partner units, resulting in a combined ownership of 22.3% of our partnership interests. The remaining 77.7% limited partnership interests are held by public unitholders.

NuStar GP Holdings, a publicly held Delaware limited liability company, was formed in June 2000 as UDS Logistics. Valero Energy Corporation (Valero Energy) (NYSE: VLO), a publicly held independent refining and marketing company, acquired UDS Logistics in connection with its December 31, 2001 acquisition (UDS Acquisition) of Ultramar Diamond Shamrock Corporation (UDS). UDS Logistics changed its name to Valero GP Holdings in January 2006. In two separate public offerings in 2006, Valero Energy sold 100% of their ownership interests in NuStar GP Holdings. In April 2007, Valero GP Holdings changed its name to NuStar GP Holdings, and we changed our name to NuStar Energy L.P. (NuStar Energy).

Operations

Our operations are managed by NuStar GP, LLC, formerly Valero GP, LLC, the general partner of Riverwalk Logistics, L.P., and a wholly owned subsidiary of NuStar GP Holdings.

We conduct our operations through our subsidiaries, primarily NuStar Logistics, L.P., formerly Valero Logistics Operations, L.P. (NuStar Logistics), and Kaneb Pipe Line Operating Partnership, L.P. (KPOP). During the fourth quarter of 2007, we revised the manner in which we internally evaluate our segment performance and made certain organizational changes. As a result, we changed the way we report our segmental results such that all product sales and related costs are included in the marketing segment. Previous periods have been restated to conform to this presentation. We have five business segments: refined product terminals, refined product pipelines, crude oil pipelines, crude oil storage tanks and marketing. As of December 31, 2007, our assets included:

- 61 refined product terminal facilities in the United States, the Netherlands Antilles, Canada, Mexico, the Netherlands and the United Kingdom providing approximately 58.5 million barrels of storage capacity and one crude oil terminal facility providing approximately 3.4 million barrels of storage capacity;
- 8,251 miles of refined product pipelines, including approximately 2,000 miles of anhydrous ammonia pipelines, with 21 associated terminals providing storage capacity of 4.6 million barrels and two tank farms providing storage capacity of 1.2 million barrels;
- 812 miles of crude oil pipelines with 11 associated storage tanks providing storage capacity of 1.7 million barrels; and
- 60 crude oil storage tanks providing storage capacity of 12.5 million barrels.

On November 6, 2007, we entered into a definitive agreement to acquire CITGO Asphalt Refining Company's asphalt operations and assets (East Coast Asphalt Operations) for approximately $450.0 million, plus an inventory adjustment. The East Coast Asphalt Operations include a 74,000 barrels-per-day (BPD) asphalt refinery in Paulsboro, New Jersey, a 30,000 BPD asphalt refinery in Savannah, Georgia and three asphalt terminals on the East Coast with a combined storage capacity of 4.8 million barrels.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The accompanying consolidated financial statements represent the consolidated operations of the Partnership and our controlled subsidiaries. Inter-partnership balances and transactions have been eliminated in consolidation. The operations of certain crude oil, refined product pipelines and refined product terminals in which we own an undivided interest, are proportionately consolidated in the accompanying consolidated financial statements. Investments in 50% or less owned entities are accounted for using the equity method of accounting.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. On an ongoing basis, management reviews their estimates based on currently available information. Changes in facts and circumstances may result in revised estimates.

Cash and Cash Equivalents

Cash equivalents are all highly liquid investments with an original maturity of three months or less when acquired.

Accounts Receivable

Accounts receivable represent valid claims against non-affiliated customers for products sold or services rendered. We extend credit terms to certain customers after review of various credit indicators, including the customer’s credit rating. Outstanding customer receivable balances are regularly reviewed for possible non-payment indicators and allowances for doubtful accounts are recorded based upon management’s estimate of collectability at the time of their review.

Inventories

Inventories consist of petroleum products purchased for resale and are valued at the lower of cost or market. Cost is determined using the weighted-average cost method.

Property and Equipment

Additions to property and equipment, including reliability and expansion capital expenditures and capitalized interest, are recorded at cost.

Reliability capital expenditures represent capital expenditures to replace partially or fully depreciated assets to maintain the existing operating capacity of existing assets and extend their useful lives. Strategic capital expenditures represent capital expenditures to expand or upgrade the operating capacity, increase efficiency or increase the earnings potential of existing assets, whether through construction or acquisition. Repair and maintenance costs associated with existing assets that are minor in nature and do not extend the useful life of existing assets are charged to operating expenses as incurred.

Depreciation of property and equipment is recorded on a straight-line basis over the estimated useful lives of the related assets. Gains or losses on sales or other dispositions of property are recorded in income and are reported in “Other income (expense), net” in the consolidated statements of income. When property or equipment is retired or otherwise disposed of, the difference between the carrying value and the net proceeds is recognized as gain or loss in the consolidated statement of income in the year retired.

NUSTAR ENERGY L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Goodwill and Intangible Assets

Goodwill represents the excess of cost of an acquired entity over the fair value of net assets acquired less liabilities assumed. Intangible assets are assets that lack physical substance (excluding financial assets). Goodwill acquired in a business combination is not amortized. Intangible assets with finite useful lives are amortized on a straight-line basis over five to 47 years. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate the asset might be impaired. We use October 1 of each year as our annual valuation date for the impairment test. Based on the results of the impairment tests performed as of October 1, 2007, 2006 and 2005, no impairment had occurred.

Investment in Joint Ventures

Skelly-Belvieu Pipeline Company, LLC. Formed in 1993, the Skelly-Belvieu Pipeline Company, LLC (Skelly-Belvieu) owns a liquefied petroleum gas pipeline that begins in Skellytown, Texas and extends to Mont Belvieu, Texas near Houston. Skelly-Belvieu is owned 50% by the Partnership and 50% by ConocoPhillips. We account for this investment under the equity method of accounting.

ST Linden Terminals, LLC. Formed in 1998, the 44-acre facility provides us with deep-water terminalling capabilities at New York Harbor and primarily stores petroleum products, including gasoline, jet fuel and fuel oils. ST Linden Terminals, LLC (Linden) is owned 50% by the Partnership and 50% by NIC Holding Corp. We account for this investment under the equity method of accounting.

Deferred Charges and Other Assets

"Deferred charges and other assets, net" primarily include the following:

- deferred financing costs amortized over the life of the related debt obligation using the effective interest method;
- deferred costs incurred in connection with acquiring a customer contract, which is amortized over the life of the contract;
- deferred dry-docking costs incurred in connection with major maintenance activities on our marine vessels, which are amortized over the period of time estimated to lapse until the next dry-docking occurs; and
- the fair value of our interest rate swap agreements.

Impairment of Long-Lived Assets

Long-lived assets, including property and equipment and investment in joint ventures, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The evaluation of recoverability is performed using undiscounted estimated net cash flows generated by the related asset. If an asset is deemed to be impaired, the amount of impairment is determined as the amount by which the net carrying value exceeds discounted estimated net cash flows. We believe that the carrying amounts of our long-lived assets as of December 31, 2007 are recoverable.

Taxes Other than Income Taxes

Taxes other than income taxes include primarily liabilities for ad valorem taxes, franchise taxes, and value added taxes.

Income Taxes

We are a limited partnership and generally are not subject to federal or state income taxes. Accordingly, the taxable income or loss of the Partnership, which may vary substantially from income or loss reported for financial reporting purposes, is generally included in the federal and state income tax returns of the individual partners. For transfers of publicly held units subsequent to our initial public offering, we have made an election permitted by Section 754 of the Internal Revenue Code to adjust the common unit purchaser's tax basis in our underlying assets to reflect the purchase price of the units. This results in an allocation of taxable income and expenses to the purchaser of the common units, including depreciation deductions and gains and losses on sales of assets, based upon the new unitholder's purchase price for the common units.

We conduct certain of our operations through taxable wholly owned corporate subsidiaries. Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred taxes are measured using enacted tax rates expected to apply to taxable income in the year those temporary differences are expected to be recovered or settled.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" (FIN 48). FIN 48 clarifies the accounting for uncertain income tax positions recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes," by defining a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In accordance with FIN 48, we recognize a tax position if it is more-likely-than-not that the tax position will be sustained, based on the technical merits of the position, upon examination. We record uncertain tax positions in the financial statements at the largest amount of benefit that is more-likely-than-not to be realized. We adopted FIN 48 effective January 1, 2007, which did not affect our financial position or results of operations. We had no unrecognized tax benefits as of January 1, 2007 or December 31, 2007.

NuStar Energy or certain of its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. For U.S. federal and state purposes, tax years subject to examination are 2003 through 2007 and for our major non-U.S. jurisdictions, tax years subject to examination are 2001 through 2007.

Asset Retirement Obligations

We record a liability, which is referred to as an asset retirement obligation, at fair value for the estimated cost to retire a tangible long-lived asset at the time we incur that liability, which is generally when the asset is purchased, constructed or leased. We record a liability for asset retirement obligations when we have a legal obligation to incur costs to retire the asset and when a reasonable estimate of the fair value of the obligation can be made. If a reasonable estimate cannot be made at the time the liability is incurred, we record the liability when sufficient information is available to estimate the fair value.

We have asset retirement obligations with respect to certain of our assets due to various legal obligations to clean and/or dispose of those assets at the time they are retired. However, these assets can be used for extended and indeterminate period of time as long as they are properly maintained and/or upgraded. It is our practice and current intent to maintain our assets and continue making improvements to those assets based on technological advances. As a result, we believe that our assets have indeterminate lives for purposes of estimating asset retirement obligations because dates or ranges of dates upon which we would retire these assets cannot reasonably be estimated at this time. When a date or range of dates can reasonably be estimated for the retirement of any asset, we estimate the cost of performing the retirement activities and record a liability for the fair value of that cost using established present value techniques.

We also have legal obligations in the form of leases and right of way agreements, which require us to remove certain of our assets upon termination of the agreement. However, these lease or right of way agreements generally contain automatic renewal provisions that extend our rights indefinitely or we have other legal means available to extend our rights. We have recorded a liability of approximately $0.8 million and $2.0 million as of December 31, 2007 and 2006, respectively, which is included in "Other long-term liabilities" on the consolidated balance sheet, for conditional asset retirement obligations related to the retirement of terminal assets with lease and right of way agreements.

Environmental Remediation Costs

Environmental remediation costs are expensed and an associated accrual established when site restoration and environmental remediation and cleanup obligations are either known or considered probable and can be reasonably estimated. These environmental obligations are based on estimates of probable undiscounted future costs over a 20-year time period using currently available technology and applying current regulations, as well as our own internal environmental policies. The environmental liabilities have not been reduced by possible recoveries from third parties. Environmental costs include initial site surveys, costs for remediation and restoration and ongoing monitoring costs, as well as fines, damages and other costs, when estimable. Adjustments to initial estimates are recorded, from time to time, to reflect changing circumstances and estimates based upon additional information developed in subsequent periods.

NUSTAR ENERGY L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Product Imbalances

Product imbalances occur when customers deliver more or less refined product volumes into our pipelines than they are entitled to receive. We value assets and liabilities related to product imbalances at current market prices. Product imbalance liabilities are included in "Accrued liabilities" on the consolidated balance sheet (see Note 9). Included in "Other current assets" are $13.6 million and $9.9 million of product imbalance assets as of December 31, 2007 and 2006, respectively.

Revenue Recognition

Revenues for the refined product terminals segment include fees for tank storage agreements, whereby a customer agrees to pay for a certain amount of storage in a tank over a period of time (storage lease revenues), and throughput agreements, whereby a customer pays a fee per barrel for volumes moving through our terminals (throughput revenues). Our terminals also provide blending, handling and filtering services. Our facilities at Point Tupper and St. Eustatius also charge fees to provide ancillary services such as pilotage, tug assistance, line handling, launch service, emergency response services and other ship services. Storage lease revenues are recognized when services are provided to the customer. Throughput revenues (based on a terminalling fee) are recognized as refined products are delivered out of our terminal. Revenues for ancillary services are recognized as those services are provided.

Revenues for the refined product and crude oil pipelines segments are derived from interstate and intrastate pipeline transportation of refined product and crude oil. Transportation revenues (based on pipeline tariffs) are recognized as refined products or crude oil is delivered out of the pipelines.

Crude oil storage tank revenues are recognized as crude oil and certain other refinery feedstocks are received by the related refinery.

Revenues from the sale of petroleum products, which are included in our marketing segment, are recognized when product is delivered to the customer and title and risk pass to the customer. Additionally, the revenues of our marketing segment include the mark-to-market impact of certain derivative instruments that are part of our limited trading program.

In June 2006, the FASB ratified its consensus on EITF Issue No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement" (EITF No. 06-3). EITF 06-3 includes any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer and may include sales, use, value added, and some excise taxes. These taxes should be presented on either a gross or a net basis, and if reported on a gross basis, a company should disclose amounts of those taxes in interim and annual financial statements for each period for which an income statement is presented. We present taxes on a net basis in our consolidated financial statements.

Income Allocation

Our net income for each quarterly reporting period is first allocated to the general partner in an amount equal to the general partner's incentive distribution calculated based upon the declared distribution for the respective reporting period. The remaining net income is allocated among the limited and general partners in accordance with their respective 98% and 2% interests.

Net Income per Unit Applicable to Limited Partners

We have identified the general partner and the subordinated units as participating securities and use the two-class method when calculating the 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. The amount of net income per unit allocated to subordinated units was equal to the amount allocated to the common units for the periods prior to the conversion of the subordinated units into common units in May 2006.

NUSTAR ENERGY L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Comprehensive Income

Comprehensive income consists of net income and other gains and losses affecting partners' equity that, under United States generally accepted accounting principles, are excluded from net income, such as foreign currency translation adjustments.

Derivative Financial Instruments

We are a party to certain interest rate swap agreements for the purpose of hedging the interest rate risk associated with a portion of our fixed-rate senior notes. We account for the interest rate swaps as fair value hedges and recognize the fair value of each interest rate swap in the consolidated balance sheet as either an asset or liability. The interest rate swap contracts qualify for the shortcut method of accounting prescribed by SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended (SFAS 133). As a result, changes in the fair value of the derivatives will completely offset the changes in the fair value of the underlying hedged debt.

Since the operations of our marketing segment expose us to commodity price risk, we enter into derivative instruments to mitigate the effect of commodity price fluctuations. The derivative instruments we use consist primarily of futures contracts and swaps traded on the NYMEX.

Derivative instruments designated and qualifying as fair value hedges under Statement of Financial Accounting Standards No. 133 (SFAS 133) are recorded in the consolidated balance sheet as assets or liabilities at fair value with mark-to-market adjustments recorded in "Cost of product sales." The offsetting gain or loss on the associated hedged physical inventory is recognized concurrently in "Cost of product sales." We record derivative instruments that do not qualify for hedge accounting under SFAS 133 in the consolidated balance sheet as assets or liabilities at fair value with mark-to-market adjustments recorded in "Cost of product sales." Fair value is based on quoted market prices.

On a limited basis, we also enter into derivative commodity instruments based on our analysis of market conditions in order to profit from market fluctuations. These derivative instruments are financial positions entered into without underlying physical inventory and are not considered hedges. We record these derivatives in the consolidated balance sheet as assets or liabilities at fair value with mark-to-market adjustments recorded in "Revenues."

Operating Leases

We recognize rent expense on a straight-line basis over the lease term, including the impact of both scheduled rent increases and free or reduced rents (commonly referred to as "rent holidays").

Stock-based Compensation

NuStar GP, LLC has adopted various long-term incentive plans, which provide employees and directors of NuStar GP, LLC providing services to NuStar Energy, with the right to receive NS common units. NuStar GP, LLC accounts for awards of NS unit options and restricted units at fair value in accordance with Emerging Issues Task Force Issue No. 02-08, "Accounting for Options Granted to Employee in Unrestricted, Publicly Traded Shares of an Unrelated Entity" (EITF 02-08). EITF 02-08 requires a company that grants its employees equity of an unrelated entity to account for such awards as a derivative, whereby a liability for the award is recorded at inception. Subsequent changes in the fair value of the award are included in the determination of net income. The fair value of NS unit options is determined using the Black-Scholes model at each reporting date. The fair value of NS restricted units equals the market price of NS common units at each reporting date. NuStar GP, LLC records compensation expense each reporting period such that the cumulative compensation expense recorded equals the current fair value and considering the percentage of the award that has vested. NuStar GP, LLC records compensation expense related to NS unit options until such options are exercised, and compensation expense related to NS restricted units until the date of vesting.

NuStar GP Holdings has adopted a long-term incentive plan that provides employees, consultants and directors of NuStar GP Holdings and its affiliates with rights to receive NuStar GP Holdings common units under specified conditions. NuStar GP Holdings accounts for awards of NSH restricted units and unit options granted to its directors or employees of NuStar GP, LLC at fair value in accordance with Financial Accounting Standards Board (FASB) Statement No. 123 (revised 2004), "Share-Based Payment." The fair value of NSH unit options is determined using the Black-Scholes model at the grant date and the fair value of the NSH restricted unit equals the market price of NSH common units at the grant date. NuStar GP Holdings recognizes compensation expense for NSH restricted units and unit options ratably over the vesting period based on the fair value of the units at the grant date.

NUSTAR ENERGY L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

We reimburse our general partner completely for the expense resulting from awards to employees and directors of NuStar GP, LLC. We include such compensation expense in “General and administrative expenses” on the consolidated statements of income. We do not reimburse our general partner for the expense resulting from awards to non-employee directors of NuStar GP Holdings.

Under these employee stock compensation plans, certain awards provide that employees vest in the award when they retire or will continue to vest in the award after retirement over the nominal vesting period established in the award. Through 2005, we accounted for such awards by recognizing compensation expense over the nominal vesting period. By analogy to the transition rules of SFAS No. 123R and the Securities and Exchange Commission’s (SEC) amended Rule 4-01(a) of Regulation S-X, we changed our method of recognizing compensation expense to the non-substantive vesting period approach for any awards granted after January 1, 2006. Under the non-substantive vesting period approach, compensation expense is recognized immediately for awards granted to retirement-eligible employees or over the period from the grant date to the date retirement eligibility is achieved if that date is expected to occur during the nominal vesting period.

Margin Deposits

Margin deposits relate to our exchange-traded derivative contracts and generally vary based on changes in the value of the contracts. Margin deposits totaling $8.6 million are included in “Other current assets” on the consolidated balance sheet as of December 31, 2007. Prior to 2007, we were not a party to any exchange-traded derivative contracts.

New Accounting Pronouncements

FASB Statement No. 157. In September 2006, the FASB issued Statement No. 157, “Fair Value Measurements.” Statement No. 157, as amended, defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measures. Statement No. 157 is effective for fiscal years beginning after November 15, 2007, with early adoption encouraged. The provisions of Statement No. 157 are to be applied on a prospective basis, with the exception of certain financial instruments for which retrospective application is required. The FASB deferred the effective date for one year for all nonfinancial assets and liabilities, except for those items that that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We will still need to apply the recognition and disclosure provisions of Statement No. 157 for financial assets and liabilities and for nonfinancial assets and liabilities that are re-measured at least annually. The adoption of Statement No. 157 effective January 1, 2008 has not materially affected our financial position or results of operations.

FASB Statement No. 159. In February 2007, the FASB issued Statement No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities.” Statement No. 159 creates a fair value option under which an entity may irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and financial liabilities on an instrument-by-instrument basis, with changes in fair value recognized in earnings as those changes occur. The adoption of Statement No. 159 effective January 1, 2008 has not affected our financial position or results of operations.

FASB Statement No. 141R. In December 2007, the FASB issued FASB Statement No. 141 (Revised 2007), Business Combinations. Statement 141R will significantly change the accounting for business combinations. Under Statement 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. Statement 141R will change the accounting treatment for certain specific items, such as acquisition costs, acquired contingent liabilities, restructuring costs, changes in deferred tax asset valuation allowances and other items. Statement 141R also includes a substantial number of new disclosure requirements. Statement 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. Accordingly, we will not adopt the provisions of Statement 141R until January 1, 2009.

Reclassifications

Certain previously reported amounts in the 2006 and 2005 consolidated financial statements have been reclassified to conform to the 2007 presentation.

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3. ACQUISITIONS

Completed During 2006

Capwood Pipeline

Effective January 1, 2006, we purchased a 23.77% interest in Capwood pipeline from Valero Energy for $12.8 million, which was paid from borrowings under our existing revolving credit agreement. The Capwood pipeline is a 57-mile crude oil pipeline that extends from Patoka, Illinois to Wood River, Illinois. Plains All American Pipeline L.P., the operator of the Capwood pipeline, owns the remaining 76.23% interest. Our financial statements include the results of operations of our interest in the Capwood pipeline in the crude oil pipelines segment for the years ended December 31, 2007 and 2006.

St. James Crude Facility

On December 1, 2006, we acquired a crude oil storage and blending facility in St. James, Louisiana from Koch Supply and Trading, L.P. for approximately $141.7 million (the St. James Acquisition). The acquisition includes 17 crude oil tanks with a total capacity of approximately 3.3 million barrels. Additionally, the facility has three docks with barge and ship access. The facility is located on the west bank of the Mississippi River approximately 60 miles west of New Orleans. We funded the acquisition with borrowings under our revolving credit agreement. The financial statements include the results of operations in the refined product terminal segment commencing on December 1, 2006.

The St. James Acquisition was accounted for using the purchase method. The purchase price and purchase price allocation were as follows (in thousands):

Cash paid for St. James Terminal	$140,900
Transaction costs	759
Total	$141,659
Current assets	$ 53
Property and equipment	126,258
Goodwill	13,898
Intangible assets	1,450
Total	$141,659

Since the effect of the St. James Acquisition was not significant, we have not presented pro forma financial information for the years ended December 31, 2006 and 2005 that give effect to the St. James Acquisition as of January 1, 2006 and 2005.

Completed During 2005

Kaneb Acquisition

On July 1, 2005, we completed our acquisition (Kaneb Acquisition) of Kaneb Services LLC (KSL) and Kaneb Pipe Line Partners, L.P. (KPP, and, together with KSL, Kaneb). We acquired all of KSL’s outstanding equity securities for approximately $509 million in cash, which was primarily funded by borrowings under our $525 million term credit agreement. Additionally, we issued approximately 23.8 million of our common units valued at approximately $1.45 billion in exchange for all of the outstanding common units of KPP.

The financial statements include the results of operations of the Kaneb Acquisition commencing on July 1, 2005.

Purchase Price Allocation

The Kaneb Acquisition was accounted for using the purchase method. The purchase price and final purchase price allocation were as follows (in thousands):

Cash paid for the outstanding equity securities of KSL	$ 509,307
Value of NuStar Energy's common units issued in exchange for KPP units	1,451,249
Transaction costs	9,505
Fair value of long-term debt assumed	779,707
Fair value of other liabilities assumed	179,864
Total	$2,929,632
Current assets	$ 605,721
Property and equipment	1,429,652
Goodwill	769,727
Intangible assets	58,900
Other noncurrent assets	65,632
Total	$2,929,632

Unaudited Pro Forma Information

The unaudited pro forma financial information below includes the historical financial information of Kaneb and the Partnership for the periods indicated. This financial information assumes the following:

- we completed the Kaneb Acquisition on January 1, 2005;
- we borrowed $525.0 million to purchase all of the outstanding equity securities of KSL;
- we issued approximately 23.8 million common units in exchange for all of the outstanding common units of KPP;
- we received a contribution from our general partner of $29.2 million to maintain its 2% interest; and
- the results of operations of the Held Separate Businesses (as defined below in Note 4), Martin Oil LLC, (a marketing subsidiary of KSL) and the Australian and New Zealand subsidiaries are reported as discontinued operations.

The unaudited pro forma information presented below is not necessarily indicative of the results of future operations:

	Year Ended December 31, 2005 (Thousands of Dollars, Except Per Unit Data)
Revenues	$ 1,005,662
Operating income	130,347
Income from continuing operations	$ 83,084
Income from discontinued operations	9,853
Net income	$ 92,937
Net income per unit applicable to limited partners:	
Continuing operations	$ 1.48
Discontinued operations	0.21
Net income	$ 1.69

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4. DISPOSITIONS

Sale of Australia and New Zealand Subsidiaries

On March 30, 2006, we sold our Australia and New Zealand subsidiaries to ANZ Terminals Pty. Ltd., for total proceeds of $70.1 million. This transaction included the sale of eight terminals with an aggregate storage capacity of approximately 1.1 million barrels. The results of operations for the Australia and New Zealand Subsidiaries for 2006 and 2005 have been included in income from discontinued operations. Revenues and pre-tax income related to the Australia and New Zealand Subsidiaries, included in income from discontinued operations, were $5.0 million and $0.6 million, respectively, for the year ended December 31, 2006 and were $10.1 million and $0.2 million, respectively, for the year ended December 31, 2005. Income tax expense associated with the Australia and New Zealand Subsidiaries totaled $0.3 million and $0.1 million for the years ended December 31, 2006 and 2005, respectively. Additionally, the income from discontinued operations includes interest expense of approximately $0.8 million and $1.5 million allocated to the Australia and New Zealand Subsidiaries for the years ended December 31, 2006 and 2005, respectively, which was based upon the expected proceeds and the interest rate applicable to our debt.

Sale of Held Separate Businesses

In conjunction with the Kaneb Acquisition, we agreed with the United States Federal Trade Commission to divest certain assets. These assets consisted of two California terminals handling refined products, blendstocks, and crude oil, three East Coast refined product terminals, and a 550-mile refined products pipeline with four truck terminals and storage in the U.S. Rocky Mountains (collectively, the Held Separate Businesses).

On September 30, 2005, we sold the Held Separate Businesses to Pacific Energy Partners, L.P. for approximately $455.0 million. Results of operations related to the Held Separate Businesses are classified as income from discontinued operations in the consolidated statement of income for the year ended December 31, 2005. Revenues and pre-tax income related to the Held Separate Businesses were $14.2 million and $3.2 million, respectively, for the year ended December 31, 2005. Income tax expense was not included in discontinued operations related to the Held Separate Businesses as they were owned by entities that were not subject to income tax. Additionally, interest expense of approximately $4.9 million was allocated to the Held Separate Businesses as certain of our debt agreements required us to use the proceeds from the sale of the Held Separate Businesses to repay outstanding debt.

Sale of Martin Oil LLC

In a separate transaction that occurred simultaneously with the closing of the Kaneb Acquisition, we sold all of our interest in Kaneb’s commodity trading business, Martin Oil LLC, to Valero Energy for approximately $26.8 million.

5. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The changes in the allowance for doubtful accounts consisted of the following:

	Year Ended December 31,	
	2007	2006
	(Thousands of Dollars)	
Balance as of beginning of year	$ 1,220	$ 1,976
Decrease in allowance credited to expense	(544)	(276)
Accounts charged against the allowance, net of recoveries	(324)	(492)
Foreign currency translation	13	12
Balance as of end of year	$ 365	$ 1,220

6. PROPERTY AND EQUIPMENT

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

	Estimated Useful Lives (Years)	December 31, 2007	December 31, 2006
		(Thousands of Dollars)	
Land	—	$ 108,216	$ 93,929
Land and leasehold improvements	10 - 35	75,013	59,043
Buildings	15 - 40	39,789	37,533
Pipeline, storage and terminals and equipment	20 - 35	2,435,381	2,327,129
Rights of way	20 - 40	102,217	102,211
Construction in progress	—	183,500	74,513
Total		2,944,116	2,694,358
Less accumulated depreciation and amortization		(452,030)	(349,223)
Property and equipment, net		$2,492,086	$2,345,135

Capitalized interest costs included in property and equipment were $6.0 million, $1.8 million and $1.0 million for the years ended December 31, 2007, 2006 and 2005, respectively. Depreciation and amortization expense for property and equipment was $102.8 million, $92.5 million and $62.9 million for the years ended December 31, 2007, 2006 and 2005, respectively.

In the fourth quarter of 2005, a portion of the Three Rivers to Pettus to Corpus Christi refined product pipeline was permanently idled. As a result, we recorded an impairment charge of $2.1 million, included in “Other income (expense), net” in the accompanying consolidated statement of income for the year ended December 31, 2005.

7. INTANGIBLE ASSETS

Intangible assets consisted of the following:

	December 31, 2007		December 31, 2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	(Thousands of Dollars)			
Intangible assets subject to amortization:				
Customer relationships	$58,900	$ (14,690)	$58,900	$ (8,795)
Non-compete agreements	1,765	(1,407)	1,765	(1,054)
Terminaling agreement	1,000	(333)	—	—
Consulting agreements	—	—	1,150	(652)
Other	2,809	(282)	2,359	(141)
Total	$64,474	$ (16,712)	$64,174	$ (10,642)

All of our intangible assets are subject to amortization. Amortization expense for intangible assets was $7.2 million, $6.5 million and $3.5 million for the years ended December 31, 2007, 2006 and 2005, respectively. The estimated aggregate amortization expense is approximately $6.7 million for the year ending December 31, 2008, $6.4 million for the year ended December 31, 2009, $6.0 million for the years ending December 31, 2010 and 2011 and $5.9 million for the year ended December 31, 2012.

8. INVESTMENT IN JOINT VENTURES

The following table presents summarized combined unaudited financial information related to our joint ventures as of December 31, 2007 and 2006 and for the years ended December 31, 2007, 2006 and 2005:

	December 31, 2007	December 31, 2006
	(Thousands of Dollars)	
Balance Sheet Information:		
Current assets	$10,387	$ 8,622
Property, plant and equipment, net	81,645	68,809
Total assets	$92,032	$77,431
Current liabilities	$ 6,328	$ 3,375
Members' equity	85,704	74,056
Total liabilities and members' equity	$92,032	$77,431

	Year Ended December 31, 2007	2006	2005 (a)
	(Thousands of Dollars)		
Statement of Income Information:			
Revenues	$31,502	$28,858	$28,008
Net income	13,528	12,355	11,320
Our share of net income (b)	6,833	5,969	2,499
Our share of distributions	544	5,268	4,932

(a) Revenues and net income reflect the amounts for the year ended December 31, 2005. Our share of net income and distributions related to investments in the joint ventures acquired as part of the Kaneb Acquisition reflect amounts for the six months ended December 31, 2005.

(b) Our share of net income shown in the table includes $0.1 million and $0.2 million of income that is included in income from discontinued operations in the consolidated statement of income for the years ended December 31, 2006 and 2005, respectively.

Skelly-Belvieu Pipeline Company

Upon the formation of Skelly-Belvieu, we contributed certain equipment to Skelly-Belvieu in exchange for 50% of its members' equity. Our investment in Skelly-Belvieu was recorded at the carrying amount of the contributed equipment. However, the financial statements of Skelly-Belvieu reflect these assets at fair value at the date of formation. As a result, our 50% share of Skelly-Belvieu's members' equity exceeds the carrying value of our investment. This excess, which totaled $7.1 million and $7.4 million as of December 31, 2007 and 2006, respectively, is being accreted into income over the average life of the assets held by Skelly-Belvieu, or 33 years.

ST Linden Terminals, LLC

As part of the Kaneb Acquisition, we acquired an investment in Linden. As part of the final allocation in 2006 of the purchase price of Kaneb, we recorded our investment in Linden at fair value. As a result, the carrying value of our investment in Linden exceeds our 50% share of its members' equity. This excess totaled $44.5 million and $44.9 million as of December 31, 2007 and 2006, respectively, of which $8.0 million is being amortized into expense over the average life of the assets held by Linden, or 25 years. The balance not being amortized has been allocated to goodwill of Linden.

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9. ACCRUED LIABILITIES

Accrued liabilities consisted of the following:

	December 31, 2007	December 31, 2006
	(Thousands of Dollars)	
Employee wages and benefit costs	$17,633	$12,093
Unearned income	2,401	2,369
Environmental costs	5,435	5,583
Product shortages	10,513	7,796
Other	11,207	9,810
Accrued liabilities	$47,189	$37,651

10. LONG-TERM DEBT

Long-term debt consisted of the following:

	December 31, 2007	December 31, 2006
	(Thousands of Dollars)	
6.05% senior notes due 2013, net of unamortized discount of ($337) in 2007 and ($437) in 2006 and a fair value adjustment of $1,646 in 2007 and ($2,902) in 2006	$ 231,241	$ 246,662
6.875% senior notes due 2012, net of unamortized discount of ($143) in 2007 and ($174) in 2006 and a fair value adjustment of $586 in 2007 and ($2,006) in 2006	100,444	97,820
7.75% senior notes due 2012, including a fair value adjustment of $28,225 in 2007 and $33,328 in 2006	278,225	283,328
5.875% senior notes due 2013, including a fair value adjustment of $10,668 in 2007 and $12,243 in 2006	260,668	262,243
$1,250 million revolving credit agreement	527,976	—
$525 million term credit agreement	—	225,000
$600 million revolving credit agreement	—	190,526
UK term loan	41,628	41,118
Port Authority of Corpus Christi note payable	6,107	7,670
Total debt	1,446,289	1,354,367
Less current portion	(663)	(647)
Long-term debt, less current portion	$1,445,626	$1,353,720

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

2008	$ 663
2009	713
2010	770
2011	832
2012	920,503
Thereafter	482,163
Total repayments	1,405,644
Net fair value adjustment and unamortized discount	40,645
Total debt	$1,446,289

Interest payments totaled $89.5 million, $75.0 million and $53.2 million for the years ended December 31, 2007, 2006 and 2005, respectively.

6.875% and 6.05% Senior Notes

On March 18, 2003, NuStar Logistics issued $250 million of 6.05% senior notes, maturing in 2013, with interest payable semi-annually in arrears on March 15 and September 15 of each year.

On July 15, 2002, NuStar Logistics issued $100.0 million of 6.875% senior notes, maturing in 2012, with interest payable semi-annually in arrears on January 15 and July 15 of each year.

The 6.05% and the 6.875% senior notes do not have sinking fund requirements. These notes rank equally with existing senior unsecured indebtedness of NuStar Logistics. Both series of senior notes contain restrictions on NuStar Logistics' ability to incur secured indebtedness unless the same security is also provided for the benefit of holders of the senior notes. In addition, the senior notes limit NuStar Logistics' ability to incur indebtedness secured by certain liens and to engage in certain sale-leaseback transactions.

At the option of NuStar Logistics, the 6.05% and the 6.875% senior notes may be redeemed in whole or in part at any time at a redemption price, which includes a make-whole premium, plus accrued and unpaid interest to the redemption date. The NuStar Logistics senior notes also include a change-in-control provision, which requires (1) that Valero Energy or an investment grade entity own, directly or indirectly, 51% of our general partner interests and (2) that we (or an investment grade entity) own, directly or indirectly, all of the general partner and limited partner interests in NuStar Logistics.

Due to the completed sale of Valero Energy's remaining interests in NuStar GP Holdings on December 22, 2006, the change-in-control provision was triggered, and NuStar Logistics offered to purchase the senior notes at a price equal to 100% of their outstanding principal balance plus accrued interest through the date of purchase. This offer expired on January 23, 2007, with approximately $20.1 million of the 6.05% senior notes tendered to us for repurchase. We retired the senior notes that were tendered with borrowings under our $600 million revolving credit agreement on February 1, 2007. The retirement of those senior notes did not significantly affect either our financial position or results of operations.

7.75% and 5.875% Senior Notes

As a result of the Kaneb Acquisition, we assumed the outstanding senior notes issued by KPOP, having an aggregate face value of $500.0 million, and an aggregate fair value of $555.0 million. We use the effective interest method to amortize the difference between the fair value and the face value of the senior notes as a reduction of interest expense over the remaining lives of the senior notes.

The senior notes were issued in two series, the first of which bears interest at 7.75% annually (due semi-annually on February 15 and August 15) and matures February 15, 2012. The second series bears interest at 5.875% annually (due on June 1 and December 1) and matures June 1, 2013.

The 7.75% and 5.875% senior notes do not contain sinking fund requirements. These notes contain restrictions on our ability to incur indebtedness secured by liens, to engage in certain sale-leaseback transactions, to engage in certain transactions with affiliates, as defined, and to utilize proceeds from the disposition of certain assets. At the option of KPOP, the 7.75% and 5.875% senior notes may be redeemed in whole or in part at any time at a redemption price, which includes a make-whole premium, plus accrued and unpaid interest to the redemption date.

The senior notes issued by NuStar Logistics are fully and unconditionally guaranteed by NuStar Energy. In connection with the Kaneb Acquisition, NuStar Energy fully and unconditionally guaranteed the outstanding senior notes issued by KPOP. Additionally, effective July 1, 2005, both NuStar Logistics and KPOP fully and unconditionally guaranteed the outstanding senior notes of the other.

2007 Revolving Credit Agreement

On December 10, 2007, NuStar Logistics replaced the existing $600 million revolving credit agreement with the $1.25 billion five-year revolving credit agreement (the 2007 Revolving Credit Agreement), which includes a Euro sub-limit $250 million. NuStar Logistics borrowed $528.4 million under the 2007 Revolving Credit Agreement to repay in full the balance on its $600 million revolving credit agreement (the Revolving Credit Agreement) and $525 million term loan agreement (the Term Loan Agreement). Obligations under the 2007 Revolving Credit Agreement are guaranteed by NuStar Energy and KPOP. KPOP will be released from its guarantee of the 2007 Revolving Credit Agreement when it no longer guarantees NuStar Logistics public debt instruments.

As of December 31, 2007, we had $720.8 million available for borrowing under the 2007 Revolving Credit Agreement. The 2007 Revolving Credit Agreement bears interest based on either an alternative base rate or a LIBOR based rate which was 5.7% as of December 31, 2007. The weighted-average interest rate related to outstanding borrowings under the 2007 Revolving Credit Agreement for the year ended December 31, 2007 was 5.7%.

The 2007 Revolving Credit Agreement requires that we maintain certain financial ratios and includes other restrictive covenants, including a prohibition on distributions if any defaults, as defined in the agreements, exist or would result from the distribution. The 2007 Revolving Credit Agreement also requires us to maintain, as of the end of each rolling period, consisting of any period of four consecutive fiscal quarters, a consolidated debt coverage ratio (consolidated indebtedness to consolidated EBITDA, as defined in the 2007 Revolving Credit Agreement) not to exceed 5.00-to-1.00; provided, that if at any time NuStar Energy or any of its restricted subsidiaries consummates an acquisition for an aggregate net consideration of at least $100 million, then for two rolling periods, the last day of which immediately follows the day on which such acquisition is consummated, the consolidated debt coverage ratio must not exceed 5.50-to-1.00. Management believes that we are in compliance with all ratios and covenants of the 2007 Revolving Credit Agreement as of December 31, 2007.

Term Loan Agreement

On July 1, 2005, we entered into the Term Loan Agreement, the majority of which was used to fund the Kaneb Acquisition. The weighted-average interest rate related to outstanding borrowings under the Term Loan Agreement for the year ended December 31, 2007 was 6.0%. The $225.0 million balance on the Term Loan Agreement was paid in full on December 10, 2007 with the proceeds from the 2007 Revolving Credit Agreement.

Revolving Credit Agreement

On July 1, 2005, we entered into the Revolving Credit Agreement. The weighted-average interest rate related to outstanding borrowings under the Revolving Credit Agreement for the year ended December 31, 2007 was 5.7%. The $303.4 million balance on the Revolving Credit Agreement was paid in full on December 10, 2007 with the proceeds from the 2007 Revolving Credit Agreement.

UK Term Loan

KPOP’s UK subsidiary, Kaneb Terminals Limited, is the borrower of £21 million ($41.6 million and $41.1 million as of December 31, 2007 and 2006, respectively). This amended and restated term loan agreement (the UK Term Loan) bears interest at 6.65% annually and matures on December 11, 2012.

In December 2007, the UK Term Loan contains was amended to be consistent with the covenants and provisions of the 2007 Revolving Credit Agreement. Management believes that we are in compliance with all ratios and covenants of the UK Term Loan as of December 31, 2007.

Port Authority of Corpus Christi Note Payable

The proceeds from the original $12.0 million note payable due to the Port of Corpus Christi Authority of Nueces County, Texas (Port Authority of Corpus Christi) were used for the construction of a crude oil storage facility in Corpus Christi, Texas. The note payable is due in annual installments of $1.2 million through December 31, 2015 and is collateralized by the crude oil storage facility. Interest on the unpaid principal balance accrues at a rate of 8.0% per annum. The land on which the crude oil storage facility was constructed is leased from the Port Authority of Corpus Christi.

11. HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

Our operations are subject to extensive federal, state and local environmental laws and regulations, including those relating to the discharge of materials into the environment, waste management and pollution prevention measures. Our operations are also subject to extensive federal and state health and safety laws and regulations, including those relating to pipeline safety. The principal environmental and safety risks associated with our operations relate to unauthorized emissions into the air, unauthorized releases into soil, surface water or groundwater, and personal injury and property damage. Compliance with these environmental and safety laws, regulations and permits increases our capital expenditures and our overall cost of business, and violations of these laws, regulations and/or permits can result in significant civil and criminal liabilities, injunctions or other penalties.

The pipelines in the Central West System, the East Pipeline, the North Pipeline and the Ammonia Pipeline are subject to federal regulation by one or more of the following governmental agencies or laws: the Federal Energy Regulatory Commission (the FERC), the Surface Transportation Board (the STB), the Department of Transportation (DOT), the Environmental Protection Agency (EPA), and the Homeland Security Act. Additionally, the operations and integrity of the Pipelines are subject to the respective state jurisdictions along the route of the systems.

We have adopted policies, practices and procedures in the areas of pollution control, pipeline integrity, operator qualifications, public relations and education, product safety, occupational health and the handling, storage, use and disposal of hazardous materials that are designed to prevent material environmental or other damage, to ensure the safety of our pipelines, our employees, the public and the environment and to limit the financial liability that could result from such events. Future governmental action and regulatory initiatives could result in changes to expected operating permits and procedures, additional remedial actions or increased capital expenditures and operating costs that cannot be assessed with certainty at this time. In addition, contamination resulting from spills of crude oil and refined products occurs within the industry. Risks of additional costs and liabilities are inherent within the industry, and there can be no assurances that significant costs and liabilities will not be incurred in the future.

Valero Energy has agreed to indemnify us for a period of ten years from the date of acquisition for pre-acquisition environmental liabilities related to assets transferred or otherwise acquired by the Partnership from Valero Energy or UDS. Excluded from this indemnification are liabilities that result from a change in environmental law after the date of acquisition.

Additionally, Exxon Mobil Corporation (ExxonMobil) has agreed to indemnify us for pre-acquisition environmental liabilities in connection with off site disposal activities performed prior to September 4, 2003 related to the Paulsboro refined product terminal acquisition.

As an operator or owner of the assets, we could be held liable for pre-acquisition environmental liabilities should Valero Energy or ExxonMobil be unable to fulfill their obligations. However, we believe that such a situation is unlikely.

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

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The balance of and changes in the accruals for environmental matters were as follows:

	December 31,	
	2007	2006
	(Thousands of Dollars)	
Balance as of beginning of year	$13,683	$17,509
Additions to accrual	3,872	2,625
Amounts related to the Australia and New Zealand subsidiaries	—	(3,051)
Payments	(6,474)	(3,541)
Foreign currency translation	43	141
Balance as of end of year	$11,124	$13,683

Accruals for environmental matters are included in the consolidated balance sheet as follows:

	December 31,	
	2007	2006
	(Thousands of Dollars)	
Accrued liabilities	$ 5,435	$ 5,583
Other long-term liabilities	5,689	8,100
Accruals for environmental matters	$11,124	$13,683

12. COMMITMENTS AND CONTINGENCIES

Contingencies

We have contingent liabilities resulting from various litigation, claims and commitments, the most significant of which are discussed below. We record accruals for loss contingencies when losses are considered probable and can be reasonably estimated. Legal fees associated with defending our self in legal matters are expensed as incurred. As of December 31, 2007, we have recorded $1.1 million of accruals related to settled matters and $47.5 million of accruals for contingent losses. The actual payment of any amounts accrued and the timing of such payments ultimately made is uncertain. We believe that should we be unable to successfully defend ourselves in any of these matters, the ultimate payment of any or all of the amounts reserved would not have a material adverse effect on our financial position or liquidity. However, if any actual losses ultimately exceed the amounts accrued, there could be a material adverse effect on our results of operations.

Grace Energy Corporation Matter. In 1997, Grace Energy Corporation (Grace Energy) sued subsidiaries of Kaneb in Texas state court. The complaint sought recovery of the cost of remediation of fuel leaks in the 1970s from a pipeline that had once connected a former Grace Energy terminal with Otis Air Force Base (Otis AFB) in Massachusetts. Grace Energy alleges the Otis AFB pipeline and related environmental liabilities had been transferred in 1978 to an entity that was part of Kaneb's acquisition of Support Terminal Services, Inc. and its subsidiaries from Grace Energy in 1993. Kaneb contends that it did not acquire the Otis AFB pipeline and never assumed any responsibility for any associated environmental damage.

In 2000, the court entered final judgment that: (i) Grace Energy could not recover its own remediation costs of $3.5 million, (ii) Kaneb owned the Otis AFB pipeline and its related environmental liabilities and (iii) Grace Energy was awarded $1.8 million in attorney costs. Both Kaneb and Grace Energy appealed the trial court's final judgment to the Texas Court of Appeals in Dallas. In 2001, Grace Energy filed a petition in bankruptcy, which created an automatic stay of actions against Grace Energy. Once that stay is lifted, we intend to resume vigorous prosecution of the appeal.

The Otis AFB is a part of a Superfund Site pursuant to CERCLA. The site contains a number of groundwater contamination plumes, two of which are allegedly associated with the Otis AFB pipeline. Relying on the Texas state

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court's final judgment assigning ownership of the Otis AFB pipeline to Kaneb, the U.S. Department of Justice advised Kaneb in 2001 that it intends to seek reimbursement from Kaneb for the remediation costs associated with the two spill areas. In 2002, the Department of Justice asserted that it had incurred over $49.0 million in costs and expected to incur additional costs of approximately $19.0 million for remediation of the two spill areas. The Department of Justice has not filed a lawsuit against us related to this matter and we have not made any payments toward costs incurred by the Department of Justice.

Port of Vancouver Matter. We own a chemical and refined product terminal on property owned by the Port of Vancouver, and we lease the land under the terminal from the Port of Vancouver. Under an Agreed Order entered into with the Washington Department of Ecology when Kaneb purchased the terminal in 1998, Kaneb agreed to investigate and remediate groundwater contamination by the terminal's previous owner and operator originating from the terminal. Investigation and remediation at the terminal are ongoing in compliance with the Agreed Order. In April 2006, the Washington Department of Ecology commented on our site investigation work plan and asserted that the groundwater contamination at the terminal was commingled with a groundwater contamination plume under other property owned by the Port of Vancouver. Since that time, we have negotiated with the Washington Department of Ecology, and on November 7, 2007, we entered into an Agreed Order that outlines a plan for site assessment, monitoring and interim action with regard to the plume for which Kaneb is responsible. The Agreed Order contains a diagram indicating that the plume for which Kaneb is responsible is separate from proximately located plumes. Based on the Agreed Order, and the fact that there is no currently pending claim asserting that Kaneb is responsible for the second plume, we believe at this time that this issue is resolved.

Department of Justice Matter. In a letter dated February 6, 2008, the Department of Justice (the DOJ) advised us that Region VII of the EPA has requested that the DOJ initiate a lawsuit against KPOP for violations of the Clean Water Act. The notice alleges that KPOP violated the Clean Water Act by failing to prepare a Facility Response Plan, as required by Section 311(j)(5) of the Clean Water Act, 33 U.S.C. §1321(j), for certain of its pipeline terminals located in Region VII by August 30, 1994. A Facility Response Plan is a plan for responding to a worst case discharge, and to a substantial threat of such a discharge, of oil or hazardous substances.

EPA Investigation. On November 14, 2006, agents of the EPA presented a search warrant issued by a U.S. District Court at one of our California terminals. Since then, the U.S. District Court has also served us with five subpoenas. The search warrant and subpoenas all seek information regarding allegations of potential illegal conduct by us, certain of our subsidiaries and/or our employees concerning compliance with certain environmental and safety laws and regulations.

We are cooperating fully with the EPA in producing documents in response to the subpoenas. We have no information as to when the EPA will conclude their investigation, and we are also conducting an internal investigation of any possible noncompliance. At this time, the EPA has not suggested any fines or penalties.

There can be no assurances that the conclusion of the EPA's investigation will not result in a determination that we violated applicable laws. If we are found to have violated such laws, we could be subject to fines, civil penalties and criminal penalties. A final determination that we violated applicable laws could, among other things, result in our debarment from future federal government contracts.

Because of the preliminary nature of the investigation, we are not able to estimate a loss or range of loss, if any. However, if any of the consequences described above ultimately occur, it is reasonably possible that the effects could be material to our results of operations in the period we would be required to record a liability, and could be material to our cash flows in the periods we would be required to pay such liability.

Other

We are also a party to additional claims and legal proceedings arising in the ordinary course of business. We believe the possibility is remote that the final outcome of any of these claims or proceedings to which we are a party would have a material adverse effect on our financial position, results of operations or liquidity; however, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on our results of operations, financial position or liquidity.

Commitments

Future minimum rental payments applicable to all noncancellable operating leases and purchase obligations as of December 31, 2007 are as follows:

	Operating Leases	Purchase Obligations
	(Thousands of Dollars)	
2008	$ 11,034	$544,294
2009	7,650	110,953
2010	7,099	7,069
2011	6,557	968
2012	6,394	962
Thereafter	102,368	1,523
Future minimum lease payments	$141,102	$665,769

Rental expense for all operating leases totaled $21.0 million, $15.3 million and $8.9 million for the years ended December 31, 2007, 2006 and 2005, respectively.

The purchase obligations primarily relate to purchases of inventory for resale to our customers.

13. DERIVATIVES, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

We utilize various derivative instruments to: (i) manage our exposure to commodity price risk, (ii) engage in a trading program and (iii) manage our exposure to interest rate risk. Our risk management policies and procedures are designed to monitor interest rates, NYMEX and over-the-counter positions, as well as physical volumes, grades, locations and delivery schedules to help ensure that our hedging activities address our market risks. We have a risk management group that has direct oversight responsibilities for our risk policies and our trading controls and procedures and certain aspects of risk management. Our risk management group also approves all new risk management strategies through a formal process.

The fair values of our derivative instruments are included in the Consolidated Balance Sheets as follows:

	Year Ended December 31,	
	2007	2006
	(Thousands of Dollars)	
Deferred charges and other assets, net	$ 2,231	$ —
Accrued liabilities	$ 4,622	$ —
Other long-term liabilities	—	4,908
Total liability	$ 4,622	$ 4,908

Commodity Price Risk

We are exposed to commodity price risk with respect to our product inventories and related firm commitments to purchase and/or sell such inventories. We utilize NYMEX futures to manage our exposure to changes in the fair value of our product inventories and related firm commitments.

On a limited basis, we also enter into derivative commodity instruments based on our analysis of market conditions in order to profit from market fluctuations. These derivative instruments are financial positions entered into without underlying physical inventory and are not considered hedges.

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The earnings impact of our derivative activity was as follows:

	Year Ended December 31, 2007		
	Mark-to-market, net	Settled	Total
	(Thousands of Dollars)		
Commodity price-risk hedging loss	$ (3,017)	$(4,519)	$(7,536)
Trading gain (loss)	3	(2,332)	(2,329)
Total	$ (3,014)	$(6,851)	$(9,865)

During 2007, we recorded $1.6 million of income representing the change in fair value of inventories designated as the hedged item in qualifying fair value hedge relationships resulting in $0.1 million of income due to the ineffectiveness of our fair value hedges. The ineffectiveness is recorded in “Cost of product sales” in the consolidated statements of income. No component of the associated derivative instruments’ gains or losses was excluded from our assessment of hedge ineffectiveness.

Prior to 2007, we had not entered into any commodity derivatives with earnings impact.

Interest Rate Risk

We are a party to interest rate swap agreements to manage our exposure to changes in interest rates. The interest rate swap agreements have an aggregate notional amount of $167.5 million, of which $60.0 million is tied to the maturity of the 6.875% senior notes and $107.5 million is tied to the maturity of the 6.05% senior notes. Under the terms of the interest rate swap agreements, we will receive a fixed rate (6.875% and 6.05% for the $60.0 million and $107.5 million of interest rate swap agreements, respectively) and will pay a variable rate based on LIBOR plus a percentage that varies with each agreement. As of December 31, 2007 and 2006, the weighted average effective interest rate for the interest rate swaps was 6.1% and 7.1%, respectively.

The estimated fair value of our fixed-rate debt as of December 31, 2007 and 2006 was $927.2 million and $939.2 million, respectively, as compared to the carrying amount of $918.3 million and $938.8 million, respectively. These fair values were estimated using discounted cash flow analysis, based on our current incremental borrowing rates for similar types of borrowing arrangements. Interest rates on borrowings under the 2007 Revolving Credit Agreement float with market rates and thus the carrying amount approximates fair value.

Concentration of Credit Risk

We are exposed to credit risk on our hedging instruments in the event of nonperformance by counterparties. However, because our hedging activities are transacted only with highly rated institutions, we do not anticipate nonperformance by any of these counterparties.

For the years ended December 31, 2007, 2006 and 2005 we derived approximately 18%, 23% and 34%, respectively, of our revenues from Valero Energy and its subsidiaries, our largest customer. No other single customer accounted for more than 10% of our consolidated operating revenues. Valero Energy and its subsidiaries are investment grade customers; therefore, we do not believe that the trade receivable from Valero Energy represents a significant credit risk. However, the concentration of business with Valero Energy, which is a large refining and retail marketing company, has the potential to impact NuStar Energy, both positively and negatively, to changes in the refining and marketing industry.

14. RELATED PARTY TRANSACTIONS

Our operations are managed by the general partner of our general partner, NuStar GP, LLC. The employees of NuStar GP, LLC perform services for our U.S. operations. Certain of our wholly owned subsidiaries employ persons who perform services for our international operations. We reimburse NuStar GP, LLC for all costs related to its employees. We had a receivable of $0.8 million and a payable of $2.3 million, as of December 31, 2007 and December 31, 2006, respectively, to NuStar GP, LLC, with both amounts representing payroll and plan benefits, net of payments made by us. We also had a long-term payable as of December 31, 2007 and 2006 of $5.7 million to NuStar GP, LLC related to amounts payable for retiree medical benefits and other post-employment benefits.

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Prior to December 22, 2006, Valero Energy controlled our general partner. We have transactions with Valero Energy for pipeline tariff, terminalling fee and crude oil storage tank fee revenues, certain employee costs, insurance costs, administrative costs and lease expense, which were reported as related party transactions in the consolidated statement of income. Due to Valero Energy's sale of its interest in NuStar GP Holdings on December 22, 2006, we ceased reporting transactions with Valero Energy as related party transactions subsequent to that date.

The following table summarizes information pertaining to related party transactions with NuStar GP, LLC for the year ended December 31, 2007 and with Valero Energy for the years ended December 31, 2006 and 2005:

	Year Ended December 31,		
	2007	2006	2005 (a)
	(Thousands of Dollars)		
Revenues	$ —	$260,980	$234,485
Operating expenses	93,211	94,587	60,921
General and administrative expenses	37,702	32,183	19,356

(a) The amounts reflected in the table include revenues and operating expenses of $1,867 and $1,850, respectively, which are included in income from discontinued operations in the consolidated statement of income.

Agreements with NuStar GP Holdings

Non-Compete Agreement

On July 19, 2006, we entered into a non-compete agreement with NuStar GP Holdings, Riverwalk Logistics, L.P., and NuStar GP, LLC (the Non-Compete Agreement). The Non-Compete Agreement became effective on December 22, 2006 when NuStar GP Holdings ceased to be subject to the Amended and Restated Omnibus Agreement, dated March 31, 2006. Under the Non-Compete Agreement, we will have a right of first refusal with respect to the potential acquisition of assets that relate to the transportation, storage or terminalling of crude oil, feedstocks or refined petroleum products (including petrochemicals) in the United States and internationally. NuStar GP Holdings will have a right of first refusal with respect to the potential acquisition of general partner and other equity interests in publicly traded partnerships under common ownership with the general partner interest. With respect to any other business opportunities, neither the Partnership nor NuStar GP Holdings are prohibited from engaging in any business, even if the Partnership and NuStar GP Holdings would have a conflict of interest with respect to such other business opportunity.

Agreements with Valero Energy

We have entered into a number of operating agreements with Valero Energy, which govern the required services provided to and received from Valero Energy. Most of the operating agreements include adjustment provisions, which allow us to increase the handling, storage and throughput fees we charge to Valero Energy based on a consumer price index. In addition, the pipeline tariffs charged by us are reviewed annually and adjusted based on an inflation index and may also be adjusted to take into consideration additional costs incurred to provide the transportation services. The following is a summary of the significant terms of the individual agreements.

Services Agreement

Prior to our separation from Valero Energy, the employees of NuStar GP, LLC were provided to us under the terms of various services agreements between us and Valero Energy. The terms of these services agreements generally provided that the costs of employees who performed services directly on our behalf, including salaries, wages and employee benefits, were charged directly to us. In addition, Valero Energy charged us a net administrative services fee, which was $1.8 million and $6.6 million for the years ended December 31, 2006 and 2005, respectively.

Although Valero Energy no longer provided employees to work directly on our behalf, Valero Energy continued to provide certain services to us under the terms of a services agreement dated December 22, 2006 (the 2007 Services Agreement). Under the 2007 Services Agreement, we paid Valero Energy approximately $1.1 million for the year ended December 31, 2007 for administrative services (primarily information system services and human resource services) and telecommunication services.

On April 16, 2007, Valero Energy exercised its option to terminate the 2007 Services Agreement. As a result, Valero Energy paid us a termination fee of $13.0 million in May 2007 in accordance with the terms of the 2007 Services Agreement. However, Valero Energy continued providing certain services over a period of time sufficient to allow us to assume those functions by the end of 2007.

Omnibus Agreement

On March 31, 2006, we entered into an amended and restated omnibus agreement (the 2006 Omnibus Agreement) with Valero Energy, NuStar GP, LLC, Riverwalk Logistics, L.P., and NuStar Logistics. The 2006 Omnibus Agreement superseded the Omnibus Agreement among the parties dated effective April 16, 2001. The 2006 Omnibus Agreement governed potential competition between Valero Energy and us.

With the closing of NuStar GP Holding's secondary public offering on December 22, 2006, Valero Energy ceased to own 20% or more of us, which allows Valero Energy to compete with us.

Also under the 2006 Omnibus Agreement, Valero Energy agreed to indemnify us for environmental liabilities related to the assets transferred to us in connection with our initial public offering, provided that such liabilities arose prior to and are discovered within ten years after that date (excluding liabilities resulting from a change in law after April 16, 2001).

Pipelines and Terminals Usage Agreement—McKee, Three Rivers and Ardmore

Under the terms of the Pipelines and Terminals Usage Agreement dated April 16, 2001, we provide transportation services that support Valero Energy's refining and marketing operations relating to the McKee, Three Rivers and Ardmore refineries. Pursuant to the agreement, Valero Energy has agreed through April 2008:

- to transport in our crude oil pipelines at least 75% of the aggregate volumes of crude oil shipped to the McKee, Three Rivers and Ardmore refineries;
- to transport in our refined product pipelines at least 75% of the aggregate volumes of refined products shipped from the McKee, Three Rivers and Ardmore refineries; and
- to use our refined product terminals for terminalling services for at least 50% of all refined products shipped from the McKee, Three Rivers and Ardmore refineries.

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

In the event Valero Energy does not transport in our pipelines or use our terminals to handle the minimum volume requirements and if its obligation has not been suspended under the terms of the agreement, Valero Energy will be required to make a cash payment determined by multiplying the shortfall in volume by the applicable weighted average pipeline tariff or terminal fee. For the years ended December 31, 2007, 2006 and 2005, Valero Energy exceeded its obligations under the Pipelines and Terminals Usage Agreement. Additionally, Valero Energy has agreed not to challenge, or cause others to challenge, our interstate or intrastate tariffs for the transportation of crude oil and refined products until at least April 2008.

Crude Oil Storage Tank Agreements

In conjunction with the acquisition of the Crude Oil Storage Tanks in March 2003, we entered into the following agreements with Valero Energy:

- *Handling and Throughput Agreement*, dated March 2003, pursuant to which Valero Energy agreed to pay us a fee for 100% of crude oil and certain other feedstocks delivered to each of the Corpus Christi West refinery, the Texas City refinery and the Benicia refinery and to use our logistic assets for handling all deliveries to these refineries. The throughput fees are adjustable annually, generally based on 75% of the regional consumer price index applicable to the location of each refinery. The initial term of the handling and throughput agreement is ten years, which may be extended by Valero Energy for up to an additional five years.

- *Services and Secondment Agreements*, dated March 2003, pursuant to which Valero Energy agreed to provide personnel to us who perform operating and routine maintenance services related to the crude oil storage tank operations. The annual reimbursement for those services is an aggregate $3.5 million. The initial term of the services and secondment agreements is ten years, which we may extend for an additional five years. In addition to the fees we have agreed to pay Valero Energy under the services and secondment agreements, we are responsible for operating expenses and specified capital expenditures related to the tank assets that are not addressed in the services and secondment agreements. These operating expenses and capital expenditures include tank safety inspections, maintenance and repairs, certain environmental expenses, insurance premiums and ad valorem taxes.
- *Lease and Access Agreements*, dated March 2003, pursuant to which Valero Energy leases to us the land on which the crude oil storage tanks are located for an aggregate amount of $0.7 million per year. The initial term of each lease is 25 years, subject to automatic renewal for successive one-year periods thereafter. We may terminate any of these leases upon 30 days notice after the initial term or at the end of a renewal period. In addition, we may terminate any of these leases upon 180 days notice prior to the expiration of the current term if we cease to operate the crude oil storage tanks or cease business operations.

South Texas Pipelines and Terminals Agreements

In conjunction with the acquisition of the South Texas Pipelines and Terminals in March 2003, we entered into the following agreements with Valero Energy:

- *Terminalling Agreement*, dated March 2003, pursuant to which Valero Energy agreed, during the initial period of five years, to pay a terminalling fee for each barrel of refined product stored or handled by or on behalf of Valero Energy at the terminals, including an additive fee for gasoline additive blended at the terminals. At the Houston Hobby Airport terminal, Valero Energy agreed to pay a filtering fee for each barrel of jet fuel stored or handled at the terminal.
- *Throughput Commitment Agreement*, dated March 2003, pursuant to which Valero Energy agreed, for an initial period of seven years:
  - to transport in the Houston and Valley pipeline systems an aggregate of 40% of the Corpus Christi refineries' gasoline and distillate production but only if the combined throughput in these pipelines is less than 110,000 barrels per day;
  - to transport in the Pettus to San Antonio refined product pipeline 25% of the Three Rivers refinery gasoline and distillate production and in the Pettus to Corpus Christi refined product pipeline 90% of the Three Rivers refinery raffinate production;
  - to use the Houston asphalt terminal for an aggregate of 7% of the asphalt production of the Corpus Christi refineries;
  - to use the Edinburg refined product terminal for an aggregate of 7% of the gasoline and distillate production of the Corpus Christi refineries, but only if the throughput at this terminal is less than 20,000 barrels per day; and
  - to use the San Antonio East terminal for 75% of the throughput in the Pettus to San Antonio refined product pipeline.

In the event Valero Energy does not transport in our pipelines or use our terminals to handle the minimum volume requirements and if its obligation has not been suspended under the terms of the agreement, Valero Energy will be required to make a cash payment determined by multiplying the shortfall in volume by the applicable weighted average pipeline tariff or terminal fee. Valero Energy's obligation to transport 90% of the Three Rivers refinery raffinate production in the Pettus to Corpus Christi refined product pipeline was suspended in the fourth quarter of 2005 due to the temporary idling of the pipeline in the fourth quarter of 2005.

St. James Terminalling Agreement

On December 1, 2006, we executed a terminal services agreement with Valero Energy for the St. James, Louisiana crude oil facility (the St. James Terminal Agreement). Pursuant to the St. James Terminal Agreement, we will provide crude oil storage and blending services to Valero Energy for a minimum throughput fee of $1.175 million per month, plus $0.08 per barrel throughput in excess of 4 million barrels per month and $0.03 per barrel blended. The St. James Terminal Agreement has an initial term of five years, with an option to extend for an additional five years, provided that Valero Energy provides notice of its intent to extend the term at least one year prior to the expiration of the initial term.

Corpus Christi North Beach Storage Facility

Effective January 1, 2007, we entered into a one-year terminal service agreement with Valero Energy for the 1.6 million barrels of capacity at our Corpus Christi North Beach storage facility. This agreement automatically renewed from year-to-year until either party elected to terminate upon 90-days written notice. This agreement was terminated on December 31, 2007.

We entered into a five-year shell barrel capacity lease agreement with Valero Energy on January 1, 2008 for the 1.6 million barrels of capacity at our Corpus Christi North Beach storage facility for $0.56 million per month. This lease automatically renews for additional one-year terms after the initial term unless either party terminates it with a 90-day written notice. Pursuant to this agreement, Valero Energy has agreed to maintain an annual average throughput of at least 70,000 barrels per day. In the event Valero Energy does not maintain the minimum guaranteed annual volume, Valero Energy will be required to make a cash payment determined by multiplying the shortfall in volume by a per barrel rate.

Other Agreements

We have other minor storage and throughput contracts with Valero Energy.

15. EMPLOYEE BENEFIT PLANS

We rely on employees of NuStar GP, LLC to provide the necessary services to conduct our U.S. operations. Prior to July 1, 2006, the employees of NuStar GP, LLC were included in the various employee benefit plans of Valero Energy, which included a defined benefit pension plan, a retiree welfare benefit plan, health and welfare benefits, a defined contribution retirement plan, equity incentive plans and nonqualified deferred compensation plans. On July 19, 2006, employees of NuStar GP, LLC began participating in newly enacted, comparable plans sponsored by NuStar GP, LLC as follows:

- The NuStar GP, LLC Thrift Plan (the Thrift Plan), is a qualified employee profit-sharing plan which became effective June 26, 2006. Participation in the Thrift Plan is voluntary and is open to substantially all of NuStar GP, LLC employees who become eligible to participate upon date of hire. Thrift Plan participants can make basic contributions from 1% up to 30% of their total annual compensation. The maximum match by NuStar GP, LLC is 75% of each participant’s basic contributions up to 8% based on the participant’s total annual compensation. Effective January 1, 2008, the Thrift Plan was amended to change the maximum match by NuStar GP, LLC to 100% of each participant’s total contribution up to 6% based on the participant’s total annual compensation.
- The NuStar GP, LLC Pension Plan (the Pension Plan), is a qualified non-contributory defined benefit plan which became effective July 6, 2006. The Pension Plan covers substantially all of NuStar GP, LLC’s employees and generally provides eligible employees with retirement income based on years of service and compensation during the period of service. Employees may become eligible to receive benefits after five years of service, including service recognized by Valero Energy for vesting purposes under the Valero Energy pension plan. All benefit obligations associated with service for certain employees who were participants in the Valero Energy pension plan through June 30, 2006, including the effect of future salary increases, are the responsibility of Valero Energy. All benefit obligations related to service by NuStar GP, LLC employees on or after July 1, 2006 will be covered by the Pension Plan. Effective January 1, 2008, the plan was amended to change the name of the plan to the NuStar Pension Plan.
- The NuStar GP, LLC Excess Thrift Plan (the Excess Thrift Plan), which became effective July 1, 2006, provides benefits to a select group of management or other highly compensated employees. The Excess Thrift Plan provides benefits to those employees of NuStar GP, LLC whose annual additions under the Thrift Plan are subject to the limitations on such annual additions as provided under §415 of the Internal Revenue Code of 1986, as amended (the Code), and/or who are constrained from making maximum contributions under the Thrift Plan by §401(a)(17) of the Code, which limits the amount of an employee’s annual compensation which may be taken into

account under that plan. The contribution to the Excess Thrift Plan is equivalent to the matching contributions that would have been credited to the employee's qualified Thrift Plan account for matching contributions had the plan contributions not been impacted by various IRS limits. The Excess Thrift Plan is comprised of two separate components, consisting of (1) an "excess benefit plan" as defined under §3(36) of The Employee Retirement Income Security Act of 1974, as amended (ERISA) and (2) a plan that is unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees. Each component of the Excess Thrift Plan shall consist of a separate plan for purposes of Title I of ERISA.

- The NuStar GP, LLC Excess Pension Plan (the Excess Pension Plan) provides benefits to those employees of NuStar GP, LLC whose pension benefits under the Pension Plan and the Valero Energy pension plan (where applicable) are subject to limitations under the Code, or who are otherwise indirectly constrained by the Code from realizing the maximum benefit available to them under the terms of the Pension Plan and the Valero Energy pension plan (where applicable). Effective as of July 1, 2006, eligible NuStar GP, LLC employees ceased accruing additional benefits under Valero Energy's excess pension plan (the Prior Excess Pension Plan). The Excess Pension Plan is an "excess benefit plan" as defined under §3(36) of ERISA, for those benefits provided in excess of Section 415 of the Code. Benefits provided as a result of other statutory limitations are limited to a select group of management or other highly compensated employees. The Excess Pension Plan provides a single, nonqualified defined benefit to those NuStar GP, LLC employees for their pre-July 1, 2006 benefit accruals under the Prior Excess Pension Plan and their post-July 1, 2006 benefit accruals under the Excess Pension Plan.
- The NuStar GP, LLC Supplemental Executive Retirement Plan (the SERP) provides those highly compensated, management personnel of NuStar GP, LLC who were accruing benefits under the Valero Energy supplemental executive retirement plan (Prior SERP) up until July 1, 2006, and those who may subsequently become eligible, with a supplement to the retirement benefit they may otherwise receive under the Pension Plan and the Valero Energy pension plan (where applicable). The SERP provides a single, nonqualified defined benefit to those NuStar GP, LLC employees for their pre-July 1, 2006 benefit accruals under the Prior SERP and their post-July 1, 2006 benefit accruals under the SERP.
- The NuStar GP, LLC Retiree Benefits Plan is a post-retirement medical benefits plan effective July 1, 2006 from which benefits became payable to eligible employees beginning January 1, 2007. NuStar GP, LLC retained the liabilities for the benefit obligations related to the postretirement medical benefits for those employees who are not "retirement eligible" (employees over 55 years old with five years of service and eligible to receive benefits under the Valero Energy pension plan) on July 19, 2006, and certain long-term disability benefits (LTD) under the Valero Energy flex benefits plan totaling $6.1 million and $0.7 million, respectively, as of July 1, 2006. Valero Energy retained the responsibility for the postretirement medical benefit obligation for employees who were retirement eligible on July 19, 2006, and those who subsequently become retirement eligible and elected to receive a benefit on or before December 31, 2006 under the Valero Energy pension plan.

None of the Excess Thrift Plan, the Excess Pension Plan or the SERP is intended to constitute either a qualified plan under the provisions of Section 401 of the Code or a funded plan subject to ERISA. All costs incurred by our general partner related to these employee benefit plans, excluding compensation expense related to the long-term incentive plans, were and will continue to be reimbursed by us at cost. Effective January 1, 2008, in compliance with recently issued section 409(a) of the Code, the Excess Pension Plan and the SERP were amended to provide that all benefits under those plans will be paid in a single lump-sum payment.

Long-Term Incentive Plans

Our general partner also sponsors the following:

- The Second Amended and Restated 2000 Long-Term Incentive Plan (the 2000 LTIP), under which NuStar GP, LLC may award up to 1,500,000 common units. Awards under the 2000 LTIP can include unit options, restricted units, performance awards, distribution equivalent rights (DERs) and contractual rights to receive common units. As of December 31, 2007, a total of 711,602 common units remained available to be awarded under the UIP.
- The 2003 Employee Unit Incentive Plan (the UIP) under which NuStar GP, LLC may award up to 500,000 NuStar Energy common units to employees of NuStar GP, LLC or its affiliates, excluding officers and directors of NuStar GP, LLC and its affiliates. Awards under the UIP can include unit options, restricted units and distribution equivalent rights (DERs). As of December 31, 2007, a total of 265,326 common units remained available to be awarded under the UIP.
- The 2002 Unit Option Plan (the UOP) under which NuStar GP, LLC may award up to 200,000 NuStar Energy unit options to officers and directors of NuStar GP, LLC or its affiliates, of which substantially all of the unit options have been awarded as of December 31, 2007.

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- The 2006 Long-Term Incentive Plan (the 2006 LTIP) under which NuStar GP Holdings may award up to 2,000,000 units to employees, consultants and directors of NuStar GP Holdings and its affiliates, including us. Awards under the 2006 LTIP can include unit options, performance units, restricted units, phantom units, unit grants and unit appreciation rights of NuStar GP Holdings, LLC. As of December 31, 2007, a total of 1,667,637 NuStar GP Holdings units remained available to be awarded under the 2006 LTIP.

Our share of compensation expense related to the various long term incentive plans described previously, except for grants to non-employee directors of NuStar GP Holdings, was $3.8 million, $2.4 million and $1.5 million, respectively, for the years ended December 31, 2007, 2006 and 2005. We record such amounts in "General and administrative expenses" in the consolidated statements of income for those years.

The number of awards granted under the above noted plans were as follows:

	Year Ended December 31,					
	2007		2006		2005	
	Granted	Vesting	Granted	Vesting	Granted	Vesting
2000 LTIP:						
Performance awards	10,840	1/3 per year	8,940	1/3 per year	—	—
Unit options	204,675	1/5 per year	203,975	1/5 per year	25,075	1/5 per year
Restricted units	117,575	1/5 per year	51,140	1/5 per year	14,920	1/5 per year
Restricted units (grants to non-employee directors of NuStar GP, LLC)	3,510	1/3 per year	2,307	1/3 per year	1,340	1/3 per year
UOP	—	—	—	—	14,925	1/5 per year
UIP:						
Unit options	—	—	15,200	1/5 per year	128,300	1/5 per year
Restricted units	12,730	1/5 per year	9,740	1/5 per year	31,800	1/5 per year
2006 LTIP:						
Unit options	324,100	(a)	—	—	—	—
Restricted units (grants to non-employee directors of NuStar GP Holdings)	5,489	1/3 per year	2,886	1/3 per year	—	—

(a) Unit options granted under the 2006 LTIP vest in annual one-third increments beginning on the third anniversary of the grant date.

16. PARTNERS' EQUITY, ALLOCATIONS OF NET INCOME AND CASH DISTRIBUTIONS

Partners' Equity

On November 19, 2007, we issued 2,600,000 common units representing limited partner interests at a price of $57.20 per unit. We received proceeds of $146.1 million, including a contribution of $3.0 million from our general partner to maintain its 2% general partner interest, net of issuance costs. The proceeds were used to repay a portion of the outstanding principal balance under our then active $600 million revolving credit agreement.

On July 1, 2005, we issued 23,768,355 of our common units valued at approximately $1.45 billion in exchange for all of the outstanding common units of KPP. In order to maintain a 2% general partner interest, Riverwalk Logistics, L.P. contributed $29.2 million to us.

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Subordinated Units

Effective April 1, 2006, we satisfied all the conditions included in our partnership agreement for the subordination period to end. Accordingly, all 9,599,322 subordinated units converted into common units on a one-for-one basis on May 8, 2006, the first business day after the record date for the distribution related to the first quarter earnings of 2006. Riverwalk Holdings, LLC held the 9,599,322 subordinated units at the time of conversion.

Allocations of Net Income

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

During the year ended December 31, 2006, our general partner reimbursed us for certain charges we incurred related to services historically provided under our services agreement with Valero Energy. United States generally accepted accounting principles required us to record the charges as expenses and record the reimbursement as a capital contribution.

The following table details the calculation of net income applicable to the general partner:

	Year Ended December 31,		
	2007	2006	2005
	(Thousands of Dollars)		
Net income applicable to general partner and limited partners’ interest	$150,298	$149,530	$111,073
Charges reimbursed by general partner	—	575	—
Net income before charges reimbursed by general partner	150,298	150,105	111,073
Less general partner incentive distribution	18,426	14,778	8,711
Net income before charges reimbursed by general partner and after general partner incentive distribution	131,872	135,327	102,362
General partner interest	2%	2%	2%
General partner allocation of net income before charges reimbursed by general partner and after general partner incentive distribution	2,637	2,707	2,047
Charges reimbursed by general partner	—	(575)	—
General partner incentive distribution	18,426	14,778	8,711
Net income applicable to general partner	$ 21,063	$ 16,910	$ 10,758

Cash Distributions

We make quarterly distributions of 100% of our available cash, generally defined as cash receipts less cash disbursements and cash reserves established by the general partner, in its sole discretion. These quarterly distributions are declared and paid within 45 days subsequent to each quarter-end. The limited partner unitholders are entitled to receive each quarter a

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minimum quarterly distribution of $0.60 per unit ($2.40 annualized). Our cash is first distributed 98% to the limited partners and 2% to the general partner until there has been distributed to the unitholders an amount equal to the minimum quarterly distribution and arrearages in the payment of the minimum quarterly distribution for any prior quarter. Thirdly, cash in excess of the minimum quarterly distributions is distributed to the unitholders and the general partner based on the percentages shown below.

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

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

The table set forth below shows our cash distributions earned for the periods shown with respect to the general and limited partners:

	Year Ended December 31,		
	2007	2006	2005(a)
	(Thousands of Dollars, Except Per Unit Data)		
General partner interest	$ 4,092	$ 3,742	$ 3,036
General partner incentive distribution	18,426	14,778	10,259
Total general partner distribution	22,518	18,520	13,295
Limited partners' distribution	182,076	168,515	138,500
Total cash distributions	$ 204,594	$ 187,035	$ 151,795
Cash distributions per unit applicable to limited partners	$ 3.835	$ 3.600	$ 3.365

(a) For the second quarter 2005, our net income allocation to general and limited partners reflected a total cash distribution based on the partnership interests outstanding as of June 30, 2005. On July 1, 2005, we issued approximately 23.8 million of our common units in exchange for all outstanding units of KPP in connection with the Kaneb Acquisition. Actual distribution payments are made within 45 days after the end of each quarter as of a record date that is set after the end of each quarter. As such, the actual cash payment made with respect to the second quarter 2005 included the distributions paid to former Kaneb unitholders. The general partner's portion of the actual cash payment made with respect to the second quarter 2005 was higher than the net income allocation to the general partner as the units had increased prior to the record date. Therefore, the distribution paid related to the year ended December 31, 2005 is more than the amount allocated to the general partner in our net income allocation.

On January 24, 2008, we declared a quarterly cash distribution of $0.985 which was paid on February 14, 2008 to unitholders of record on February 7, 2008. This distribution related to the fourth quarter of 2007 and totaled $55.0 million, of which $6.3 million represented the general partner's share of such distribution. The general partner's distribution included a $5.2 million incentive distribution.

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NUSTAR ENERGY L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

17. STATEMENTS OF CASH FLOWS

Changes in current assets and current liabilities were as follows:

	Year Ended December 31,		
	2007	2006	2005
	(Thousands of Dollars)		
Decrease (increase) in current assets:			
Accounts receivable notes receivable	$(22,079)	$27,307	$(39,397)
Receivable from related party	(786)	1,168	(2,678)
Inventories	(71,457)	257	(6,042)
Other current assets	(8,603)	6,181	(11,475)
Increase (decrease) in current liabilities:			
Payable to related party	(2,315)	(9,493)	8,634
Accounts payable	72,918	(7,106)	58,920
Accrued interest payable	182	1,135	(259)
Accrued liabilities	9,546	(8,300)	(3,782)
Taxes other than income taxes	2	1,345	(3,323)
Income taxes payable	1,266	(1,799)	(534)
Changes in current assets and current liabilities	$(21,326)	$10,695	$ 64

Cash flows related to interest and income taxes were as follows:

	Year Ended December 31,		
	2007	2006	2005
	(Thousands of Dollars)		
Cash paid for interest, net of amount capitalized	$83,450	$73,206	$52,154
Cash paid for income taxes, net of tax refunds received	$ 9,081	$ 7,234	$ 1,663

Non-cash investing and financing activities for the year ended December 31, 2007 included:

- adjustments to property and equipment, goodwill and intangible assets resulting from adjustments to the purchase price allocations related to the St. James Acquisition;
- acquisition of other current assets in exchange for a note payable; and
- adjustments to the fair value of our interest rate swap agreements.

Non-cash investing activities for the year ended December 31, 2006 included adjustments mainly to property and equipment and goodwill resulting from the final purchase price allocation related to the Kaneb Acquisition.

18. OTHER INCOME

Other income consisted of the following:

	Year Ended December 31,		
	2007	2006	2005
	(Thousands of Dollars)		
2007 Services Agreement termination fee (see Note 14)	$13,000	$ —	$ —
Business interruption insurance	12,492	—	—
Sale of net profit interest in coal mine	7,250	—	—
Legal settlements	5,758	—	—
Foreign exchange (losses) gains	(6,261)	1,011	(139)
Other	6,591	2,241	(1,356)
Other income (expense), net	$38,830	$3,252	$(1,495)

The business interruption insurance amount consists of insurance proceeds related to lost earnings at our pipelines and terminals that serve Valero Energy's McKee refinery, which experienced a fire in February 2007.

19. INCOME TAXES

Components of income tax expense related to certain of our operations conducted through separate taxable wholly owned corporate subsidiaries were as follows:

	Year Ended December 31,		
	2007	2006	2005
	(Thousands of Dollars)		
Current:			
U.S.	$ 2,373	$ 245	$ —
Foreign	8,799	5,690	430
Total current	11,172	5,935	430
Deferred:			
U.S.	827	(3,681)	892
Foreign	(551)	3,607	3,391
Total deferred	276	(74)	4,283
Total income tax expense	$11,448	$ 5,861	$4,713

The difference between income tax expense recorded in our consolidated statements of income and income taxes computed by applying the statutory federal income tax rate (35% for all years presented) to income before income tax expense is due to the fact that substantially all of our income is not subject to federal income tax due to our status as a limited partnership.

NUSTAR ENERGY L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The tax effects of significant temporary differences representing deferred income tax assets and liabilities were as follows:

	December 31, 2007	December 31, 2006
	(Thousands of Dollars)	
U.S.:		
Net operating losses	$ 21,509	$ 19,257
Environmental and legal reserves	14,611	14,699
Other	784	377
Valuation allowance	(13,276)	(9,744)
Deferred tax assets – U.S.	23,628	24,589
Property and equipment	(13,006)	(13,247)
Net deferred income tax asset – U.S.	$ 10,622	$ 11,342
Foreign:		
Environmental and legal reserves	$ —	$ 338
Other	1,057	142
Capital loss	2,292	—
Valuation allowance	(1,977)	—
Deferred tax assets – foreign	1,372	480
Property and equipment	(35,568)	(33,406)
Net deferred income tax liability – foreign	$ (34,196)	$ (32,926)

Our U.S. corporate operations have net operating loss carryforwards for tax purposes totaling approximately $61.5 million, which are subject to various limitations on use and expire in years 2008 through 2027.

As of December 31, 2007 and 2006, we have recorded a valuation allowance, substantially all of which was recorded in conjunction with the allocation of the purchase price of the Kaneb Acquisition, due to uncertainties related to our ability to utilize some of our deferred income tax assets, primarily consisting of certain federal net operating loss carryforwards, before they expire. The net change in the total valuation allowance for the year ended December 31, 2007 was an increase of $5.5 million. The valuation allowance is based on our estimates of taxable income in the various jurisdictions in which we operate and the period over which deferred income tax assets will be recoverable.

The realization of net deferred income tax assets recorded as of December 31, 2007 is dependent upon our ability to generate future taxable income in the United States. We believe it is more likely than not that the deferred income tax assets, net of the valuation allowance, as of December 31, 2007 will be realized, based on expected future taxable income and potential tax planning strategies.

St. Eustatius Tax Agreement

On June 1, 1989, the governments of the Netherlands Antilles and St. Eustatius approved a Free Zone and Profit Tax Agreement retroactive to January 1, 1989, which expired on December 31, 2000. This agreement required a subsidiary of Kaneb, which we acquired on July 1, 2005, to pay the greater of 2% of taxable income, as defined therein, or 500,000 Netherlands Antilles guilders (approximately $0.3 million) per year. The agreement further provided that any amounts paid in order to meet the minimum annual payment were available to offset future tax liabilities under the agreement to the extent that the minimum annual payment is greater than 2% of taxable income.

On February 22, 2006, we entered into a revised agreement (the 2005 Tax and Maritime Agreement) with the governments of St. Eustatius and the Netherlands Antilles. The 2005 Tax and Maritime Agreement is effective beginning January 1, 2005 and expires on December 31, 2014. Under the terms of the 2005 Tax and Maritime Agreement, we

agreed to make a one-time payment of five million Netherlands Antilles guilders (approximately $2.8 million) in full and final settlement of all of our liabilities, taxes, fees, levies, charges, or otherwise (including settlement of audits) due or potentially due to St. Eustatius. We further agreed to pay an annual minimum profit tax to St. Eustatius of one million Netherlands Antilles guilders (approximately $0.6 million), beginning as of January 1, 2005. We agreed to pay the minimum annual profit tax in twelve equal monthly installments. To the extent the minimum annual profit tax exceeds 2% of taxable profit (as defined in the 2005 Tax and Maritime Agreement), we can carry forward that excess to offset future tax liabilities. If the minimum annual profit tax is less than 2% of taxable profit, we agreed to pay that difference.

20. SEGMENT INFORMATION

Our operating segments consist of refined product terminals, refined product pipelines, crude oil pipelines, crude oil storage tanks and marketing. These reportable segments are strategic business units that offer different services and performance is evaluated based on operating income, before general and administrative expenses. General and administrative expenses are not allocated to the operating segments since those expenses relate primarily to the overall management at the entity level. Our principal services include providing pipeline transportation services, terminalling services, storage lease services and crude oil storage handling services. Product sales included in our marketing segment consist of sales of petroleum products to third parties. During the fourth quarter of 2007, we revised the manner in which we internally evaluate our segment performance and made certain organizational changes. As a result, we changed the way we report our segmental information such that all product sales and related costs and assets are included in the marketing segment. Previous periods have been restated to conform to this presentation. Intersegment revenues are derived from storage and throughput rates consistent with rates charged to third parties and pipeline tariffs based upon the published tariff applicable to all shippers.

Results of operations for the reportable segments were as follows:

	Year Ended December 31,		
	2007	2006	2005
	(Thousands of Dollars)		
Revenues:			
Refined product terminals:			
Third party revenues	$ 354,821	$ 308,229	$164,729
Intersegment revenues	10,569	8,269	5,963
Total refined product terminals	365,390	316,498	170,692
Refined product pipelines:			
Third party revenues	243,597	222,356	149,853
Intersegment revenues	231	—	—
Total refined product pipelines	243,828	222,356	149,853
Crude oil pipelines	52,968	58,654	51,429
Crude oil storage tanks	45,237	46,915	46,943
Marketing	778,391	501,107	246,603
Consolidation and intersegment eliminations	(10,800)	(8,269)	(5,963)
Total revenues	$1,475,014	$1,137,261	$659,557
Depreciation and amortization:			
Refined product terminals	$ 54,635	$ 45,485	$ 25,008
Refined product pipelines	45,006	42,084	27,778
Crude oil pipelines	4,940	5,061	4,612
Crude oil storage tanks	7,682	7,636	7,497
Marketing	423	—	—
Consolidation and intersegment eliminations	1,607	—	—
Total depreciation and amortization	$ 114,293	$ 100,266	$ 64,895
Operating income:			
Refined product terminals	$ 88,865	$ 79,315	$ 51,377
Refined product pipelines	93,812	85,946	56,621
Crude oil pipelines	32,696	36,768	30,439
Crude oil storage tanks	25,770	29,171	29,751
Marketing	21,111	26,915	11,317
Consolidation and intersegment eliminations	(1,740)	—	—
Total segment operating income	260,514	258,115	179,505
Less general and administrative expenses	67,915	45,216	26,553
Total operating income	$ 192,599	$ 212,899	$152,952

Revenues by geographic area for the years ended December 31, 2007, 2006 and 2005 are shown in the table below. The geographic area is based on the location of our customer.

	Year Ended December 31,		
	2007	2006	2005
	(Thousands of Dollars)		
United States	$ 655,013	$ 501,756	$347,765
Netherlands Antilles	719,084	537,626	255,893
Canada	44,927	51,203	35,639
Other countries	55,990	46,676	20,260
Consolidated revenues	$1,475,014	$1,137,261	$659,557

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NUSTAR ENERGY L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

For the years ended December 31, 2007, 2006, and 2005, Valero Energy accounted for 18%, 23% and 34% of our consolidated revenues, respectively. No other single customer accounted for more than 10% of our consolidated revenues.

Revenues from Valero Energy by operating segment were as follows:

	Year Ended December 31,		
	2007	2006	2005
		(Thousands of Dollars)	
Revenues:			
Refined product terminals	$ 70,180	$ 53,154	$ 46,382
Refined product pipelines	96,966	104,519	89,731
Crude oil pipelines	50,631	56,392	51,429
Crude oil storage tanks	45,237	46,915	46,943
Marketing	7,426	—	—
Total revenues	$270,440	$260,980	$234,485

Long-lived assets include property, plant and equipment, intangible assets subject to amortization and certain long-lived assets included in “Deferred charges and other assets, net” on the consolidated balance sheets. Geographic information by country for long-lived assets consisted of the following:

	December 31,	
	2007	2006
	(Thousands of Dollars)	
United States	$2,109,594	$2,050,387
Netherlands Antilles	252,024	240,323
Canada	95,618	82,410
United Kingdom	92,149	90,594
Netherlands	90,157	20,903
Mexico	11,392	22,152
Consolidated long-lived assets	$2,650,934	$2,506,769

Total assets by reportable segment were as follows:

	December 31,	
	2007	2006
	(Thousands of Dollars)	
Refined product terminals	$1,925,592	$1,776,431
Refined product pipelines	1,245,891	1,250,466
Crude oil pipelines	127,706	132,407
Crude oil storage tanks	190,876	197,902
Marketing	171,028	54,153
Total segment assets	3,661,093	3,411,359
Other partnership assets (including current assets and other noncurrent assets)	121,994	82,849
Total consolidated assets	$3,783,087	$3,494,208

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NUSTAR ENERGY L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Changes in the carrying amount of goodwill were as follows:

	Refined Product Terminals	Refined Product Pipelines	Crude Oil Pipelines	Total
		(Thousands of Dollars)		
Balance as of January 1, 2006	$ 569,745	$ 193,646	$ 4,196	$767,587
Kaneb Acquisition final purchase price allocation	27,865	(21,011)	—	6,854
Balance as of December 31, 2006	597,610	172,635	4,196	774,441
St. James Acquisition final purchase price allocation	13,898	—	—	13,898
Other	(1,856)	(1,464)	—	(3,320)
Balance as of December 31, 2007	$ 609,652	$ 171,171	$ 4,196	$785,019

Capital expenditures, including acquisitions and investments in other noncurrent assets, by reportable segment were as follows:

	Year Ended December 31,		
	2007	2006	2005
		(Thousands of Dollars)	
Refined product terminals	$202,208	$229,963	$ 761,099
Refined product pipelines	25,120	41,739	748,392
Crude oil pipelines	224	12,939	561
Crude oil storage tanks	969	453	1,860
Marketing	1,755	—	—
Other partnership assets	21,037	4,222	2,781
Total capital expenditures	$251,313	$289,316	$1,514,693

NUSTAR ENERGY L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

21. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

NuStar Energy has no operations and its assets consist mainly of its investments in NuStar Logistics and KPOP, both wholly-owned subsidiaries. The senior notes issued by NuStar Logistics and KPOP are fully and unconditionally guaranteed by NuStar Energy, and both NuStar Logistics and KPOP fully and unconditionally guarantee the outstanding senior notes of the other.

As a result, the following condensed consolidating financial statements are being presented as an alternative to providing separate financial statements for NuStar Logistics and KPOP.

Condensed Consolidating Balance Sheet
December 31, 2007
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	KPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Assets						
Current assets	$ 16	$ 80,362	$ 672,940	$ 279,412	$ (685,596)	$ 347,134
Property and equipment, net	—	942,297	667,132	882,657	—	2,492,086
Intangible assets, net	—	3,551	—	44,211	—	47,762
Goodwill	—	18,613	170,652	595,754	—	785,019
Investment in wholly owned subsidiaries	2,327,401	1,721	730,663	1,458,721	(4,518,506)	—
Investments in joint ventures	—	16,640	—	63,726	—	80,366
Deferred income tax asset	—	—	—	10,622	—	10,622
Deferred charges and other assets, net	75	15,761	382	3,880	—	20,098
Total assets	$2,327,492	$1,078,945	$2,241,769	$3,338,983	$(5,204,102)	$3,783,087
Liabilities and Partners' Equity						
Current liabilities Current liabilities	$ 359,547	$ 53,665	$ 30,030	$ 484,764	$ (685,521)	$ 242,485
Long-term debt, less current portion	—	865,105	538,893	41,628	—	1,445,626
Long-term payable to related party	—	—	—	5,684	—	5,684
Deferred income tax liability	—	—	—	34,196	—	34,196
Other long-term liabilities	—	3,984	1,520	54,760	—	60,264
Total partners' equity	1,967,945	156,191	1,671,326	2,717,951	(4,518,581)	1,994,832
Total liabilities and partners' equity	$2,327,492	$1,078,945	$2,241,769	$3,338,983	$(5,204,102)	$3,783,087

(a) Non-guarantor subsidiaries are wholly owned by NuStar Energy, NuStar Logistics or KPOP.

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NUSTAR ENERGY L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Condensed Consolidating Balance Sheet
December 31, 2006
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	KPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Assets						
Current assets	$ 403	$ 115,210	$ 653,221	$ 145,807	$ (701,643)	$ 212,998
Property and equipment, net	—	935,109	676,494	733,532	—	2,345,135
Intangible assets, net	—	3,427	—	50,105	—	53,532
Goodwill	—	4,715	172,116	597,610	—	774,441
Investment in wholly owned subsidiaries	2,372,469	24,172	668,796	1,345,791	(4,411,228)	—
Investments in joint ventures	—	15,902	—	58,175	—	74,077
Deferred income tax asset	—	—	—	11,342	—	11,342
Deferred charges and other assets, net	228	5,807	604	16,044	—	22,683
Total assets	$2,373,100	$1,104,342	$2,171,231	$2,958,406	$(5,112,871)	$3,494,208
Liabilities and Partners' Equity						
Current liabilities	$ 504,238	$ 44,397	$ 29,385	$ 280,358	$ (701,643)	$ 156,735
Long-term debt, less current portion	—	767,031	545,571	41,118	—	1,353,720
Long-term payable to related party	—	—	—	5,749	—	5,749
Deferred income tax liability	—	—	—	32,926	—	32,926
Other long-term liabilities	—	5,797	3,517	60,083	—	69,397
Total partners' equity	1,868,862	287,117	1,592,758	2,538,172	(4,411,228)	1,875,681
Total liabilities and partners' equity	$2,373,100	$1,104,342	$2,171,231	$2,958,406	$(5,112,871)	$3,494,208

(a) Non-guarantor subsidiaries are wholly owned by NuStar Energy, NuStar Logistics or KPOP.

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NUSTAR ENERGY L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Condensed Consolidating Statements of Income
For the Year Ended December 31, 2007
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	KPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Revenues	$ —	$274,001	$149,973	$1,059,813	$ (8,773)	$1,475,014
Costs and expenses	1,966	170,961	108,277	1,009,913	(8,702)	1,282,415
Operating income	(1,966)	103,040	41,696	49,900	(71)	192,599
Equity earnings in subsidiaries	152,264	(12,500)	61,867	107,659	(309,290)	—
Equity earnings from joint ventures	—	738	—	6,095	—	6,833
Interest income (expense), net	—	(52,036)	(25,173)	693	—	(76,516)
Other income, net	—	29,105	178	9,547	—	38,830
Income before income tax expense	150,298	68,347	78,568	173,894	(309,361)	161,746
Income tax expense	—	2,026	—	9,422	—	11,448
Net income	$150,298	$ 66,321	$ 78,568	$ 164,472	$(309,361)	$ 150,298

(a) Non-guarantor subsidiaries are wholly owned by NuStar Energy, NuStar Logistics or KPOP.

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NUSTAR ENERGY L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Condensed Consolidating Statements of Income
For the Year Ended December 31, 2006
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	KPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Revenues	$ —	$261,929	$121,835	$ 754,509	$ (1,012)	$1,137,261
Costs and expenses	2,260	145,453	89,984	687,677	(1,012)	924,362
Operating income	(2,260)	116,476	31,851	66,832	—	212,899
Equity earnings in subsidiaries	151,790	154	65,321	72,423	(289,688)	—
Equity earnings from joint ventures	—	815	—	5,067	—	5,882
Interest expense, net	—	(37,145)	(25,093)	(4,028)	—	(66,266)
Other income, net	—	1,242	19	1,991	—	3,252
Income from continuing operations before income tax expense	149,530	81,542	72,098	142,285	(289,688)	155,767
Income tax expense	—	—	—	5,861	—	5,861
Income from continuing operations	149,530	81,542	72,098	136,424	(289,688)	149,906
Income (loss) from discontinued operations	—	—	317	(693)	—	(376)
Net income	$149,530	$ 81,542	$ 72,415	$ 135,731	$(289,688)	$ 149,530

(a) Non-guarantor subsidiaries are wholly owned by NuStar Energy, NuStar Logistics or KPOP.

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NUSTAR ENERGY L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Condensed Consolidating Statements of Income
For the Year Ended December 31, 2005
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	KPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Revenues	$ —	$234,444	$ 57,400	$ 368,495	$ (782)	$ 659,557
Costs and expenses	2,752	134,039	44,152	326,444	(782)	506,605
Operating income	(2,752)	100,405	13,248	42,051	—	152,952
Equity earnings in subsidiaries	113,825	(192)	38,462	40,392	(192,487)	—
Equity earnings from joint ventures	—	376	—	1,943	—	2,319
Interest expense, net	—	(25,770)	(13,488)	(2,130)	—	(41,388)
Other expense, net	—	(1,358)	—	(137)	—	(1,495)
Income from continuing operations before income tax expense	111,073	73,461	38,222	82,119	(192,487)	112,388
Income tax expense	—	—	—	4,713	—	4,713
Income from continuing operations	111,073	73,461	38,222	77,406	(192,487)	107,675
Income from discontinued operations	—	—	2,163	1,235	—	3,398
Net income	$111,073	$ 73,461	$ 40,385	$ 78,641	$(192,487)	$ 111,073

(a) Non-guarantor subsidiaries are wholly owned by NuStar Energy, NuStar Logistics or KPOP.

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NUSTAR ENERGY L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2007
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	KPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Cash flows from operating activities:						
Net income	$ 150,298	$ 66,321	$ 78,568	$ 164,472	$ (309,361)	$ 150,298
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization expense	—	46,613	25,107	42,573	—	114,293
Equity earnings, net of distributions	45,069	11,762	(61,867)	(113,190)	111,937	(6,289)
Changes in operating assets and liabilities and other	273	14,935	(7,242)	(43,667)	71	(35,630)
Net cash provided by (used in) operating activities	195,640	139,631	34,566	50,188	(197,353)	222,672
Cash flows from investing activities:						
Capital expenditures	—	(65,653)	(15,689)	(169,909)	—	(251,251)
Proceeds from sale of assets	—	66	15	12,586	—	12,667
Investment in other noncurrent assets	—	(58)		(4)	—	(62)
Other	—	—	—	250	—	250
Net cash provided by (used in) investing activities	—	(65,645)	(15,674)	(157,077)	—	(238,396)
Cash flows from financing activities:						
Proceeds from issuance of common units, net of issuance costs	143,083	—	—	—	—	143,083
Proceeds from long-term debt borrowings	—	1,170,302	—	—	—	1,170,302
Long-term debt repayments	—	(1,077,975)	—	—	—	(1,077,975)
Distributions to unitholders and general partner	(197,333)	(197,333)	—	(20)	197,353	(197,333)
Contributions from general partner	3,035	—	—	—	—	3,035
Net intercompany borrowings (repayments)	(144,555)	35,613	(19,762)	128,704	—	—
Other	—	(3,144)	—	(908)	—	(4,052)
Net cash provided by (used in) financing activities	(195,770)	(72,537)	(19,762)	127,776	197,353	37,060
Effect of foreign exchange rate changes on cash	—	(1,510)	—	1,174	—	(336)
Net increase in cash and cash equivalents	(130)	(61)	(870)	22,061	—	21,000
Cash and cash equivalents at the beginning of the period	137	12,345	992	55,364	—	68,838
Cash and cash equivalents at the end of the period	$ 7	$ 12,284	$ 122	$ 77,425	$ —	$ 89,838

(a) Non-guarantor subsidiaries are wholly owned by NuStar Energy, NuStar Logistics or KPOP.

NUSTAR ENERGY L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2006
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	KPOP	Non-Guarantor Subsidiaries (a)	Eliminations	Consolidated
Cash flows from operating activities:						
Net income	$ 149,530	$ 81,542	$ 72,415	$ 135,731	$ (289,688)	$ 149,530
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization expense	—	38,135	24,511	37,620	—	100,266
Equity earnings, net of distributions	31,500	(969)	(65,321)	(72,403)	106,379	(814)
Changes in operating assets and liabilities and other	(2,343)	(1,779)	(13,613)	19,564	—	1,829
Net cash provided by (used in) operating activities	178,687	116,929	17,992	120,512	(183,309)	250,811
Cash flows from investing activities:						
Capital expenditures	—	(33,939)	(12,276)	(77,807)	—	(124,022)
Proceeds from sale of assets	—	15	2	71,379	—	71,396
Acquisitions and investment in noncurrent assets	—	(156,275)	(50)	(8,969)	—	(165,294)
Other	(77)	(7,099)	27,112	(22,527)	7,277	4,686
Net cash provided by (used in) investing activities	(77)	(197,298)	14,788	(37,924)	7,277	(213,234)
Cash flows from financing activities:						
Proceeds from long-term debt borrowings	—	269,026	—	—	—	269,026
Long-term debt repayments	—	(83,510)	—	—	—	(83,510)
Distributions to unitholders and general partner	(183,290)	(183,290)	—	(19)	183,309	(183,290)
Net intercompany borrowings (repayments)	4,232	95,075	(31,902)	(67,405)	—	—
Other	575	(6,177)	—	6,754	(7,277)	(6,125)
Net cash provided by (used in) financing activities	(178,483)	91,124	(31,902)	(60,670)	176,032	(3,899)
Effect of foreign exchange rate changes on cash	—	—	—	(894)	—	(894)
Net increase in cash and cash equivalents	127	10,755	878	21,024	—	32,784
Cash and cash equivalents at the beginning of the period	10	1,590	114	34,340	—	36,054
Cash and cash equivalents at the end of the period	$ 137	$ 12,345	$ 992	$ 55,364	$ —	$ 68,838

(a) Non-guarantor subsidiaries are wholly owned by NuStar Energy, NuStar Logistics or KPOP.

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NUSTAR ENERGY L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2005
(Thousands of Dollars)

	NuStar Energy	NuStar Logistics	KPOP	Non - Guarantor Subsidiaries (a)	Eliminations	Consolidated
Cash flows from operating activities:						
Net income	$ 111,073	$ 73,461	$ 40,385	$ 78,641	$ (192,487)	$ 111,073
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization expense	—	34,828	12,073	19,766	—	66,667
Equity earnings, net of distributions	13,964	192	(38,462)	(40,392)	64,698	—
Changes in operating assets and liabilities and other	4,274	12,523	3,645	(11,752)	—	8,690
Net cash provided by (used in) operating activities	129,311	121,004	17,641	46,263	(127,789)	186,430
Cash flows from investing activities:						
Capital expenditures	—	(47,568)	(3,492)	(17,026)	—	(68,086)
Proceeds from sale of assets	—	—	85,466	395,479	—	480,945
Kaneb acquisition	(522,456)	—	850	20,633	—	(500,973)
Other	—	(3,377)	—	(1,472)	3,963	(886)
Net cash provided by (used in) investing activities	(522,456)	(50,945)	82,824	397,614	3,963	(89,000)
Cash flows from financing activities:						
Proceeds from long-term borrowings	—	746,472	—	—	—	746,472
Long-term debt repayments	—	(548,010)	(123,668)	(63,386)	—	(735,064)
Distributions to unitholders and general partner	(127,789)	(127,789)	—	—	127,789	(127,789)
General partner contributions	29,197	—	—	—	—	29,197
Net intercompany borrowings (repayments)	491,737	(163,529)	23,317	(351,525)	—	—
Other	—	8,346	—	5,623	(3,963)	10,006
Net cash provided by (used in) financing activities	393,145	(84,510)	(100,351)	(409,288)	123,826	(77,178)
Effect of foreign exchange rate changes on cash	—	—	—	(345)	—	(345)
Net increase in cash and cash equivalents	—	(14,451)	114	34,244	—	19,907
Cash and cash equivalents at the beginning of the period	10	16,041	—	96	—	16,147
Cash and cash equivalents at the end of the period	$ 10	$ 1,590	$ 114	$ 34,340	$ —	$ 36,054

(a) Non-guarantor subsidiaries are wholly owned by NuStar Energy, NuStar Logistics or KPOP.

NUSTAR ENERGY L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

22. QUARTERLY FINANCIAL DATA (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
		(Thousands of Dollars, Except Per Unit Data)			
2007:					
Revenues	$296,824	$321,032	$397,017	$460,141	$1,475,014
Operating income	45,435	42,086	60,361	44,717	192,599
Net income	31,123	39,697	51,213	28,265	150,298
Net income per unit applicable to limited partners	0.57	0.74	0.97	0.47	2.74
Cash distributions per unit applicable to limited partners	0.915	0.950	0.985	0.985	3.835
2006:					
Revenues	$274,004	$279,968	$292,299	$290,990	$1,137,261
Operating income	55,967	47,316	55,656	53,960	212,899
Net income	39,451	31,553	41,169	37,357	149,530
Net income per unit applicable to limited partners	0.75	0.59	0.79	0.70	2.83
Cash distributions per unit applicable to limited partners	0.885	0.885	0.915	0.915	3.600

Previously reported amounts of revenues and operating income, net have been increased by $2.5 million, $0.5 million and $1.3 million for the quarters ended September 30, 2007, June 30, 2007 and September 30, 2006, respectively, to conform to the revised presentation as of the fourth quarter of 2007.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES.

Our management has evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)) as of the end of the period covered by this report, and has concluded that our disclosure controls and procedures were operating effectively as of December 31, 2007.

INTERNAL CONTROL OVER FINANCIAL REPORTING.

(a) Management's Report on Internal Control over Financial Reporting.

Management's report on NuStar Energy L.P.'s internal control over financial reporting required by Item 9A. appears in Item 8. of this report, and is incorporated herein by reference.

(b) Attestation Report of the Registered Public Accounting Firm.

The report of KPMG LLP on NuStar Energy L.P.'s internal control over financial reporting appears in Item 8. of this Form 10-K, and is incorporated herein by reference.

(c) Changes in Internal Controls over Financial Reporting.

There has been no change in our internal control over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

DIRECTORS AND EXECUTIVE OFFICERS OF NUSTAR GP, LLC

We do not have directors or officers. The directors and officers of NuStar GP, LLC, the general partner of our general partner, Riverwalk Logistics, L.P., perform all of our management functions. NuStar GP Holdings, LLC (NuStar GP Holdings), the sole member of NuStar GP, LLC, selects the directors of NuStar GP, LLC. Officers of NuStar GP, LLC are appointed by its directors.

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

Name	Age	Position Held with NuStar GP, LLC
William E. Greehey	71	Chairman of the Board
Curtis V. Anastasio	51	President, CEO and Director
J. Dan Bates	63	Director
Dan J. Hill	67	Director
Stan McLelland	62	Director
Rodman D. Patton	64	Director
Bradley C. Barron	42	Senior Vice President, General Counsel and Secretary
Steven A. Blank	53	Senior Vice President, CFO and Treasurer
James R. Bluntzer	53	Senior Vice President-Operations
Mary F. Morgan	55	Senior Vice President-Marketing and Business Development
Thomas R. Shoaf	49	Vice President and Controller

Mr. Greehey became Chairman of the board of directors of NuStar GP, LLC (the Board) in January 2002. He has also been the Chairman of the board of directors of NuStar GP Holdings since March 2006. Mr. Greehey served as Chairman of the board of directors of Valero Energy from 1979 through January 2007. Mr. Greehey was CEO of Valero Energy from 1979 through December 2005. He was also President of Valero Energy from 1998 until January 2003.

Mr. Anastasio became the President and a director of NuStar GP, LLC in December 1999. He also became its CEO in June 2000. Mr. Anastasio has served as President and CEO of NuStar GP Holdings since March 2006, and he has been a director of NuStar GP Holdings since January 2007.

Mr. Bates became a director of NuStar GP, LLC in April 2006. Mr. Bates has been President and CEO of the Southwest Research Institute since 1997. Mr. Bates also serves as Chairman of the Federal Reserve Bank of Dallas' San Antonio Branch board of directors, and as Chairman of the board of Signature Science L.L.C. and Southwest Automotive Research Center.

Mr. Hill became a director of NuStar GP, LLC in July 2004. From February 2001 through May 2004, he served as a consultant to El Paso Corporation. Prior to that, he served as President and Chief Executive Officer of Coastal Refining and Marketing Company. In 1978, Mr. Hill was named as Senior Vice President of The Coastal Corporation and President of Coastal States Crude Gathering. In 1971, he began managing Coastal's NGL business. Previously, Mr. Hill worked for Amoco and Mobil.

Mr. McLelland became a director of NuStar GP, LLC in October 2005. Mr. McLelland has also served as a director of NuStar GP Holdings since July 2006. Mr. McLelland has served as a director of two privately held companies, Patton Surgical Corp. and the general partner of Yorktown Technologies, LP since November 2003 and June 2004, respectively. Mr. McLelland was U. S. Ambassador to Jamaica from January 1997 until March 2001. Prior to being named U.S. Ambassador to Jamaica, Mr. McLelland was a senior executive with Valero Energy. He joined Valero Energy in 1981 as Senior Vice President and General Counsel and served as Executive Vice President and General Counsel from 1990 until 1997.

Mr. Patton became a director of NuStar GP, LLC in June 2001. He retired from Merrill Lynch & Co. in 1999 where he had served as Managing Director in the Energy Group since 1993. Prior to that, he served in investment banking and corporate finance positions with Credit Suisse First Boston (1981-1993) and Blyth Eastman Paine Webber (1971-1981). He is a director of Apache Corporation.

Mr. Barron became Senior Vice President, General Counsel and Secretary of NuStar GP, LLC in April 2007. He served as Vice President, General Counsel and Secretary of NuStar GP, LLC from January 2006 until April 2007. Mr. Barron has also served as Vice President, General Counsel and Secretary of NuStar GP Holdings since March 2006. Mr. Barron was promoted to Senior Vice President, General Counsel and Secretary of NuStar GP Holdings in April 2007. He served as Managing Counsel and Corporate Secretary of NuStar GP, LLC from July 2003 until January 2006. From January 2001 until July 2003, he served as Counsel, and then Senior Counsel, to Valero Energy.

Mr. Blank became Senior Vice President and CFO of NuStar GP, LLC in January 2002, and he became NuStar GP, LLC's Treasurer as well in July 2005. Mr. Blank has also served as Senior Vice President, CFO and Treasurer of NuStar GP Holdings since March 2006. From December 1999 until January 2002, he was Chief Accounting and Financial Officer and a director of NuStar GP, LLC. He also served as Vice President and Treasurer of Ultramar Diamond Shamrock Corporation from December 1996 until January 2002.

Mr. Bluntzer became Senior Vice President-Operations of NuStar GP, LLC in October 2005. He served as Vice President-Operations of NuStar GP, LLC from February 2004 until October 2005. He served as Vice President-Terminal Operations of NuStar GP, LLC from May 2003 to February 2004. He served as Special Projects Director of NuStar GP, LLC from January 2002 to May 2003 and as Vice President of Midstream Operations of Valero Energy from June 2001 to January 2002. He served as Refinery Logistics & Supply Chain Director of Valero Energy from July 2000 to June 2001.

Ms. Morgan became Senior Vice President-Marketing and Business Development in April 2007. Ms. Morgan served as Vice President-Marketing and Business Development of NuStar GP, LLC from July 2005 through April 2007. Ms. Morgan served as Vice President, Marketing and Business Development of Kaneb Pipe Line Company LLC from 2004 until July 2005. She served as Vice President, Marketing of Kinder Morgan Energy Partners, L.P. from 1998 until 2004.

Mr. Shoaf became Vice President and Controller of NuStar GP, LLC in July 2005. He has also served as Vice President and Controller of NuStar GP Holdings since March 2006. Mr. Shoaf served as Vice President-Structured Finance of Valero Corporate Services Company, a subsidiary of Valero Energy, from 2001 until his appointment with NuStar GP, LLC. From 2000 to 2001, Mr. Shoaf was Vice President-Finance of Valero Corporate Services Company.

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Section 16(a) of the Exchange Act requires directors, executive officers and persons who beneficially own more than 10% of NuStar Energy's equity securities to file certain reports with the SEC and NYSE concerning their beneficial ownership of NuStar Energy's equity securities within two business days. We believe that during the year ended December 31, 2007, all Section 16(a) reports applicable to our executive officers, directors and greater than 10% stockholders were timely filed, except for a Form 4 for J. Dan Bates, director, involving a purchase of 400 shares on August 1, 2007 (the transaction was reported on a Form 4 filed August 7, 2007).

CODE OF ETHICS OF SENIOR FINANCIAL OFFICERS

NuStar GP, LLC has adopted a Code of Ethics for Senior Financial Officers that applies to NuStar GP, LLC's principal executive officer, principal financial officer and controller. This code charges the senior financial officers with responsibilities regarding honest and ethical conduct, the preparation and quality of the disclosures in documents and reports NuStar GP, LLC files with the SEC and compliance with applicable laws, rules and regulations.

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AUDIT COMMITTEE

The Audit Committee reviews and reports to the Board on various auditing and accounting matters, including the quality, objectivity and performance of NuStar Energy's internal and external accountants and auditors, the adequacy of its financial controls and the reliability of financial information reported to the public. The Audit Committee also monitors NuStar Energy's efforts to comply with environmental laws and regulations. The Board has adopted a written charter for the Audit Committee. The members of the Audit Committee during 2007 were Rodman D. Patton (Chairman), J. Dan Bates, and Dan J. Hill. The Audit Committee met eight times in 2007. For further information, see the *"Report of the Audit Committee"* below.

The Board has determined that Mr. Patton is an "audit committee financial expert" (as defined by the SEC), and that he is "independent" as that term is used in Item 407(d)(5) of Regulation S-K under the Securities Exchange Act of 1934.

REPORT OF THE AUDIT COMMITTEE FOR FISCAL YEAR 2007

Management of NuStar GP, LLC is responsible for NuStar Energy's internal controls and the financial reporting process. KPMG LLP, NuStar Energy's independent registered public accounting firm for the year ended December 31, 2007, is responsible for performing an independent audit of NuStar Energy's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) and generally accepted auditing standards, and an audit of NuStar Energy's internal control over financial reporting in accordance with the standards of the PCAOB, and issuing a report thereon. The Audit Committee monitors and oversees these processes and approves the selection and appointment of NuStar Energy's independent registered public accounting firm and recommends the ratification of such selection and appointment to the Board.

The Audit Committee has reviewed and discussed NuStar Energy's audited consolidated financial statements with management and KPMG. The Audit Committee has discussed with KPMG the matters required to be discussed by Statement on Auditing Standards No. 61, "*Communications with Audit Committees*." The Audit Committee has received written confirmation of the firm's independence from KPMG and has discussed with KPMG that firm's independence.

Based on the foregoing review and discussions and such other matters the audit committee deemed relevant and appropriate, the audit committee recommended to the Board that the audited consolidated financial statements of NuStar Energy be included in NuStar Energy's Annual Report on Form 10-K for the year ended December 31, 2007.

Members of the Audit Committee:

Rodman D. Patton (Chairman)
J. Dan Bates
Dan J. Hill

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on the foregoing review and discussion and such other matters the Compensation Committee deemed relevant and appropriate, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this annual report.

Members of the Compensation Committee:

Dan J. Hill (Chairman)
J. Dan Bates
Rodman D. Patton

COMPENSATION DISCUSSION AND ANALYSIS

Executive Compensation Philosophy

Our philosophy for compensating our named executive officers is based on the belief that a significant portion of executive compensation should be incentive-based and determined by both NuStar Energy’s and the executive’s performance objectives. We believe that:

- executives’ base salaries should be established at levels to be competitive in the marketplace in which we compete for executive talent;
- annual incentive bonuses should be targeted to be competitive in the marketplace and should provide awards based on NuStar Energy’s achievement of performance goals established in the first quarter of the fiscal year and individual performance;
- long-term incentives, which can include a mix of performance units, restricted units and unit option awards, should (i) be targeted to be competitive in the marketplace, (ii) balance executive management focus between short- and long-term performance goals and (iii) provide capital accumulation linked directly to company performance; and
- we should encourage unit ownership among our executive management team, in order to align the interests of our executive officers with those of our unitholders.

Purpose of Executive Compensation Programs

Our executive compensation programs are designed to accomplish the following long-term objectives:

- create a strong performance alignment with unitholders, while practicing good corporate governance;
- support our business strategy and business plan by clearly communicating what is expected of executives with respect to goals and results;
- reward achievement; and
- provide market-competitive compensation and benefits to enable us to recruit, retain and motivate the executive talent necessary to be successful.

Administration of Executive Compensation Programs

Our executive compensation programs are administered by our Board’s Compensation Committee. The Compensation Committee is composed of three independent directors who are not participants in our executive compensation

programs. In 2007, the policies adopted by the Compensation Committee were implemented by Valero Energy's compensation and benefits staff, pursuant to the Services Agreement described in Note 14 of Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data." Effective December 31, 2007, Valero Energy stopped providing human resource services, including compensation and benefits services, to us. In 2008, the adopted policies of the Committee will be administered by the compensation and benefits staff of NuStar GP, LLC.

During 2007, the Committee retained Compass Consulting & Benefits (Compass) as its independent compensation consultant with respect to executive compensation matters. In its role as advisor to the Committee, this consultant was retained directly by the Compensation Committee, which has the authority to select, retain and/or terminate its relationship with a consulting firm. In November 2007, BDO Seidman, LLP (BDO) acquired Compass' executive compensation consulting practice, and the Compensation Committee entered into an agreement with BDO to continue its relationship with those former-Compass advisors. All references to BDO will refer to the Compensation Committee's independent consultant, whether or not the services were provided prior to November 2007.

Selection of Compensation Comparative Data and Competitive Pay Benchmarking

In 2007, the Compensation Committee relied upon two primary sources of competitive compensation data in assessing the benchmark rates of base salary, annual incentive compensation, and long-term incentive compensation: a group of limited partnerships in our industry and broader survey data on comparably sized entities.

To establish compensation for the named executive officers, including the CEO, in 2007, we looked first at a specific group of 15 master limited partnerships to evaluate competitive rates of compensation (the Compensation Comparative Group). Each of these 15 organizations is in the products terminalling, storage and pipeline industry. The competitive data for these master limited partnerships is derived from their respective publicly filed annual proxy statements or annual reports on Form 10-K. For 2007, the data was compiled and analyzed by BDO.

In 2007, BDO advised us to increase the size of our comparative group from nine to 15, in order to expand the relatively small 2006 peer group to a more typical size. In addition, five of the nine organizations comprising the 2006 peer group are publicly traded subsidiaries of a larger unit, which, unlike "stand-alone" entities like ours, may tend to rely heavily on management support services provided by the parent organization. In 2007, the six entities we added are "stand-alone" pipeline master limited partnerships in order to make our Compensation Comparative Group a more accurate reflection our management's responsibilities.

Company	Ticker
1. BUCKEYE PARTNERS LP	BPL
2. ENBRIDGE ENERGY PARTNERS LP	EEP
3. ENTERPRISE PRODUCT PARTNERS LP	EPD
4. KINDER MORGAN ENERGY LP	KMP
5. MAGELLAN MIDSTREAM PARTNERS LP	MMP
6. ONEOK PARTNERS, L.P.	OKS
7. PLAINS ALL AMERICAN PIPELINE LP	PAA
8. SUNOCO LOGISTICS PARTNERS LP	SXL
9. TEPPCO PARTNERS LP	TPP
10. ENERGY TRANSFER PARTNERS*	ETP
11. BOARDWALK PIPELINE PARTNERS*	BWP
12. COPANO ENERGY LLC*	CPNO
13. CROSSTEX ENERGY LP*	XTEX
14. MARK WEST ENERGY PARTNERS*	MWE
15. REGENCY ENERGY PARTNERS*	RGNC

* Added in 2007.

The Compensation Committee also reviewed survey data reported by BDO on a position-by-position basis to ascertain competitive rates of compensation. The survey data consists of general industry data for executive positions reported in the Towers Perrin Executive Compensation General Industry Database, a proprietary compensation database of an approximate 825 U.S. industrial companies that is updated each year. Where possible, the data analysis included the use of single regression analysis to correlate company size to reported pay rates for companies with an annual revenue size of approximately $1.2 billion. In those instances where regression analysis was not available for analysis purposes, BDO employed general tabular data from its survey sources based upon companies approximating $1.2 billion in annual revenues. We refer to the competitive survey data, together with the comparative group data, as the Compensation Comparative Data.

Timing of Compensation Decisions

In the first quarter of each fiscal year, the Committee reviews and establishes financial performance objectives applicable to the current fiscal year under our annual incentive bonus plan. Financial performance objectives are typically tied to the Company's previously approved annual budget. At the same time, the Compensation Committee reviews performance against financial, operational and other goals for the prior year in order to determine annual bonuses earned under the NuStar GP, LLC Bonus Plan and payouts, if any, of performance units granted in prior years. In the third quarter of each fiscal year, the Committee reviews competitive market data for annual salary rates for executive officer positions for the current fiscal year and recommends salary increases to become effective in that quarter. In the fourth quarter of each fiscal year, the Committee establishes the target level of annual incentive and long-term incentive compensation opportunities for executives for the upcoming fiscal year, based upon its review of competitive market data and considers equity grants to officers and other leadership employees.

The following table summarizes the approximate timing of some of our more significant compensation events:

Event	Timing
Establishing company financial objectives for annual incentive bonus	First quarter
Review and certify financial performance for performance units granted in prior years; grant performance units	First quarter; three business days after fourth quarter earnings release
Review base salaries for executive officers for the current fiscal year	Third quarter
Grant of restricted unit and unit options to employees, officers and grant restricted units to directors	Fourth quarter; three business days after third quarter earnings releases
Setting meeting dates for action by the Compensation Committee for the upcoming year	Fourth quarter

The Committee may, however, review salaries or grant long-term incentive awards at other times during the year in the event of promotions, new appointments or other extraordinary circumstances. Additional information regarding the timing of performance unit, unit option and restricted unit grants is discussed below under "Long-Term Incentive Awards" and "Restricted Units/Unit Options."

Elements of Executive Compensation

General

Our executive compensation programs consist of the following material elements:

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- base salaries;
- annual incentive bonuses;
- long-term equity-based incentives, including:
  - performance units;
  - restricted units;
  - unit options; and
- medical and other insurance benefits, retirement benefits and other perquisites.

We chose these elements to remain competitive in attracting and retaining executive talent and to provide strong performance incentives that provide the potential for both current and long-term gains. We use base salary as the foundation for our executive compensation program. We believe that base salary should provide a fixed level of competitive pay that reflects the executive officer's primary duties and responsibilities, as well as a foundation for incentive opportunities and benefit levels. Our annual incentive bonuses are designed to focus our executives on NuStar Energy's attainment of key financial performance measures that we believe generate profitable annual operations and sustaining results. Our long-term equity incentive awards are designed to directly tie an executive's financial reward opportunities with the rewards to unitholders, as measured by long-term unit price performance and payment of distributions.

Relative Size of Elements of Compensation

We evaluate total compensation of the executives at least annually. In setting executive compensation, the Committee considers the aggregate amount of compensation payable to an executive officer and the form of the compensation. The Committee seeks to achieve the appropriate balance between immediate cash rewards for the achievement of company and personal objectives and long-term incentives that align the interests of our executive officers with those of our unitholders. The size of each element determined with reference to market practice reported in the Compensation Comparative Data. The Compensation Committee may also decide, as appropriate, to modify the relative mix of compensation elements to best fit an executive officer's specific circumstances.

The level of incentive compensation typically increases in relation to an executive officer's responsibilities, with the level of incentive compensation for more senior executive officers being a greater percentage of total compensation than for less senior executive officers. The Compensation Committee believes that making a significant portion of an executive officer's incentive compensation contingent on long-term unit price performance more closely aligns the executive officer's interests with those of our unitholders.

Because we place such a large proportion of our total executive compensation at risk in the form of variable pay (i.e. annual and long-term incentives), the Compensation Committee does not adjust current compensation based upon realized gains or losses from prior incentive awards. For example, we will not reduce the size of a target long-term incentive grant in a particular year solely because NuStar Energy's unit price performed well during the immediately preceding years. We believe that adopting a policy of making such adjustments would penalize management's current compensation for NuStar Energy's prior success.

The following table summarizes the relative size of base salary and incentive compensation targets for 2007 (which we call "total direct compensation") for each of our named executive officers:

Name	Target Percentage of Total Direct Compensation			
	Base Salary	Annual Incentive Bonus	Long-Term Incentives	TOTAL
Curtis V. Anastasio	35	21	44	100
Bradley C. Barron	43	22	35	100
Steven A. Blank	43	22	35	100
James R. Bluntzer	43	22	35	100
Mary F. Morgan	43	22	35	100

Base Salaries

The base salaries for our executive officers are reviewed annually by the Compensation Committee based on recommendations of our CEO, with input from its independent compensation consultant and our compensation and benefits staff. Our CEO's base salary is reviewed and approved by the Compensation Committee based on its review of recommendations by the Compensation Committee's independent compensation consultant and our compensation and benefits staff.

The competitiveness of base salaries for each executive position is determined by an evaluation of the compensation data described above. Base salaries may be adjusted to achieve what is determined to be a reasonably competitive level or to reflect promotions, the assignment of additional responsibilities, individual performance or the performance of NuStar Energy. Salaries are also periodically adjusted to remain competitive with the Compensation Comparative Data and other survey data.

Beginning in July 2007, our named executive officers received the following adjustments to annualized base salaries, which represent a four percent (4%) increase to their prior annualized salaries and which the Compensation Committee considered necessary to achieve a reasonably competitive salary level in each case:

Name	Annualized Base Salary	July 2007 Increase to Prior Annualized Base Salary
Anastasio	$ 436,800	$ 16,800
Barron	234,000	9,000
Blank	318,032	12,232
Bluntzer	251,680	9,680
Morgan	284,440	10,940

In addition, in May 2007, Mr. Barron had received a $25,000 salary increase in recognition of his promotion from Vice President, General Counsel and Secretary to Senior Vice President, General Counsel and Secretary.

Annual Incentive Bonus

Our named executive officers participate in a formal annual incentive plan in which all domestic company employees participate. The annual incentive plan, as it pertains to the named executive officers, is based upon the following principles:

- The establishment of a target annual incentive opportunity for each position based upon competitive compensation data and expressed as a percentage of the officer's base salary;
- Our attainment of specific quantitative financial goals established by the Compensation Committee during the first quarter of the plan year; and
- A discretionary evaluation of both NuStar Energy's performance and the individual executive's performance by the Compensation Committee.

For the 2007 plan year, the named executive officers had annual incentive target bonus opportunities expressed as a percentage of their respective base salary rates as shown in the table below:

Name	Annual Incentive Bonus Target as a Percentage of Base Salary
Anastasio	60
Barron	50
Blank	50
Bluntzer	50
Morgan	50

Determination of Annual Incentive Target Opportunities

As stated above, each named executive officer has an annual incentive opportunity generally based on a stated percentage of his or her base salary. This is the target amount of annual incentive award and equals the payout for achieving a 100% score on our stated financial goal under the bonus plan. For example, Mr. Anastasio has a target annual incentive opportunity equal to 60% of his base annual salary. Mr. Anastasio's annual salary rate for 2007 was $436,800, and therefore, his target annual incentive opportunity for a 100% score would have been $262,080. In addition, the plan allows for the upward or downward adjustment of awards, based upon attainment of the financial goal, equal to a range of 0% to 200% of the target award. If we failed to reach at least the threshold level of performance for our financial goal, the participant would have earned an incentive award of $0. Likewise, if we achieved the maximum level of performance for each of its financial goals, the participant could earn up to 200% of his target award.

Once the financial goals have been reviewed and measured, the Compensation Committee has the authority to exercise its discretion in evaluating NuStar Energy's performance. In exercising this discretionary judgment, the Compensation Committee considers such relevant performance factors as growth, attainment of strategic objectives, acquisitions and divestitures, safety and environmental compliance, and other considerations. This discretionary judgment may result in an increase or decrease of as much as 25% of the aggregate earned award for all employees based upon the attainment of the financial goals noted above.

The CEO develops individual grant recommendations based upon the methodology described above, but both the CEO and the Compensation Committee may make adjustments to the recommended grant levels based upon an assessment of an individual's performance and contributions to NuStar Energy. The CEO and the Compensation Committee also review each executive bonus on a case-by-case basis, considering such factors as teamwork, leadership, individual accomplishments and initiative, and adjusts the bonus awarded to reflect these factors.

The grant level for the CEO is decided solely by the Compensation Committee following the methodology described above, and the Compensation Committee may make discretionary adjustments to the calculated level of bonus based upon its independent evaluation of the CEO's performance and contributions.

Company Financial Goals

In prior years, our annual all-employee incentive plan established performance goals in three principal financial areas:

- NuStar Energy's earnings per unit (EPU) compared to the target, threshold, and maximum performance levels, as established and approved by the Compensation Committee at the start of the plan year;
- NuStar Energy's total unitholder return (TUR), expressed as the total return to unitholders based upon the growth in the unit price as well as cash distributions to unitholders during the plan year, either (a) our TUR compared to a peer group or (b) as compared to a target, threshold, and maximum TUR established and approved by the Compensation Committee at the start of the plan year; and
- NuStar Energy's distributable cash flow (DCF per unit) compared to the target, threshold, and maximum performance levels, as established and approved by the Compensation Committee at the start of the plan year.

In 2007, the Compensation Committee adopted DCF per unit versus a target as the sole 2007 bonus metric, based on management's recommendations and input from the Compensation Committee's independent compensation consultant. In adopting this sole metric, the Compensation Committee considered (i) the nature of TUR as a long-term performance measure rather than as a bonus measure, (ii) the fact that management is already incentivized to focus on TUR through performance shares, and (iii) an acknowledgement that, in the master limited partnership investment community, DCF is widely regarded as a significant determinant of unit price.

For this financial goal, the Compensation Committee established a target level of performance for which 100% of the incentive opportunity would be paid, a threshold level of performance below which no incentive would be paid, and a maximum level of performance for which 200% of target incentive would be paid.

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Determination of Awards

For the 2007 annual incentive program, the Compensation Committee measured NuStar Energy's DCF per unit against the established target to determine the amount of incentive award earned. The performance score equaled 129% of the target award amount.

Upon reviewing the 129% performance score, the Compensation Committee exercised its discretionary judgment regarding the plan and elected to provide a 16% positive adjustment to the annual award to all eligible employees, taken as a whole. This resulted in each named executive officer having a potential annual incentive award equal to 150% of his or her target award (129% performance score multiplied by an upward adjustment of 16% yields a final performance result of 150%). In making the 16% positive adjustment, the Compensation Committee considered a number of company achievements in 2007, including the fact that we successfully entered into a definitive purchase agreement for certain assets and operations of CITGO Asphalt Refining Company, completed a public offering of units, completed our separation from Valero Energy, improved our safety record, completed projects at our domestic and international properties and increased the cash distributions to unitholders.

Name	Bonuses Paid For 2007
Anastasio	$ 393,120
Barron	175,500
Blank	238,524
Bluntzer	195,000
Morgan	195,000

Long-term Incentive Awards

We provide unit-based, long-term compensation for employees, including executives and directors, through our Second Amended and Restated 2000 Long-Term Incentive Plan (the 2000 LTIP), which was approved by our unitholders on September 18, 2006. In previous years, we have provided such compensation under the NuStar GP, LLC Amended and Restated 2002 Unit Option Plan and the NuStar GP, LLC Amended and Restated 2003 Employee Unit Incentive Plan. The 2000 LTIP provides for awards of unit options, restricted units and performance units. Performance units vest (become nonforfeitable) upon the achievement of an objective performance goal. Grants of restricted unit and unit options each vest over a period determined by the Compensation Committee.

Under the design of the long-term incentive plan, each plan participant, including the named executive officers, are designated a target long-term incentive award expressed as a percentage of base salary. This percentage is the expected fair value of the awards to be granted in aggregate each year. In determining the expected fair value, we engaged Towers Perrin to employ a valuation model to determine the value of long-term incentive grants. The model considers unit price volatility, distribution yield, unit price, vesting provisions and, when applicable, performance vesting contingencies.

For the named executive officers, the 2007 long-term incentive target percentages are established as follows.

Name	Long-Term Incentive Target Percentage
Anastasio	125
Barron	80
Blank	80
Bluntzer	80
Morgan	80

These target levels are based upon competitive survey data provided by the Compensation Committee's independent compensation consultant and upon the Compensation Committee's strategic decisions to allocate a percentage of award value to performance-based awards and a percentage to awards that focus on retention and increasing ownership levels of executive officers. In 2007, the target levels were allocated in the following manner for each individual:

- 30% of the targeted long-term incentive dollar value is awarded to the executive in a grant of performance units. The number of performance units granted is based upon the expected fair value of a single performance unit at the time of grant; and

- 70% of the targeted long-term incentive dollar value is awarded to the executive in the form of restricted units. The number of restricted units granted is based upon the expected fair value of a single performance unit at the time of grant.

In prior years, we also awarded unit options to named executive officers and allocated awards of long-term components in approximate one-third increments among the three forms of awards: unit options, performance units and restricted units. In 2007, however, the Compensation Committee eliminated the grant of NuStar Energy L.P. unit options as a long-term incentive component and increased the percentage of restricted units granted. The Compensation Committee based its decision on the results of a comparison study of peer companies performed by its independent compensation consultant, BDO. This study showed that the use of three different forms of award in the executive long-term incentive program is not consistent with peer practice and may dilute the effectiveness of each component. The comparison also showed that, although the use of restricted units and performance units is consistent with peer practices, the use of unit options is not common among NuStar Energy's peers as a recurring component of a long-term incentive compensation.

The Compensation Committee reviews and approves all grant levels for the named executive officers as well as all other participants in the program. The CEO develops individual grant recommendations based upon the methodology described above, but both the CEO and the Compensation Committee may make adjustments to the recommended grant levels based upon an assessment of an individual's performance and contributions to NuStar Energy. The grant level for the CEO is decided solely by the Compensation Committee following the methodology described above, and the Compensation Committee may make discretionary adjustments to the calculated level of long-term incentives to grant based upon its independent evaluation of the CEO's performance and contributions.

Restricted Units/Unit Options

Name	Restricted Unit Grants in October 2007
Anastasio	7,210
Barron	3,000
Blank	3,360
Bluntzer	3,000
Morgan	3,000

In 2007, the same number of restricted units were granted to officers with similar titles and responsibilities, with restricted units comprising approximately 70% of each executive's total NuStar Energy long-term incentive target. The Compensation Committee presently expects to grant restricted units annually. Beginning in 2007, the executives' long-term incentive targets did not include NuStar Energy L.P. unit options, and the Compensation Committee currently does not expect to grant NuStar Energy L.P. unit options as part of the named executive officer's long-term incentive program in the future.

NuStar Energy L.P. unit options awarded in 2005 and 2006 have seven-year terms, and options awarded in prior years generally have ten-year terms. Awards of restricted units and unit options vest in equal installments over a period of five years, beginning on the first anniversary of the date of grant (awards in January 2003 and prior vested over three years). Grants and vesting of unit options and restricted units are not contingent upon achievement of any specified performance targets. Options and restricted units are subject to forfeiture if an executive terminates employment prior to vesting.

The exercise price for NuStar Energy L.P. unit options is the close price of NuStar Energy L.P. units on the grant date. The grant date of the restricted unit and unit option awards, until 2006, was the date on which options were approved by the Compensation Committee (except for grants to new hires, which have a grant date of the date on which the new

employee commences employment). In 2007, the Compensation Committee adopted a policy that annual equity grants other than performance units would be effective three days after the third quarter earnings release, in this case, November 12, 2007. Because NuStar Energy subsequently determined to announce a public offering of its units on November 12, 2007, the Compensation Committee moved the grant date of the restricted units to November 16, 2007. The close price of the NuStar Energy L.P. units on the date of the meeting of the Compensation Committee on October 24, 2007 was $60.98; the close price on November 12, 2007 was $59.14; and the close price on November 16, 2007, the date of grant, was $57.05.

Performance Units

Name	Performance Unit Grants in 2007
Anastasio	3,600
Barron	680
Blank	1,670
Bluntzer	1,320
Morgan	930

In 2007, performance units comprised approximately 30% of each of our named executive officers' total NuStar Energy long-term incentive targets. 2006 was the first year the Compensation Committee awarded performance units, and for our current program, the Compensation Committee expects to award performance units annually. Performance units are earned only upon NuStar Energy's achievement of an objective performance measure, TUR, as compared with a subset of the Compensation Comparative Group consisting of the first nine entities listed in the table above. These nine entities most closely track with our size and business, making their TUR performance most comparable with ours (the Peer Group). The Compensation Committee believes this type of incentive award strengthens the tie between the named executive's pay and our financial performance.

Each award is subject to vesting in three annual increments, based upon our TUR during rolling three-year periods that end on December 31 of each year following the date of grant. At the end of each performance period, our TUR is compared to the Peer Group and ranked by quartile. Executives then earn 0%, 50%, 100% or 150% of that portion of the initial grant amount that is vesting, depending upon whether our TUR is in the last, 3rd, 2nd or 1st quartile, respectively, and they earn 200% if we rank highest in the group. Amounts not earned in a given performance period can be carried forward for one additional performance period and up to 100% of the carried amount can still be earned, depending upon the quartile achieved for that subsequent period. For the performance period ended December 31, 2007, our performance ranked tenth in the group, placing NuStar Energy in the fourth quartile of the group and resulting in vesting of eligible units at the 0% level.

Grant of NuStar GP Holdings Unit Options

Name	NuStar GP Holdings Unit Options Granted in 2007
Anastasio	56,300
Barron	35,000
Blank	41,000
Bluntzer	35,000
Morgan	35,000

In 2007, at a joint meeting of the NuStar GP, LLC and the NuStar GP Holdings Compensation Committees, NuStar GP Holdings' Compensation Committee approved a one-time unit option grant to certain officers of NuStar GP, LLC, as is permitted under NuStar GP Holdings' long-term incentive plan, to encourage the officers to continue to devote their best efforts to advancing the business of NuStar GP Holdings and NuStar Energy.

The options to purchase NuStar GP Holdings, LLC units awarded to the named executive officers in 2007 have seven-year terms and vest in one-third installments beginning on the third anniversary of the grant date. Like prior grants of

options of NuStar Energy L.P. units, grants and vesting of the options to purchase NuStar GP Holdings, LLC units are not contingent upon achievement of any specified performance targets. However, because the exercise price of options cannot be less than 100% of the fair market value of NuStar GP Holdings, LLC units on the date of grant, options will provide a benefit to the executive only to the extent that there is appreciation in the market price of NuStar GP Holdings, LLC units. The NuStar GP Holdings options are subject to forfeiture if an executive terminates employment prior to vesting. In 2007, the NuStar GP Holdings Compensation Committee adopted a policy that annual equity grants would have a grant date of three days after the third quarter earnings release, in this case, November 12, 2007. Because NuStar Energy subsequently determined to announce a public offering of its units on November 12, 2007, the NuStar GP Holdings Compensation Committee moved the grant date to November 16, 2007. The close price of the NuStar GP Holdings, LLC units on the date of the meeting of the NuStar GP Holdings Compensation Committee on October 24, 2007 was $30.39; the close price on November 12, 2007 was $31.55; and the close price on November 16, 2007, the date of grant, was $31.55.

Perquisites and Other Benefits

Perquisites

In 2007, we provided only minimal perquisites to our executive officers. Mr. Anastasio receives reimbursement for club membership dues. Mr. Anastasio and Mr. Blank receive federal income tax preparation services. Executives are eligible to receive liability insurance (personal liability insurance and coverage under NuStar Energy's directors and officers liability insurance policies). For more information on perquisites, see the Summary Compensation Table and its footnotes.

Other Benefits

Our named executive officers are eligible for the same benefit plans provided to other employees, including insurance plans and supplemental plans chosen and paid for by employees who wish additional coverage.

Executive officers and other employees whose compensation exceeds certain limits are eligible to participate in non-qualified excess benefit programs whereby those executives can choose to make larger contributions than allowed under the qualified plan rules and receive correspondingly higher benefits. These plans are described below under "–Post-Employment Benefits."

Post-Employment Benefits

Pension Plans

For a discussion of our pension plans, including the Excess Pension Plan and the Supplemental Executive Retirement Plan, please see narrative description accompanying the Pension Benefits table below of this item.

Nonqualified Deferred Compensation Plans

Excess Thrift Plan

The Excess Thrift Plan provides benefits to those employees of NuStar GP, LLC whose annual additions under the NuStar GP, LLC Thrift Plan are subject to the limitations on such annual additions as provided under §415 of the Internal Revenue Code of 1986, as amended (the Code), and/or who are constrained from making maximum contributions under the Thrift Plan by §401(a)(17) of the Code, which limits the amount of an employee's annual compensation which may be taken into account under that plan. The Excess Thrift Plan is comprised of two separate components, consisting of (1) an "excess benefit plan" as defined under §3(36) of The Employee Retirement Income Security Act of 1974, as amended (ERISA) and (2) a plan that is unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees. Each component of the Excess Thrift Plan consists of a separate plan for purposes of Title I of ERISA. To the extent a participant's annual total compensation exceeds the compensation limits for the calendar year under §401(a)(17) of the Code ($225,000 for 2007), the participant's excess thrift plan account is credited with that number of hypothetical NuStar Energy L.P. units that could have been purchased with the difference between:

- The total company matching contributions that would have been credited to the participant's account under the NuStar GP, LLC Thrift Plan had the participant's contributions not been reduced pursuant to §401; and

- The actual company matching contributions credited to such participant's account.

Mr. Anastasio, Mr. Barron, Mr. Blank, Mr. Bluntzer and Ms. Morgan participated in the Excess Thrift Plan in 2007.

Frozen Nonqualified 401(k) Plan

Effective July 1, 2006, we established the NuStar GP, LLC Frozen Nonqualified 401(k) Plan for Former Employees of Ultramar Diamond Shamrock Corporation (the Frozen Plan). The Frozen Plan assumes and continues the frozen Ultramar Diamond Shamrock Corporation Nonqualified 401(k) Plan (the UDS Plan) with respect to the current NuStar GP, LLC employees who had accrued benefits under the UDS Plan. No additional benefits accrue under the Frozen Plan, and we make no contributions to the Frozen Plan. Mr. Anastasio and Mr. Blank have Frozen Plan accounts.

Severance Arrangements

We have entered into change of control agreements with each of the named executive officers. These agreements are intended to assure the continued availability of these executives in the event of certain transactions culminating in a "change of control" as defined in the agreements. The change of control employment agreements have three-year terms, which terms are automatically extended for one year upon each anniversary unless a notice not to extend is given by us. If a "change of control" (as defined in the agreements) occurs during the term of an agreement, then the agreement becomes operative for a fixed three-year period. The agreements provide generally that the executive's terms and conditions of employment (including position, location, compensation and benefits) will not be adversely changed during the three-year period after a change of control of us. The agreements also provide that upon a change of control:

- all unit options held by the executive will vest and remain exercisable for the shorter of five years from the date of termination or the remainder of the original option term;
- the restrictions and deferral limitations applicable to any restricted unit awards held by the executive will lapse, and such restricted unit awards shall become fully vested; and
- all performance unit awards held by the executive will fully vest and be earned and payable based on the deemed achievement of performance at 200% of target level.

Particular payments under the agreements are triggered commensurate with the occurrence of any of the following: (i) termination of employment by the company other than for "cause" (as defined in the agreements) or disability, (ii) termination by the executive for "good reason" (as defined in the agreements), (iii) termination by the executive other than for "good reason," and (iv) termination of employment because of death or disability. These triggers were designed to ensure the continued availability of the executives following a change of control, and to compensate the executives at appropriate levels if their employment is unfairly or prematurely terminated during the applicable term following a change of control. For more information regarding payment that may be made under our severance arrangements, see our disclosures below under the caption "Potential Payments upon Termination or Change-in-Control Payments."

Impact of Accounting and Tax Treatments

Accounting Treatment

Our financial statements include the expense for awards of NuStar Energy L.P. unit options and restricted units to NuStar GP, LLC employees and directors and the expense for awards of NuStar GP Holdings, LLC unit options to NuStar GP, LLC employees, as we are obligated to pay for all costs of NuStar GP, LLC's employees working on our behalf.

NuStar GP, LLC accounts for awards of NuStar Energy L.P. common units to NuStar GP, LLC's employees and directors in accordance with Emerging Issues Task Force Issue No. 02-08, "Accounting for Options Granted to Employees in Unrestricted, Publicly Traded Shares of an Unrelated Entity" (EITF 02-08). EITF 02-08 requires a company that grants its employees equity of an unrelated entity to account for such awards as a derivative, whereby a liability for the award is recorded at inception. Subsequent changes in the fair value of the award are included in the determination of net income.

Each month, NuStar GP, LLC determines the fair value of its liability for awards of NuStar Energy L.P. unit options and restricted units. The fair value of unit options is determined using the Black-Scholes model at each reporting date. The fair value of restricted units equals the market price of NuStar Energy L.P. common units at each reporting date. NuStar GP, LLC records compensation expense each reporting period such that the cumulative compensation expense recorded equals the current fair value, considering the percentage of the award that has vested to date. NuStar GP, LLC records compensation expense related to unit options until such options are exercised, and records compensation expense for restricted units until the date of vesting.

NuStar GP Holdings accounts for awards of unit options awarded to employees of NuStar GP, LLC at fair value in accordance with Financial Accounting Standards Board (FASB) Statement No. 123 (revised 2004), “Share-Based Payment” (FAS 123(R)). Under FAS 123(R), NuStar GP Holdings estimates the fair value of unit options at the grant date using the Black-Scholes model and the resulting compensation expense is recognized over the vesting period.

For certain awards, the terms of the stock compensation plans provide that employees vest in the award when they retire or will continue to vest in the award after retirement over the nominal vesting period established in the award. For any awards subsequent to January 1, 2006, we recognize compensation expense immediately for awards granted to retirement-eligible employees or over the period from the grant date to the date retirement eligibility is achieved if that date is expected to occur during the nominal vesting period. Employees are typically retirement eligible at age 55.

Tax Treatment

Under Section 162(m) of the Internal Revenue Code, publicly held corporations may not take a tax deduction for compensation in excess of $1 million paid to the CEO or the other four most highly compensated executive officers unless that compensation meets the Internal Revenue Code’s definition of “performance-based” compensation. Section 162(m) allows a deduction for compensation to a specified executive that exceeds $1 million only if it is paid (i) solely upon attainment of one or more performance goals, (ii) pursuant to a qualifying performance-based compensation plan adopted by the Compensation Committee, and (iii) the material terms, including the performance goals, of such plan are approved by the unitholders before payment of the compensation. The Compensation Committee considers deductibility under Section 162(m) with respect to compensation arrangements for executive officers. The Compensation Committee believes that it is in the best interest of NuStar Energy for the Compensation Committee to retain its flexibility and discretion to make compensation awards to foster achievement of performance goals established by the Compensation Committee (which may include performance goals defined in the Internal Revenue Code) and other corporate goals the Compensation Committee deems important to NuStar Energy’s success, such as encouraging employee retention, rewarding achievement of nonquantifiable goals and achieving progress with specific projects. NuStar Energy believes that unit options and performance unit grants qualify as performance-based compensation and are not subject to any deductibility limitations under Section 162(m). Grants of restricted units and other equity-based awards that are not subject to specific quantitative performance measures will likely not qualify as “performance-based” compensation and, in such event, would be subject to 162(m) deduction restrictions.

Compensation-Related Policies

Unit Ownership Guidelines

Our Board, the Compensation Committee and our executives recognize that ownership of NuStar Energy L.P. units is an effective means by which to align the interests of NuStar GP, LLC directors and executives with those of NuStar Energy’s unitholders. We have long emphasized and reinforced the importance of unit ownership among our executives and directors.

During 2006, the Compensation Committee worked with its independent compensation consultant to formalize unit ownership and retention guidelines for directors and NuStar GP, LLC officers to ensure continuation of our successful track record in aligning the interests of NuStar GP, LLC directors and officers with those of NuStar Energy’s unitholders through ownership of NuStar Energy L.P. units. The guidelines were approved by the Compensation Committee and the Board in March 2006. In February 2007, in view of the public offerings of NuStar GP Holdings in 2006, the Compensation Committee amended the guidelines to include ownership of either NuStar GP Holdings, LLC units or NuStar Energy L.P. units.

Non-employee Director Unit Ownership Guidelines

Non-employee directors are expected to acquire and hold during their service as a NuStar GP, LLC board member NuStar Energy L.P. units and/or NuStar GP Holdings, LLC units with an aggregate value of at least $50,000. Directors have five years from their initial election to the Board to meet the target unit ownership guidelines, and they are expected to continuously own sufficient units to meet the guidelines once attained.

Executive Unit Ownership Guidelines

Unit ownership guidelines for officers of NuStar GP, LLC are as follows:

Officer	Value of NuStar Energy L.P. Units and/or NuStar GP Holdings, LLC Units Owned
President	3.0x Base Salary
Senior Vice Presidents	2.0x Base Salary
Vice Presidents	1.0x Base Salary

Our officers are expected to meet the applicable guideline within five years and are expected to continuously own sufficient units to meet the guideline once attained.

Prohibition on Insider Trading and Speculation on NuStar Energy L.P. or NuStar GP Holdings, LLC Units

We have established policies prohibiting our officers, directors and employees from purchasing or selling either NuStar Energy L.P. or NuStar GP Holdings, LLC securities while in possession of material, nonpublic information, or otherwise using such information for their personal benefit or in any manner that would violate applicable laws and regulations. In addition, our policies prohibit our officers, directors and employees from speculating in the either NuStar Energy L.P. or NuStar GP Holdings, LLC units, which includes short selling (profiting if the market price of our units decreases), buying or selling publicly traded options (including writing covered calls), hedging or any other type of derivative arrangement that has a similar economic effect.

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EXECUTIVE COMPENSATION

The tables listed below, which appear in the following sections of this report, provide information required by the SEC regarding the compensation we paid for the years ended December 31, 2007 and December 31, 2006 to our President & CEO, CFO and our other most highly compensated executive officers (our named executive officers or NEOs). Except as noted below, we have used captions and heading in these tables in accordance with the SEC regulations requiring these disclosures. The footnotes to these tables provide important information to explain the values presented in the tables and are an important part of our disclosures related to our executive compensation.

- Summary Compensation Table*
- Grants of Plan-Based Awards*
- Outstanding Equity Awards
- Options Exercises and Stock Vested
- Pension Benefits
- Nonqualified Deferred Compensation
- Payments Under Change of Control Severance Agreements**
- Director Compensation

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* We are required to provide narrative disclosure of any material factors necessary to an understanding of the information disclosed in these two tables; we believe that this disclosure is provided in the footnotes to these tables and in the Compensation Disclosure and Analysis above in this item.

** SEC regulations require disclosure of potential payments to an executive in connection with his or her termination or a change of control of NuStar Energy. We have elected to use the table listed above to disclose certain elements of the required disclosure.

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SUMMARY COMPENSATION TABLE
FOR FISCAL YEAR ENDED DECEMBER 31, 2007

The following table provides a summary of compensation paid for the years ended December 31, 2007 and December 31, 2006, to NuStar GP, LLC's CEO, CFO and to its other most highly compensated executive officers. The table shows amounts earned by such persons for services rendered to NuStar GP, LLC in all capacities in which they served.

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Unit Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(6)	Total ($)
Curtis V. Anastasio	2007	428,400	393,120	168,408	14,646	0	46,806(4)	39,568	1,090,948
President and CEO	2006	385,000	320,000	165,754	250,737	0	338,020(5)	35,481	1,495,352
Bradley C. Barron	2007	221,167	175,500	23,222	7,903	0	13,771(4)	15,669	457,232
Senior Vice President, General Counsel and Corporate Secretary	2006	178,196	102,400	19,601	6,474	0	24,511(5)	18,258	349,363
Steven A. Blank	2007	311,916	238,524	93,718	18,724	0	36,731(4)	24,150	723,763
Senior Vice President, CFO and Treasurer	2006	299,900	195,172	91,387	96,103	0	303,953(5)	21,670	1,008,725
James R. Bluntzer	2007	246,840	195,000	62,950	15,638	0	135,018(4)	20,208	675,654
Senior Vice President-Operations	2006	231,000	154,880	57,153	48,107	0	212,397(5)	19,683	723,100
Mary F. Morgan	2007	278,970	195,000	248,169	263,640	0	31,628(4)	19,758	1,037,165
Senior Vice President-Marketing and Business Development	2006	265,971	140,032	84,827	8,223	0	44,719(5)	18,780	562,552

Footnotes appear on the following page.

(1) 2007 bonus amounts were paid in January 2008 with respect to 2007 performance. 2006 bonus amounts reported were paid in January 2007 with respect to 2006 performance. Bonuses were determined taking into consideration the individual executive's targets, the executive's performance and NuStar Energy's performance in the applicable year, as described above under "Compensation Disclosure & Analysis- Annual Incentive Bonus."

(2) The amounts reported represent the dollar amounts recognized by NuStar Energy for financial statement reporting purposes for the fiscal year ended December 31, 2006 or December 31, 2007, as applicable. The amounts relate to our restricted units and performance units. Please see "Compensation Discussion and Analysis- Impact of Accounting and Tax Treatment- Accounting Treatment" above in this item for more information.

Since grants to officers who 55 or over are recognized immediately rather than over the course of the grant, the dollar amounts shown for those officers is much larger for than the dollar amounts shown for officers who are under 55, even for the same number of unit options granted.

(3) The amounts reported represent the dollar amounts recognized by NuStar Energy for financial statement purposes for the fiscal year ended December 31, 2006 or December 31, 2007, as applicable. The amounts relate to grants of options to purchase NuStar Energy L.P. units and options to purchase NuStar GP Holdings, LLC units. Please see "Compensation Discussion and Analysis- Impact of Accounting and Tax Treatment- Accounting Treatment" above in this item for more information.

Since grants to officers who 55 or over are recognized immediately rather than over the course of the grant, the dollar amounts shown for those officers is much larger for than the dollar amounts shown for officers who are under 55, even for the same number of unit options granted.

(4) For each of the NEOs, the following table identifies the separate amounts attributable to (A) the aggregate change in the actuarial present value of the NEO's accumulated benefit under NuStar GP, LLC's defined benefit and actuarial pension plans, including supplemental plans (but excluding tax-qualified defined contribution plans and nonqualified defined contribution plans), and (B) above-market or preferential earnings on compensation that is deferred on a basis that is not tax-qualified.

Name	(A)	(B)	TOTAL
Anastasio	$ 46,806	$0	$ 46,806
Barron	13,771	0	13,771
Blank	36,731	0	36,731
Bluntzer	135,019	0	135,019
Morgan	31,628	0	31,628

(5) For each of the NEOs, the following table identifies the separate amounts attributable to (A) the aggregate change in the actuarial present value of the NEO's accumulated benefit under both Valero Energy's and NuStar GP, LLC's defined benefit and actuarial pension plans, including supplemental plans (but excluding tax-qualified defined contribution plans and nonqualified defined contribution plans), and (B) above-market or preferential earnings on compensation that is deferred on a basis that is not tax-qualified. Amounts included in column (A) below include the aggregate change in both the Valero Energy plans (for the period of January 1 through June 30, 2006) and the NuStar GP, LLC plans (for the period of July 1 through December 31, 2006).

Name	(A)	(B)	TOTAL
Anastasio	$338,020	$0	$338,020
Barron	24,511	0	24,511
Blank	303,953	0	303,953
Bluntzer	212,397	0	212,397
Morgan	44,719	0	44,719

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(6) The amounts reported in this column for 2007 consist of the following for each officer:

Name	Club Dues	Company Contribution to Thrift Plan	Company Contribution to Excess Thrift Plan	Tax Preparation	Personal Liability Insurance	Life Insurance Premiums	TOTAL
Anastasio	7,681	13,500	12,204	785	2,122	3,276	39,568
Barron	—	13,000	270	—	2,122	277	15,669
Blank	—	13,500	5,215	785	2,122	2,528(a)	24,150
Bluntzer	—	13,500	1,310	—	2,122	3,276	20,208
Morgan	—	13,500	3,238	—	2,122	898	19,758

(a) The amount reported is the portion of a “split-dollar” life insurance policy premium paid by NuStar Energy in 2007 for the benefit of Mr. Blank. The policy was carried over by Valero Energy after its acquisition of Ultramar Diamond Shamrock Corporation (UDS) in 2001. Mr. Blank was an employee of UDS. Valero Energy turned over the premium to NuStar after the separation in 2006. NuStar and Mr. Blank paid the premium for the period of July 2007 through December 2007 ($2,528 and $691, respectively).

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GRANTS OF PLAN-BASED AWARDS
FOR FISCAL YEAR ENDED DECEMBER 31, 2007

The following table provides further information regarding the grants of plan-based awards to the named executive officers reflected in the Summary Compensation Table.

			Estimated Future Payouts Under Equity Incentive Plan Awards						
Name	**Grant Date**	**Date of approval by Comp Committee**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**All Other Unit Awards: Number of Units (#)**	**All Other Option Awards: Number of Securities Underlying Options (#)**	**Exercise or Base Price of Option Awards ($/Un)**	**Grant Date Fair Value of Unit and Unit Option Awards ($)**
Anastasio	01/25/07(1)	01/25/07	0	3,600	7,200	—	—	—	208,836(4)
	11/16/07(2)	10/24/07	—	—	—	—	56,300	31.55	14,646(5)
	11/16/07(3)	10/24/07	—	—	—	7,210	—	—	411,331(6)
Barron	01/25/07(1)	01/25/07	0	680	1,360	—	—	—	39,447(4)
	11/16/07(2)	10/24/07	—	—	—	—	35,000	31.55	6,334(5)
	11/16/07(3)	10/24/07	—	—	—	3,000	—	—	171,150(6)
Blank	01/25/07(1)	01/25/07	0	1,670	3,340	—	—	—	96,877(4)
	11/16/07(2)	10/24/07	—	—	—	—	41,000	31.55	18,724(5)
	11/16/07(3)	10/24/07	—	—	—	3,360	—	—	191,688(6)
Bluntzer	01/25/07(1)	01/25/07	0	1,320	2,640	—	—	—	76,573(4)
	11/16/07(2)	10/24/07	—	—	—	—	35,000	31.55	15,638(5)
	11/16/07(3)	10/24/07	—	—	—	3,000	—	—	171,150(6)
Morgan	01/25/07(1)	01/25/07	0	930	1,860	—	—	—	53,949(4)
	11/16/07(2)	10/24/07	—	—	—	—	35,000	31.55	257,165(5)
	11/16/07(3)	10/24/07	—	—	—	3,000	—	—	171,150(6)

Footnotes:

(1) Performance units were awarded by the Board on January 25, 2007. Each award is subject to vesting in three annual increments, based upon our TUR during rolling three-year periods that end on December 31 of each year following the date of grant. At the end of each performance period, our TUR is compared to the Peer Group and ranked by quartile. Executives then earn 0%, 50%, 100% or 150% of that portion of the initial grant amount that is vesting, depending upon whether our TUR is in the last, 3rd, 2nd or 1st quartile, respectively, and they earn 200% if we rank highest in the group. Amounts not earned in a given performance period can be carried forward for one additional performance period and up to 100% of the carried amount can still be earned, depending upon the quartile achieved for that subsequent period. For the performance period ended December 31, 2007, our performance ranked in the fourth quartile of the group and no eligible units were vested.

(2) Options were approved by Compensation Committee of NuStar GP Holdings on October 24, 2007, and the grant dates for these options was set at that time for the date three days after NuStar Energy's quarterly earning release, or November 12, 2007. However, since NuStar Energy subsequently determined to announce a public offer of 2,600,000 units on November 12, 2007, the Compensation Committee changed the date of grant to November 16, 2007. The market price on October 24, 2007 was $30.39, the market price on November 12, 2007 was $31.55, and the market price on November 16, 2007 was $31.55. The options vest 1/3 annually over three years beginning on the third anniversary of the grant date, and they expire on the seventh anniversary of the grant date.

(3) Restricted units were granted by the Board, upon recommendation of the Compensation Committee, on October 24, 2007. The restricted units vest 1/5 annually over five years beginning on the first anniversary of the grant date, which was November 16, 2007.

(4) The grant date fair value for performance units was determined by multiplying the number of performance units that were granted by the NYSE closing unit price of our units on the date of grant.

(5) The grant date fair value for unit options was determined by multiplying the number of unit options that were granted by the calculated Black-Scholes value at the date of grant. The estimated values grant date fair value were calculated using an expected average option life of five years, a risk-free interest rate of 3.29%, an expected volatility of 31.57% and an expected cash distribution yield of 4.69%. The actual value of unit options could be zero; realization of any positive value depends upon the actual future performance of our units and the continued employment of the unitholder. Accordingly, the values set forth in this table may not be achieved.

In addition, since the terms of NuStar GP, LLC’s unit plans provide that employees vest in the award when they retire or will continue to vest in the award after retirement over the nominal vesting period established in the award, we immediately recognize compensation expense for awards granted to retirement-eligible employees (or over the period from the grant date to the date retirement eligibility is achieved if that date is expected to occur during the nominal vesting period). Employees are typically retirement eligible at age 55. Since grants to officers who 55 or over are recognized immediately rather than over the course of the grant, the dollar amounts shown for those officers is much larger for than the dollar amounts shown for officers who are under 55, even for the same number of unit options granted

(6) The grant date fair value for restricted units was determined by multiplying the number of restricted units that were granted by the NYSE closing unit price of our units on the date of grant.

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OUTSTANDING EQUITY AWARDS
AT DECEMBER 31, 2007

The following table provides further information regarding our named executive officers' unexercised unit options, unvested restricted units and unvested performance units as of December 31, 2007. The value of restricted units reported below is equal to $53.30, the closing price on the New York Stock Exchange on December 31, 2007.

	Option Awards					Unit Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Units That Have Not Vested (#)	Market Value of Units That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Units or Other Rights That Have Not Vested ($)
Anastasio	14,000(1)	0	—	38.22	03/22/2012	—	—	—	—
	10,000(2)	0	—	36.30	09/23/2012	—	—	—	—
	9,440(3)	2,360	—	45.35	10/29/2013	—	—	—	—
	5,775(4)	3,850	—	56.51	10/28/2014	—	—	—	—
	5,380(5)	8,070	—	57.51	10/27/2012	—	—	—	—
	2,200(6)	8,800	—	55.92	11/02/2013	—	—	—	—
	—	—	—	—	—	14,872(7)	792,678	—	—
	—	—	—	—	—	5,493(8)	292,777	—	—
	0	56,300(9)	—	31.55	11/16/2014	—	—	—	—
Barron	960(3)	320	—	45.35	10/29/2013	—	—	—	—
	1,185(4)	790	—	56.51	10/28/2014	—	—	—	—
	420(6)	1,680	—	55.92	11/02/2013	—	—	—	—
	—	—	—	—	—	3,878(10)	206,697	—	—
	—	—	—	—	—	1,040(11)	55,432	—	—
	0	35,000(9)	—	31.55	11/16/2014	—	—	—	—
Blank	3,333(1)	0	—	38.22	03/22/2012	—	—	—	—
	3,333(2)	0	—	36.30	09/23/2012	—	—	—	—
	6,960(3)	1,740	—	45.35	10/29/2013	—	—	—	—
	4,125(4)	2,750	—	56.51	10/28/2014	—	—	—	—
	2,890(5)	4,335	—	57.51	10/27/2012	—	—	—	—
	1,025(6)	4,100	—	55.92	11/02/2013	—	—	—	—
	—	—	—	—	—	7,524(12)	401,029	—	—
	—	—	—	—	—	2,690(13)	143,377	—	—
	0	41,000(9)	—	31.55	11/16/2014	—	—	—	—
Bluntzer	4,500(1)	0	—	38.22	03/22/2012	—	—	—	—
	2,140(3)	535	—	45.35	10/29/2013	—	—	—	—
	1,485(4)	990	—	56.51	10/28/2014	—	—	—	—
	2,160(5)	3,240	—	57.51	10/27/2012	—	—	—	—
	810(6)	3,240	—	55.92	11/02/2013	—	—	—	—
	—	—	—	—	—	5,832(14)	310,846	—	—
	—	—	—	—	—	2,080(15)	110,864	—	—
	0	35,000	—	31.55	11/16/2014	—	—	—	—
Morgan	1,760(16)	2,640	—	60.25	07/01/2012	—	—	—	—
	1,620(5)	2,430	—	57.51	10/27/2012	—	—	—	—
	575(6)	2,300	—	55.92	11/02/2013	—	—	—	—
	—	—	—	—	—	5,882(17)	313,511	—	—
	—	—	—	—	—	1,496(18)	79,737	—	—
	0	35,000	—	31.55	11/16/2014	—	—	—	—

Footnotes on following page.

Footnotes:

(1) Options granted March 22, 2002 vested in 1/3 increments over three years, beginning on the first anniversary of the date of grant.

(2) Options granted September 23, 2002 vested in 1/3 increments over three years, beginning on the first anniversary of the date of grant.

(3) Options granted October 29, 2003 vest in 1/5 increments over five years, beginning on the first anniversary of the date of grant.

(4) Options granted on October 28, 2004 vest in 1/5 increments over five years, beginning on the first anniversary of the date of grant.

(5) Options granted on October 27, 2005 vest in 1/5 increments over five years, beginning on the first anniversary of the date of grant.

(6) Options granted on November 2, 2006 vest in 1/5 increments over five years, beginning on the first anniversary of the date of grant.

(7) Mr. Anastasio's restricted units consist of: 70 restricted units granted October 29, 2003; 1,540 restricted units granted October 28, 2004; 2,700 restricted units granted October 27, 2005; 3,352 restricted units granted November 2, 2006 and 7,210 restricted units granted November 16, 2007. All of Mr. Anastasio's restricted units vest in 1/5 increments over five years, beginning on the first anniversary of the date of grant.

(8) Mr. Anastasio's unvested performance units were granted January 26, 2006 and January 25, 2007 and vest annually in 1/3 increments over three years beginning on the first anniversary of their grant date. The performance units are payable in NuStar Energy L.P.'s units. Upon vesting, the performance units are converted into a number of NuStar Energy L.P. units based on NuStar Energy's TUR during rolling three-year periods that end of December 31 of each year following the date of grant. At the end of each performance period, NuStar Energy's TUR is compared to the Peer Group and ranked by quartile. Holders of the performance units then earn 0%, 50%, 100% or 150% of that portion of the initial grant that is vesting, depending upon whether NuStar Energy's TUR is in the last, third, second or first quartile, respectively; holders earn 200% if NuStar Energy is the highest ranking entity in the Peer Group. For the period ended December 31, 2006, NuStar Energy's TUR was in the second quartile of it and the Peer Group, and Mr. Anastasio received 100% of 1/3 of his initial grant, or 947 units. For the period ended December 31, 2007, NuStar Energy's TUR was in the fourth quartile of it and the Peer Group, and Mr. Anastasio received no vested performance units for the period.

(9) Options of NuStar GP Holdings granted November 16, 2007 vest in 1/3 increments over three years, beginning on the third anniversary of the date of grant.

(10) Mr. Barron's restricted units consist of: 66 restricted units granted October 29, 2003; 172 restricted units granted October 28, 2004; 640 restricted units granted November 2, 2006 and 3,000 restricted units granted November 16, 2007. All of Mr. Barron's restricted units vest in 1/5 increments over five years, beginning on the first anniversary of the date of grant.

(11) Mr. Barron's unvested performance units were granted January 26, 2006 and January 25, 2007 and vest in accordance with Footnote (8) above. For the period ended December 31, 2006, Mr. Barron received 100% of 1/3 of his initial grant, or 180 units. For the period ended December 31, 2007, NuStar Energy's TUR was in the fourth quartile of it and the Peer Group, and Mr. Barron received no vested performance units for the period.

(12) Mr. Blank's restricted units consist of: 52 restricted units granted October 29, 2003; 1,100 restricted units granted October 28, 2004; 1,452 restricted units granted October 27, 2005; 1,560 restricted units granted November 2, 2006 and 3,360 restricted units granted November 16, 2007. All of Mr. Blank's restricted units vest in 1/5 increments over five years, beginning on the first anniversary of the date of grant.

(13) Mr. Blank's unvested performance units were granted January 26, 2006 and January 25, 2007 and vest in accordance with the description in Footnote (8) above. For the period ended December 31, 2006, Mr. Blank received 100% of 1/3 of his initial grant, or 510 units. For the period ended December 31, 2007, NuStar Energy's TUR was in the fourth quartile of it and the Peer Group, and Mr. Blank received no vested performance units for the period.

(14) Mr. Bluntzer's restricted units consist of: 110 restricted units granted October 29, 2003; 396 restricted units granted October 28, 2004; 1,086 restricted units granted October 27, 2005; 1,240 restricted units granted November 2, 2006 and 3,000 restricted units granted November 16, 2007. All of Mr. Bluntzer's restricted units vest in 1/5 increments over five years, beginning on the first anniversary of the date of grant.

(15) Mr. Bluntzer's unvested performance units were granted January 26, 2006 and January 25, 2007 and vest in accordance with Footnote (8) above. For the period ended December 31, 2006, Mr. Bluntzer received 100% of 1/3 of his initial grant, or 380 units. For the period ended December 31, 2007, NuStar Energy's TUR was in the fourth quartile of it and the Peer Group, and Mr. Bluntzer received no vested performance units for the period.

(16) Options granted July 1, 2005 vest in 1/5 increments over five years, beginning on the first anniversary of the date of grant.

(17) Ms. Morgan's restricted units consist of: 1,200 restricted units granted July 1, 2005; 810 restricted units granted October 27, 2005; 872 restricted units granted November 2, 2006 and 3,000 restricted units granted November 16, 2007. All of Ms. Morgan's restricted units vest in 1/5 increments over five years, beginning on the first anniversary of the date of grant.

(18) Ms. Morgan's unvested performance units were granted January 26, 2006 and January 27, 2007 and vest in accordance with Footnote (8) above. For the period ended December 31, 2006, Ms. Morgan received 100% of 1/3 of her initial grant, or 284 units. For the period ended December 31, 2007, NuStar Energy's TUR was in the fourth quartile of it and the Peer Group, and Ms. Morgan received no vested performance units for the period.

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OPTION EXERCISES AND UNITS VESTED
IN YEAR ENDED DECEMBER 31, 2007

The following table provides further information regarding option exercises by our named executive officers, and the vesting of restricted units and performance units held by our named executive officers, during 2007.

	Option Awards(1)		Unit Awards(2)	
Name	Number of Units Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Units Acquired on Vesting (#)	Value Realized on Vesting ($)(8)
Curtis V. Anastasio	—	—	3,525(3)	216,020
Bradley C. Barron	—	—	492(4)	29,884
Steven A. Blank	—	—	1,986(5)	121,893
James R. Bluntzer	—	—	1,360(6)	83,286
Mary F. Morgan	—	—	1,172(7)	74,513

Footnotes:

(1) None of the NEOs exercised options in 2007.

(2) Includes both performance and restricted unit vestings in 2007.

(3) Mr. Anastasio's units vested in 2007 as follows: 947 units on January 25, 2007; 900 units on October 27, 2007; 770 units on October 28, 2007, 70 units on October 29, 2007 and 838 units on November 2, 2007.

(4) Mr. Barron's units vested in 2007 as follows: 180 units on January 25, 2007; 86 units on October 28, 2007; 66 units on October 28, 2007 and 160 units on November 2, 2007.

(5) Mr. Blank's units vested in 2007 as follows: 510 units on January 25, 2007; 484 units on October 27, 2007; 550 units on October 28, 2007; 52 units on October 29, 2007 and 390 units on November 2, 2007.

(6) Mr. Bluntzer's units vested in 2007 as follows: 380 units on January 25, 2007; 362 units on October 27, 2007; 198 units on October 28, 2007; 110 units on October 29, 2007 and 310 units on November 2, 2007.

(7) Ms. Morgan's units vested in 2007 as follows: 284 units on January 25, 2007; 400 units on July 1, 2007; 270 units on October 27, 2007 and 218 units on November 2, 2007.

(8) The value realized on vesting was calculated by multiplying the closing price of NuStar Energy L.P. units on the New York Stock Exchange on the date of vesting by the number of units vested. The closing prices of the applicable dates are as follows:

Vesting Date	Closing Price ($)
January 25, 2007	58.01
July 1, 2007	69.00
October 27, 2007	62.78
October 28, 2007	62.78
October 29, 2007	62.78
November 2, 2007	61.87

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POST-EMPLOYMENT COMPENSATION

PENSION BENEFITS
FOR YEAR ENDED DECEMBER 31, 2007

The following table provides information regarding the accumulated benefits of our named executive officer under NuStar GP, LLC's during the year ended December 31, 2007.

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit($)(1)	Payments During Last Fiscal Year
Anastasio	NuStar GP, LLC Pension Plan	1.5	26,074	0
	NuStar GP, LLC Excess Pension Plan	—	53,934	0
	NuStar GP, LLC Supplemental Executive Retirement Plan	6.0	226,356	0
Barron	NuStar GP, LLC Pension Plan	1.5	13,932	0
	Excess Pension Plan	7.0	17,869	0
	Supplemental Executive Retirement Plan	—	—	—
Blank	NuStar GP, LLC Pension Plan	1.5	28,786	0
	Excess Pension Plan	—	—	0
	Supplemental Executive Retirement Plan	6.0	154,365	0
Bluntzer	NuStar GP, LLC Pension Plan	1.5	28,629	0
	Excess Pension Plan	31.7	388,279	0
	Supplemental Executive Retirement Plan	—	—	—
Morgan	NuStar GP, LLC Pension Plan	1.5	33,762	0
	Excess Pension Plan	2.5	35,354	0
	Supplemental Executive Retirement Plan	—	—	—

Footnotes:

(1) The present values stated above were calculated using the same interest rate and mortality table that we use for valuations under FASB Statement No. 87 for financial reporting purpose. The present values as of December 31, 2007 were determined using: (a) a 6.82% discount rate, and (b) the plans' earliest unreduced retirement age (i.e., age 62). The present values reflect postretirement mortality rates based on the RP2000 Combined Healthy Mortality Table Projected by Scale AA to 2015. No decrements were included for preretirement termination, mortality or disability. Where applicable, lump sums were determined based on a 6.07% interest rate and the mortality table prescribed by the Internal Revenue Service in Revenue Ruling 2007-67 for 2008 distributions.

We maintain a noncontributory defined benefit pension plan in which most of our employees are eligible to participate and under which contributions by individual participants are neither required nor permitted. We also maintain a noncontributory, non-qualified excess pension plan and a non-qualified supplemental executive retirement plan, or SERP, which provide supplemental pension benefits to certain highly compensated employees. The excess pension plan and the SERP provide eligible employees with additional retirement savings opportunities that cannot be achieved with tax-qualified plans due to Internal Revenue Code of 1986, as amended (the Code) limits on (1) annual compensation that can be taken into account under qualified plans or (2) annual benefits that can be provided under qualified plans. Employees who are eligible for the excess pension plans and the SERP may participate in one or the other, but not both plans.

NuStar GP, LLC Pension Plan

The NuStar GP, LLC Pension Plan (the Pension Plan) is a traditional defined benefit pension plan established as of July 1, 2006 and designed to provide retirement benefits to our eligible employees based upon a specific formula. The formula used to calculate a pension benefit under the plan takes into consideration final average salary and total years of credited service. Certain participants who were participants in the Valero Energy Pension Plan prior to becoming eligible for participation in the Pension Plan received credit for their service recognized under the Valero Energy Pension Plan for purposes of vesting and eligibility under this plan.

Under an agreement between the companies, Valero Energy will pay pension benefits to eligible NuStar GP, LLC employees for their years of service with Valero Energy under the Valero Energy pension plan, and the employee’s highest annual salary will be determined with regard to service with NuStar GP, LLC after July 1, 2006 until the individual commences a benefit under the Valero Energy pension plan or terminates employment with NuStar GP, LLC. For more information about the Valero Energy Pension Plan, please see Valero Energy’s annual report on Form 10-K for the year ended December 31, 2007 and its 2008 annual proxy statement. The Pension Plan is intended to be a qualified plan under, and subject to, relevant provisions of the Code and the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The Pension Plan (supplemented, as necessary, by the excess pension plan or the SERP described below) provides a monthly pension at normal retirement equal to 1.6% of the eligible employee’s average monthly compensation (based upon the eligible employee’s earnings during the three consecutive calendar years during the last ten years of the eligible employee’s credited service, including service with our former parent, Valero Energy, affording the highest such average) times the eligible employee’s years of credited service. Pension benefits are not subject to any deduction for social security or other offset amounts.

Eligible employees are NuStar GP, LLC employees, except for those employees who are nonresident aliens, who are U.S. citizens but being paid by a foreign affiliated employer (as defined in the plan), who are covered by a collective bargaining agreement (unless it expressly provides for the benefits provided under the plan), or who are not yet participating.

NuStar GP, LLC Excess Pension Plan

The NuStar GP, LLC Excess Pension Plan was established effective as of July 1, 2006 for the purpose of providing benefits to eligible employees of NuStar GP, LLC whose pension benefits under the NuStar GP, LLC Pension Plan and the Valero Energy Pension Plan, where applicable, are subject to limitations under the Code. The Excess Pension Plan is an excess benefit plan as contemplated under ERISA for those benefits provided in excess of Section 415 of the Code. Benefits provided as a result of other statutory limitations are limited to a select group of management or highly compensated employees. The Excess Pension Plan is not intended to constitute either a qualified plan under the Code or a funded plan subject to ERISA. For employees of NuStar GP, LLC who were eligible to receive a benefit under the Valero Energy Excess Pension Plan (the Predecessor Excess Pension Plan) as of July 1, 2006, the Excess Pension Plan assumed the liabilities of the Predecessor Excess Pension Plan and will provide a single, nonqualified defined benefit to eligible employees for their pre-July 1, 2006 benefit accruals under the Predecessor Excess Pension Plan and their post-July 1, 2006 benefit accruals under this Excess Pension Plan.

An eligible employee's monthly pension under the Excess Pension Plan will be equal to (i) 1.6% of the employee's average monthly compensation multiplied by the employee's years of service *less* (ii) the employee's Pension Plan benefit. Mr. Barron, Mr. Bluntzer and Ms. Morgan participate in the Excess Pension Plan.

NuStar GP, LLC Supplemental Executive Retirement Plan

The SERP was established effective as of July 1, 2006 for the purpose of providing certain highly compensated, management personnel of NuStar GP, LLC and its subsidiaries a supplement to the retirement benefit they may otherwise receive under the Pension Plan and the Valero Energy Pension Plan, where applicable. The SERP is not intended to constitute either a qualified plan under the Code or a funded plan subject to ERISA. For employees of NuStar GP, LLC who were eligible to receive a benefit under the Valero Energy Supplemental Executive Retirement Plan (the Prior SERP) as of July 1, 2006, the SERP assumed the liabilities of the Prior SERP and shall provide a single, nonqualified defined benefit to eligible employees for their pre-July 1, 2006 benefit accruals under the Prior SERP and their post-July 1, 2006 benefit accruals under this SERP.

An eligible employee's monthly pension under the SERP will be equal to:

(i) 1.6% of the employee's average monthly compensation multiplied by the employee's years of service; *plus*

(ii) 0.35% of the product of the employee's years of service and the amount that the employee's average monthly compensation exceeds the lesser of:

  a. 1.25 multiplied by the employee's monthly covered compensation and

  b. the monthly FICA amount; *minus*

(iii) the employee's Pension Plan benefit.

Mr. Anastasio and Mr. Blank participate in the SERP.

NONQUALIFIED DEFERRED COMPENSATION
FOR YEAR ENDED DECEMBER 31, 2007

The following table provides additional information regarding contributions by NuStar GP, LLC and each of our named executive officers under our non-qualified defined contribution and other deferred compensation plans during the year ended December 31, 2007. The table also presents each named executive officer's withdrawals, earnings and year-end balances in such plans. Please see the descriptions of our Excess Thrift Plan and the Frozen Nonqualified 401(k) Plan above in "Compensation Discussion and Analysis- Post-Employment Benefits."

Name	Executive Contributions in 2007 ($)(1)	Registrant Contributions in 2007 ($)(2)	Aggregate Earnings in 2007 ($)(3)	Aggregate Withdrawals/ Distributions ($)(4)	Aggregate Balance at December 31, 2007 ($)(5)
Anastasio	0	12,204	10,043	0	358,365
Barron	0	270	0	0	206
Blank	0	5,215	13,334	0	1,250,991
Bluntzer	0	1,310	0	0	1,850
Morgan	0	3,238	0	0	4,588

Footnotes:

(1) The executives made no contributions to our plans in 2007.

(2) Amounts reported represent our contributions to our Excess Thrift Plan. All of the amounts included in this column are included within the amounts reported as "All Other Compensation" for 2007 in the Summary Compensation Table.

(3) Amounts include the earnings (excluding dividends, if any), if any, of the executives' respective account in (as applicable) our Excess Thrift Plan and our Frozen Nonqualified 401(k) Plan.

(4) The executives made no withdrawals from and received no distributions under our plans in 2007.

(5) Amounts include the aggregate balance, if any, of the executives' respective account in (as applicable) our Excess Thrift Plan and our Frozen Nonqualified 401(k) Plan.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL

Each of our named executive officers has entered into a Change of Control Severance Agreement with NuStar Energy and NuStar GP, LLC. These agreements are intended to assure the continued availability of these executives in the event of a "change of control" (described below). The agreements have three-year terms, which are automatically extended for one year upon each anniversary unless a notice of nonrenewal is given to the executive. When a change of control occurs, the agreement becomes operative for a fixed three-year period. The agreements provide generally that the executive's terms and conditions of employment (including position, location, compensation and benefits) will not be adversely changed during the three-year period after a change of control. In addition, outstanding unit options held by the executive will automatically vest, restrictions applicable to outstanding restricted units held by the executive will lapse, and all unvested performance units held by the executive will fully vest and become payable at 200% of target. In addition to the payments and benefits accruing to the executives under the various circumstances described in the agreements, the executives are entitled to receive a payment in an amount sufficient to make the executive whole for any excise tax on excess parachute payments imposed under Section 4999 of the Internal Revenue Code of 1986, as amended, if the amount of the payment exceeds the safe harbor limit by at least 110%. Each agreement subjects the executive to obligations of confidentiality, both during the term and after termination, for secret and confidential information relating to NuStar Energy, NuStar GP, LLC and their affiliates (as defined in the agreement) that the executive acquired during his or her employment.

For purposes of these agreements, a "change of control" means any of the following (subject to additional particulars as stated in the agreements):

- the acquisition by an individual, entity or group of beneficial ownership of 40% of NuStar GP Holdings' voting interests;
- the failure of NuStar GP Holdings to control NuStar GP, LLC, NuStar Energy's general partner, Riverwalk Logistics, L.P., or all of the general partner interests of NuStar Energy;
- Riverwalk Logistics, L.P. ceases to be NuStar Energy's general partner or Riverwalk Logistics L.P. is no longer controlled by either NuStar GP, LLC or one of its affiliates;
- the acquisition of more than 50% of all voting interests of NuStar Energy then outstanding;
- certain consolidations or mergers of NuStar GP Holdings;
- certain consolidations or mergers of NuStar Energy;
- sale of all or substantially all of the assets of NuStar GP Holdings to anyone other than its affiliates;
- sale of all or substantially all of the assets of NuStar Energy to anyone other than its affiliates; or
- change in the composition of the NuStar GP Holdings board of directors so that fewer than a majority of those directors are "incumbent directors" as defined in the agreement.

In the agreements, "cause" is defined to mean, generally, the willful and continued failure of the executive to perform substantially the executive's duties, or the willful engaging by the executive in illegal or gross misconduct that is materially and demonstrably injurious to the company. "Good reason" is defined to mean, generally:

- a diminution in the executive's position, authority, duties and responsibilities,
- failure of NuStar Energy or NuStar GP, LLC (or of their respective successors) to comply with the provisions of the agreement,
- relocation of the executive or increased travel requirements, and
- termination of the executive's employment other than as permitted by the agreement.

The following table discloses the amounts payable to our named executive officers under the different circumstances relating to a change of control; however, if the executive's employment is terminated for "cause," then the executive will not receive any benefits or compensation other than any accrued salary or vacation pay that remained unpaid through the date of termination, and, therefore, there is no presentation of termination for "cause" in the table below. Except as noted below, the table assumes that a change of control occurred on December 31, 2007, and that the executive's employment was terminated on that date.

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PAYMENTS UNDER CHANGE OF CONTROL SEVERANCE AGREEMENTS

Executive Benefits and Payments	Termination of Employment by the Company Other Than for "Cause" or Disability, or by the Executive for "Good Reason" (2)	Termination of Employment because of Death or Disability (3)	Termination by the Executive Other Than for "Good Reason" (4)	Continued Employment Following Change of Control (5)
Salary (1)				(5)
Anastasio	$ 1,310,400	$ 0	$ 0	
Barron	468,000	0	0	
Blank	636,064	0	0	
Bluntzer	505,360	0	0	
Morgan	568,880	0	0	
Bonus (1)				(5)
Anastasio	$ 1,179,360	$ 393,120	$ 393,120	
Barron	351,000	175,500	175,500	
Blank	477,048	238,524	238,524	
Bluntzer	390,000	195,000	195,000	
Morgan	390,000	195,000	195,000	
Pension, Excess Pension, and SERP Benefits				(5)
Anastasio	$ 544,851	$ 0	$ 0	
Barron	103,952	0	0	
Blank	207,491	0	0	
Bluntzer	385,750	0	0	
Morgan	189,963	0	0	
Contributions under Defined Contribution Plans				(5)
Anastasio	$ 172,973	$ 0	$ 0	
Barron	56,160	0	0	
Blank	76,328	0	0	
Bluntzer	60,403	0	0	
Morgan	68,266	0	0	
Health and Welfare Plan Benefits	(6)			(5)
Anastasio	$ 60,525	$ 0	$ 0	
Barron	24,584	0	0	
Blank	40,350	0	0	
Bluntzer	28,882	0	0	
Morgan	40,350	0	0	

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Executive Benefits and Payments	Termination of Employment by the Company Other Than for “Cause” or Disability, or by the Executive for “Good Reason” (2)	Termination of Employment because of Death or Disability (3)	Termination by the Executive Other Than for “Good Reason” (4)	Continued Employment Following Change of Control (5)
Accelerated Vesting of Unit Options (7)				
Anastasio	$ 18,762	$ 18,762	$ 18,762	$ 18,762
Barron	2,544	2,544	2,544	2,544
Blank	13,833	13,833	13,833	13,833
Bluntzer	4,253	4,253	4,253	4,253
Morgan	0	0	0	0
Accelerated Vesting of Restricted Units (8)				
Anastasio	$ 792,678	$ 792,678	$ 792,678	$ 792,678
Barron	206,697	206,697	206,697	206,697
Blank	401,029	401,029	401,029	401,029
Bluntzer	310,846	310,846	310,846	310,846
Morgan	313,511	313,511	313,511	313,511
Accelerated Vesting of Performance Units (9)				
Anastasio	$ 585,554	$ 585,589	$ 585,589	$ 585,589
Barron	110,864	110,864	110,864	110,864
Blank	286,754	286,754	286,754	286,754
Bluntzer	221,728	221,728	221,728	221,728
Morgan	159,474	159,545	159,545	159,545
280G Tax Gross-Up (10)				
Anastasio	$ 0	$ 0	$ 0	$ 0
Barron	437,529	0	0	0
Blank	0	0	0	0
Bluntzer	627,558	0	0	0
Morgan	0	0	0	0
Totals				
Anastasio	**$ 4,665,103**	**$ 1,790,149**	**$ 1,790,149**	**$1,397,029**
Barron	**1,761,330**	**495,605**	**495,605**	**320,105**
Blank	**2,138,897**	**940,140**	**940,140**	**701,616**
Bluntzer	**2,534,780**	**731,827**	**731,827**	**536,827**
Morgan	**1,730,444**	**668,056**	**668,056**	**473,056**

Footnotes:

(1) Per SEC regulations, for purposes of this analysis we assumed each executive’s compensation at the time of each triggering event to be as stated below. The listed salary is the executive’s actual annualized rate of pay as of December 31, 2007. The listed bonus amount represents the highest bonus earned by the executive in any of the fiscal years 2005, 2006 or 2007 (the three years prior to the assumed change of control):

name	annual salary	bonus
Curtis V. Anastasio	$436,800	$393,120
Bradley C. Barron	234,000	175,500
Steven A. Blank	318,032	238,524
James R. Bluntzer	251,680	195,000
Mary F. Morgan	284,440	195,000

(2) Mr. Anastasio's agreement provides that that if the company terminates his employment (other than for "cause," death or "disability," as defined in the agreement) or if he terminates his employment for "good reason," as defined in the agreement, Mr. Anastasio is generally entitled to receive the following: (A) a lump sum cash payment equal to the sum of (i) accrued and unpaid compensation through the date of termination, including a pro-rata annual bonus (for this table, termination of employment was deemed to occur on the last day of the year; thus a full year's bonus is shown for this element of compensation); (ii) three times the sum of Mr. Anastasio's annual base salary plus Mr. Anastasio's highest annual bonus from the past three years, (iii) the amount of the actuarial present value of the pension benefits (qualified and nonqualified) Mr. Anastasio would have received for an additional three years of service, and (iv) the equivalent of three years of employer contributions under NuStar GP, LLC's tax-qualified and supplemental defined contribution plans; and (B) continued welfare benefits for three years.

Other than for Mr. Anastasio, the agreements generally provide that if the company terminates the executive's employment (other than for "cause," death or "disability," as defined in the agreement) or if the executive terminates his or her employment for "good reason," as defined in the agreement, the executive is generally entitled to receive the following: (A) a lump sum cash payment equal to the sum of (i) accrued and unpaid compensation through the date of termination, including a pro-rata annual bonus (for this table, termination of employment was deemed to occur on the last day of the year; thus a full year's bonus is shown for this element of compensation); (ii) two times the sum of the executive's annual base salary plus the executive's highest annual bonus from the past three years, (iii) the amount of the actuarial present value of the pension benefits (qualified and nonqualified) the executive would have received for an additional two years of service, and (iv) the equivalent of two years of employer contributions under NuStar GP, LLC's tax-qualified and supplemental defined contribution plans; and (B) continued welfare benefits for two years.

(3) If the executive's employment is terminated by reason of his death or disability, then his or her estate or beneficiaries will be entitled to receive a lump sum cash payment equal to any accrued and unpaid salary and vacation pay plus a bonus equal to the highest bonus earned by the executive in the prior three years (prorated to the date of termination). In this example, the termination of employment was deemed to occur on the last day of the year; thus a full year's bonus is shown in the table. In addition, in the case of disability, the executive would be entitled to any disability and related benefits at least as favorable as those provided by NuStar GP, LLC under its plans and programs during the 120-days prior to the executive's termination of employment.

(4) If the executive voluntarily terminates his employment other than for "good reason," then he or she will be entitled to a lump sum cash payment equal to any accrued and unpaid salary and vacation pay plus a bonus equal to the highest bonus earned by the executive in the prior three years (prorated to the date of termination). In this example, the termination of employment was deemed to occur on the last day of the year; thus a full year's bonus is shown in the table.

(5) The agreements provide for a three-year term of employment following a change of control. The agreements generally provide that the executive will continue to enjoy compensation and benefits on terms at least as favorable as in effect prior to the change of control. In addition, all outstanding equity incentive awards will automatically vest on the date of the change of control.

(6) The executive is entitled to coverage under the welfare benefit plans (*e.g.*, health, dental, etc.) for two years following the date of termination (three years for Mr. Anastasio).

(7) The amounts stated in the table represent the gross value of previously unvested unit options derived by multiplying (x) the difference between the closing price of NuStar Energy L.P.'s units on the NYSE on December 31, 2007 and the options' exercise prices, times (y) the number of unit options.

(8) The amounts stated in the table represent the gross value of previously unvested restricted units, derived by multiplying (x) the number of units whose restrictions lapsed because of the change of control, and (y) the closing price of NuStar Energy L.P.'s units on the NYSE on December 31, 2007.

(9) The amounts stated in the table represent the product of (x) the number of performance units whose vesting was accelerated because of the change of control, times (y) the closing price of NuStar Energy L.P.'s units on the NYSE on December 31, 2007. Based upon 2007 performance, 0% of the performance units were awarded. For the remainder of the performance period, the 2008 and 2009 fiscal years, 200% of the performance units would be awarded because of the change of control assumed here.

(10) If any payment or benefit is determined to be subject to an excise tax under Section 4999 of the Internal Revenue Code of 1986, as amended, the executive is entitled to receive an additional payment to adjust for the incremental tax cost of the payment or benefit. However, if the value of all parachute payments exceeds the safe harbor threshold by less than 110%, the amounts payable to an executive will be reduced so as to not exceed the safe harbor. The reduction will eliminate any excise tax under Section 4999.

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COMPENSATION OF DIRECTORS

DIRECTOR COMPENSATION (2007)

The following table provides a summary of compensation paid for the year ended December 31, 2007, to the Board. The table shows amounts earned by such persons for services rendered to NuStar GP, LLC in all capacities in which they served.

Name and Principal Position	Fees Earned or Paid in Cash ($)(1)	Unit Awards ($)(3)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
William E. Greehey	69,565	3,272	—	—	—	0	72,837
Curtis V. Anastasio	(2)	(2)	(2)	(2)	(2)	(2)	(2)
J. Dan Bates	62,000	2,929	—	—	—	—	64,929
Dan J. Hill	62,000	18,498	—	—	—	—	80,498
Stan L. McLelland	36,000	9,293	—	—	—	—	45,293
Rodman D. Patton	60,895	10,099	—	—	—	—	71,084

(1) In addition to the fees paid according to the non-employee director compensation described below, the amounts disclosed in this column include reimbursement for expenses for transportation to and from Board meetings and lodging while attending meetings.

(2) Mr. Anastasio is not compensated for his service as a director of NuStar GP, LLC. His compensation for his services as President and CEO are included above in the Summary Compensation Table.

(3) Represents dollar amounts recognized by NuStar Energy for financial statement reporting purposes for the fiscal year ended December 31, 2007. Please see “Compensation Discussion and Analysis- Impact of Accounting and Tax Treatment- Accounting Treatment” above in this item for more information.

As of December 31, 2007, each director holds the following aggregate number of restricted unit and option awards:

Name	Aggregate # of Restricted Units	Aggregate # of Unit Options
William E. Greehey	1,028	—
Curtis V. Anastasio	*	*
J. Dan Bates	1,056	—
Dan J. Hill	1,076	—
Stan L. McLelland	1,080	—
Rodman D. Patton	1,076	—

* Mr. Anastasio’s aggregate holdings are disclosed above in the Outstanding Equity Awards at December 31, 2007.

During 2007, non-employee directors received a retainer fee of $35,000 per year, plus $1,000 for each Board and committee meeting attended in person and $500 for each Board and committee meeting attended telephonically. Directors who serve as chairperson of a committee receive an additional $10,000 annually. Each director is also reimbursed for expenses of meeting attendance. Directors who are employees of NuStar GP, LLC receive no compensation (other than reimbursement of expenses) for serving as directors. The Chairman of the Board receives an additional retainer fee of $30,000 per year. The Chairman of the Board receives no fees for attending committee meetings.

NuStar GP, LLC supplements the compensation paid to non-employee directors with an annual grant of restricted units valued at $40,000 that vests in equal annual installments over a three-year period. We believe this annual grant of restricted units increases the non-employee directors' identification with the interests of NuStar Energy L.P.'s unitholders through ownership of NuStar Energy L.P. units. Upon a non-employee director's initial election to the Board, the director will receive a grant of restricted units equal to the pro-rated amount of the annual grant of restricted units from the time of his or her election through the next annual grant of restricted units.

In the event of a "Change of Control" as defined in the 2000 LTIP, all unvested restricted units and unit options previously granted immediately become vested or exercisable. Each plan also contains anti-dilution provisions providing for an adjustment in the number of restricted units or unit options, respectively, that have been granted to prevent dilution of benefits in the event any change in the capital structure of NuStar Energy affects the NuStar Energy L.P. units.

Compensation Committee

The Compensation Committee reviews and reports to the Board on matters related to compensation strategies, policies and programs, including certain personnel policies and policy controls, management development, management succession and benefit programs. The Compensation Committee also approves and administers NuStar Energy's equity compensation plans and incentive bonus plan. The Board has adopted a written charter for the Compensation Committee. The members of the Compensation Committee are Dan J. Hill (Chairman), J. Dan Bates and Rodman D. Patton, none of whom is a current or former employee or officer of NuStar GP, LLC. The Compensation Committee met five times in 2007.

Compensation Committee Interlocks and Insider Participation

There are no compensation committee interlocks. None of Dan J. Hill, J. Dan Bates or Rodman D. Patton has served as an officer or employee of NuStar GP, LLC. Furthermore, except for compensation arrangements disclosed in this annual report on Form 10-K, NuStar Energy has not participated in any contracts, loans, fees, awards or financial interests, direct or indirect, with any committee member, nor is NuStar Energy aware of any means, directly or indirectly, by which a committee member could receive a material benefit from NuStar Energy.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED UNITHOLDER MATTERS

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth ownership of NuStar Energy L.P. units and NuStar GP Holdings, LLC units by directors and executive officers of NuStar GP, LLC as of December 31, 2007. Unless otherwise indicated in the notes to the table, each of the named persons and members of the group has sole voting and investment power with respect to the units shown:

Name of Beneficial Owner (a)	Units Beneficially Owned (b)(c)	Units under Exercisable Options (d)	Percentage of Outstanding Units (c)	NuStar GP Holdings, LLC Units Beneficially Owned	NuStar GP Holdings, LLC Units under Exercisable Options	Percentage of Outstanding Units (e)
William E. Greehey	395,641	0	*	5,944,418	0	13.98%
Curtis V. Anastasio	44,053	46,795	*	44,615	0	*
J. Dan Bates	1,934	0	*	1,000	0	*
Dan J. Hill	3,031	0	*	7,000	0	*
Stan McLelland	3,443	0	*	12,230	0	*
Rodman D. Patton	10,181	0	*	10,000	0	*
Bradley C. Barron	4,959	2,565	*	3,800	0	*
Steven A. Blank	23,551	21,666	*	37,000	0	*
James R. Bluntzer	8,055	11,095	*	25,000	0	*
Mary F. Morgan	10,268	3,955	*	500	0	*
Thomas R. Shoaf	2,996	1,530	*	2,000	0	*
All directors and executive officers as a group (11 persons)	508,112	87,606	1.20%	6,087,563		14.32%

* Indicates that the percentage of beneficial ownership does not exceed 1% of the class.

(a) The business address for all beneficial owners listed above is 2330 North Loop 1604 West, San Antonio, Texas 78248.

(b) As of December 31, 2007, 49,409,749 units were issued and outstanding. There are no classes of equity securities of NuStar Energy outstanding other than the units. The calculation for Percentage of Outstanding units includes units listed under the captions “Units Beneficially Owned” and “Units under Exercisable Options.”

(c) Includes restricted units issued under NuStar Energy’s long-term incentive plans. Restricted units granted under NuStar GP, LLC’s long-term incentive plans may not be disposed of until vested. Does not include units that could be acquired under options, which information is set forth in the next column.

(d) Consisting of units that may be acquired within 60 days of December 31, 2007 through the exercise of unit options.

(e) As of December 31, 2007, 42,508,375 NuStar GP Holdings, LLC’s units were issued and outstanding. No executive officer or director owns any class of equity securities of NuStar GP Holdings other than common units. The calculation for Percentage of Outstanding Units includes units listed under the captions “NuStar GP Holdings, LLC Units Beneficially Owned” and “NuStar GP Holdings, LLC Units under Exercisable Options.”

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Except as otherwise indicated, the following table sets forth certain information as of December 31, 2007 with respect to each entity known to us to be the beneficial owner of more than 5% of our outstanding units.

Name and Address of Beneficial Owner	Units	Percentage of Units (b)
NuStar GP Holdings(a) 2330 North Loop 1604 West San Antonio, Texas 78248	10,220,350	20.27%

(a) NuStar GP Holdings owns the units through its wholly owned subsidiaries, NuStar GP, LLC and Riverwalk Holdings, LLC. NuStar GP Holdings controls voting and investment power of the units through these wholly owned subsidiaries.
(b) Assumes 49,409,749 units outstanding.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information about NuStar GP, LLC's equity compensation plans, which are described in further detail in Note 15 of Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data:"

Plan categories	Number of Securities to be issued upon exercise of outstanding unit options, warrants and rights	Weighted-Average exercise price of outstanding unit options, warrants and rights	Number of securities remaining for future issuance under equity compensation plans
Equity Compensation Plans approved by security holders	739,422	59.18	711,602
Equity Compensation Plans not approved by security holders	453,965	50.76	266,091(a)

(a) As of December 31, 2007, options to purchase 765 NuStar Energy L.P. units remained available for grant under the 2002 Unit Option Plan. As of December 31, 2007, 265,326 units remained available for grant under the 2003 Employee Unit Incentive Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

TRANSACTIONS WITH MANAGEMENT AND OTHERS

In January 2007, our Board adopted a written related person transaction policy that codifies our prior practice. For purposes of the policy, a related person transaction is one that is not available to all employees generally or involving less than $10,000 when aggregated with similar transactions. The policy requires that any related person transaction between NuStar Energy or NuStar GP, LLC and: (i) any vice president, Section 16 officer or director, (ii) any 5% or greater unitholder of NuStar Energy, its controlled affiliates or NuStar GP Holdings, (iii) any immediate family member of any officer or director, or (iv) any entity controlled by any of (i), (ii) or (iii) (or in which any of (i), (ii) or (iii) owns more than 5%) must be approved by the disinterested members of the Board. In addition, the policy requires that the officers and directors have an affirmative obligation to inform our Corporate Secretary of his or her immediate family members, as well as any entities he or she controls or owns more than 5%.

Please see "Executive Compensation, Potential Payments upon Termination or Change in Control" for a discussion of NuStar Energy's Change of Control Agreements with the named executive officers.

On December 10, 2007, NuStar Logistics, our wholly owned subsidiary, entered into a non-exclusive Aircraft Time Sharing Agreement (the Time Share Agreement) with William E. Greehey, Chairman of our Board. The Time Share Agreement provides that NuStar Logistics, L.P. will sublease the aircraft to Mr. Greehey on an "as needed and as available" basis, and will provide a fully qualified flight crew for all Mr. Greehey's flights. Mr. Greehey will pay NuStar Logistics an amount equal to the maximum amount of expense reimbursement permitted in accordance with Section 91.501(d) of the Aeronautics Regulations of the Federal Aviation Administration and the Department of Transportation, which expenses include and are limited to: fuel oil, lubricants, and other additives; travel expenses of the crew, including food, lodging and ground transportation; hangar and tie down costs away from the aircraft's base of operation; insurance obtained for the specific flight; landing fees, airport taxes and similar assessments; customs, foreign permit, and similar fees directly related to the flight; in-flight food and beverages; passenger ground transportation; flight planning and weather contract services; and an additional charge equal to 100% of the costs of the fuel oil, lubricants, and other additives. The Time Share Agreement has an initial term of two years, after which the Time Share Agreement will automatically renew for one-year terms until terminated by either party. The Time Share Agreement was approved by the disinterested members of the Board on December 5, 2007.

Effective on September 16, 2007, NuStar Logistics entered into an assignment and assumption agreement (the Assignment) with Valero Energy, pursuant to which NuStar Logistics, L.P. assumed certain of Valero Energy's obligations under a letter agreement between Valero Energy and Mr. Greehey regarding his resignation from employment with Valero Energy (the Letter Agreement). Under the Letter Agreement, Valero Energy agreed to provide Mr. Greehey with "off-site office facilities and secretarial and other office services reasonably commensurate with Mr. Greehey's position as retired Chief Executive Officer of Valero Energy (the Office Services). Since we moved our headquarters out of Valero Energy's corporate headquarters in April 2007, we have provided office space for Mr. Greehey, the cost of which we billed to Valero Energy. In order to further simplify the relationship between us and Valero Energy, we assumed responsibility for the Office Services, for which Valero Energy paid us $1.2 million, the operating expense associated with providing Office Services to Mr. Greehey. The Conflicts Committee, consisting of the disinterested members of the Board, approved the Assignment on August 24, 2007.

RIGHTS OF NUSTAR GP HOLDINGS

Due to its ownership of NuStar GP, LLC and Riverwalk Holdings, LLC, NuStar GP Holdings indirectly owns:

- the 2% general partner interest in NuStar Energy, through its indirect 100% ownership interest in Riverwalk Logistics, L.P.;
- 100% of the incentive distribution rights issued by us, which entitles NuStar GP Holdings to receive increasing percentages of the cash we distribute, currently at the maximum percentage of 23%; and

- 10,220,350 NuStar Energy L.P. units representing a 20.27% limited partner interest in NuStar Energy.

Certain of our officers are also officers of NuStar GP Holdings. Our Chairman, William E. Greehey, is also the Chairman of NuStar GP Holdings. NuStar GP Holdings appoints NuStar GP, LLC's directors. NuStar GP, LLC's board is responsible for overseeing NuStar GP, LLC's role as the owner of the general partner of NuStar Energy, NuStar GP Holdings must also approve matters that have or would have reasonably expected to have a material effect on NuStar GP Holdings' interests as one of our major unitholders.

NuStar Energy's partnership agreement requires that NuStar GP, LLC maintain a Conflicts Committee, composed entirely of independent directors, to review and resolve certain potential conflicts of interest between Riverwalk Logistics, L.P. and its affiliates, on one hand, and NuStar Energy on the other hand.

DIRECTOR INDEPENDENCE

Our business is managed under the direction of the Board of NuStar GP, LLC, the general partner of Riverwalk Logistics, L.P., the general partner of NuStar Energy. The Board conducts its business through meetings of the Board and its committees. During 2007, the Board held eight meetings. No member of the Board attended less than 75% of the meetings of the Board and committees of which he was a member.

The Board has standing Audit and Compensation committees. Each committee has a written charter. The committees of the Board and the number of meetings held by the committees in 2007 are described below.

Independent Directors

The Board has one member of management, Curtis V. Anastasio, President and CEO, and five non-management directors. The Board has determined that three of five of its non-management directors meet the independence requirements of the NYSE listing standards as set forth in the NYSE Listed Company Manual. As a limited partnership, NuStar Energy is not required to have a majority of independent directors. The independent directors are: J. Dan Bates, Dan J. Hill and Rodman D. Patton.

William E. Greehey, Chairman of the Board, retired as CEO of Valero Energy at the end of 2005. He remained Chairman of Valero Energy's board of directors until January 2007. Valero Energy is a customer of NuStar Energy L.P., accounting for approximately 18% of total revenues for the year ended December 31, 2007. Mr. Greehey also serves as the Chairman of the NuStar GP Holdings board of directors.

Curtis V. Anastasio has been President of NuStar GP, LLC since December 1999 and CEO since June 2000. As a member of management, Mr. Anastasio is not an independent director under the NYSE's listing standards. Mr. Anastasio also serves as President and CEO of NuStar GP Holdings.

Stan L. McLelland has been a member of the Board since October 2005. In July 2006, Mr. McLelland also became a member of the board of directors of NuStar GP Holdings. Mr. McLelland stepped down from the Audit and Compensation Committees of NuStar GP, LLC when he joined the NuStar GP Holdings board of directors.

The Audit and Compensation committees of the Board are each composed entirely of directors who meet the independence requirements of the NYSE listing standards. Each member of the Audit Committee also meets the additional independence standards for Audit Committee members set forth in the regulations of the Securities and Exchange Commission (SEC).

Independence Determinations

Under the NYSE's listing standards, no director qualifies as independent unless the Board affirmatively determines that the director has no material relationship with NuStar Energy. Based upon information requested from and provided by each director concerning their background, employment and affiliations, including commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, the Board has determined that, other than being a director of NuStar GP, LLC and/or unitholder of NuStar Energy,

each of the independent directors named above has either no relationship with NuStar Energy, either directly or as a partner, unitholder or officer of an organization that has a relationship with NuStar Energy, or has only immaterial relationships with NuStar Energy, and is therefore independent under the NYSE's listing standards.

As provided for under the NYSE listing standards, the Board has adopted categorical standards or guidelines to assist the Board in making its independence determinations with respect to each director. Under the NYSE listing standards, immaterial relationships that fall within the guidelines are not required to be disclosed in this proxy statement.

A relationship falls within the guidelines adopted by the Board if it:

- is not a relationship that would preclude a determination of independence under Section 303A.02(b) of the NYSE Listed Company Manual;
- consists of charitable contributions by NuStar GP, LLC to an organization where a director is an executive officer and does not exceed the greater of $1 million or 2% of the organization's gross revenue in any of the last three years;
- consists of charitable contributions to any organization with which a director, or any member of a director's immediate family, is affiliated as an officer, director or trustee pursuant to a matching gift program of NuStar GP, LLC and made on terms applicable to employees and directors; or is in amounts that do not exceed $250,000 per year; and
- is not required to be, and it is not otherwise, disclosed in this annual report on Form 10-K.

NuStar GP, LLC's Corporate Governance Guidelines contain the director qualification standards, including the guidelines listed above, and are available on NuStar Energy's internet website at http://www.nustarenergy.com (in the Investor Relations section).

Presiding Director/Meetings of Non-Management Directors

The Board has designated Mr. Patton to serve as the Presiding Director for meetings of the non-management Board members outside the presence of management.

Communications with the Board, Non-Management Directors or Presiding Director

Unitholders and other interested parties may communicate with the Board, the non-management directors or the Presiding Director by sending a written communication in an envelope addressed to "Board of Directors," "Non-Management Directors," or "Presiding Director" in care of NuStar GP, LLC's Corporate Secretary at the address indicated on the cover page of this annual report on Form 10-K.

Availability of Governance Documents

NuStar Energy has posted its Corporate Governance Guidelines, Code of Business Conduct and Ethics, Code of Ethics of Senior Financial Officers, the Audit Committee Charter and other governance documents on NuStar Energy's internet website at http://www.nustarenergy.com (in the "Investor Relations" section). NuStar Energy's governance documents are available in print to any unitholder of record who makes a written request to NuStar Energy. Requests must be directed to NuStar GP, LLC's Corporate Secretary at the address indicated on the cover page of this annual report on Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

KPMG FEES FOR FISCAL YEAR 2007

Audit Fees

The aggregate fees for fiscal year 2007 for professional services rendered by KPMG for the audit of the annual financial statements for the year ended December 31, 2007 included in this Form 10-K, review of NuStar Energy's interim financial statements included in NuStar Energy's 2007 Forms 10-Q, the audit of the effectiveness of NuStar Energy's internal control over financial reporting as of December 31, 2007 and related services that are normally provided by the principal auditor (*e.g.*, comfort letters and assistance with review of documents filed with the SEC) were $1,743,930.

Audit-related Fees

The aggregate fees for the fiscal year 2007 for assurance and related services rendered by KPMG that are reasonably related to the performance of the audit or review of NuStar Energy's financial statements and not reported in the preceding caption were $242,693. The fees related primarily to consultations for technical accounting issues and audit fees incurred for Kaneb benefit plans.

Tax Fees

The aggregate fees for the fiscal year 2007 for professional services rendered by KPMG for tax compliance, tax advice and tax planning were $0.

All Other Fees

The aggregate fees for the fiscal year 2007 for services rendered by KPMG, other than the services reported under the preceding captions, were $0.

KPMG FEES FOR FISCAL YEAR 2006

Audit Fees

The aggregate fees for fiscal year 2006 for professional services rendered by KPMG for the audit of the annual financial statements for the year ended December 31, 2006 included in this Form 10-K, review of NuStar Energy's interim financial statements included in NuStar Energy's 2006 Forms 10-Q, the audit of the effectiveness of NuStar Energy's internal control over financial reporting as of December 31, 2006 and related services that are normally provided by the principal auditor (*e.g.*, comfort letters and assistance with review of documents filed with the SEC) were $2,313,000.

Audit-related Fees

The aggregate fees for the fiscal year 2006 for assurance and related services rendered by KPMG that are reasonably related to the performance of the audit or review of NuStar Energy's financial statements and not reported in the preceding caption were $112,720. The fees related primarily to consultations for technical accounting issues and audit fees incurred for Kaneb benefit plans.

Tax Fees

The aggregate fees for the fiscal year 2006 for professional services rendered by KPMG for tax compliance, tax advice and tax planning were $0.

All Other Fees

The aggregate fees for the fiscal year 2006 for services rendered by KPMG, other than the services reported under the preceding captions, were $0.

AUDIT COMMITTEE PRE-APPROVAL POLICY

The audit committee has adopted a pre-approval policy to address the approval of services rendered to NuStar Energy by its independent auditors, which is filed herewith as Exhibit 99.01.

None of the services (described above) for 2006 or 2007 provided by KPMG were approved by the audit committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) **Financial Statements**. The following consolidated financial statements of NuStar Energy L.P. and its subsidiaries are included in Part II, Item 8 of this Form 10-K:

Management's Report on Internal Control over Financial Reporting
Reports of independent registered public accounting firm (KPMG LLP)
Consolidated Balance Sheets as of December 31, 2007 and 2006
Consolidated Statements of Income for the Years Ended December 31, 2007, 2006 and 2005
Consolidated Statements of Cash Flows for the Years Ended December 31, 2007, 2006 and 2005
Consolidated Statements of Partners' Equity for the Years Ended December 31, 2007, 2006 and 2005
Notes to Consolidated Financial Statements

(2) **Financial Statement Schedules and Other Financial Information.** No financial statement schedules are submitted because either they are inapplicable or because the required information is included in the consolidated financial statements or notes thereto.

(3) **Exhibits**

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

Exhibit Number	Description	Incorporated by Reference to the Following Document
2.01	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	NuStar Energy L.P.'s Current Report on Form 8-K filed November 4, 2004 (File No. 001-16417), Exhibit 99.1
2.02	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 and Kaneb Pipe Line Partners, L.P. and Kaneb Pipe Line Company LLC	NuStar Energy L.P.'s Current Report on Form 8-K filed November 4, 2004 (File No. 001-16417), Exhibit 99.2
3.01	Certificate of Formation of UDS Logistics, LLC	NuStar GP Holdings, LLC's Registration Statement on Form S-1 filed on March 31, 2006 (File No. 333-132917), Exhibit 3.01
3.02	Certificate of Amendment to Certificate of Formation of UDS Logistics, LLC	NuStar GP Holdings, LLC's Registration Statement on Form S-1 filed on March 31, 2006 (File No. 333-132917), Exhibit 3.03
3.03	Amended and Restated Certificate of Limited Partnership of Valero L.P.	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2001 (File No. 001-16417), Exhibit 3.3
3.04	Amendment to Amended and Restated Certificate of Limited Partnership of Valero L.P., dated March 21, 2007 and effective April 1, 2007	NuStar Energy L.P.'s Current Report on Form 8-K, filed March 27, 2007 (File No. 001-16417), Exhibit 3.01

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Exhibit Number	Description	Incorporated by Reference to the Following Document
3.05	Third Amended and Restated Agreement of Limited Partnership of Valero L.P.	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for quarter ended March 31, 2003 (File No. 001-16417), Exhibit 3.1
3.06	First Amendment to Third Amended and Restated Agreement of Limited Partnership of Valero L.P.	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2003 (File No. 001-16417), Exhibit 4.3
3.07	Amendment No. 2 to Third Amended and Restated Agreement of Limited Partnership of Valero L.P., dated as of July 1, 2005	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.01
3.08	Certificate of Limited Partnership of Valero Logistics Operations, L.P.	NuStar Energy L.P.'s Registration Statement on Form S-1 (File No. 333-43668), Exhibit 3.4
3.09	Certificate of Amendment to Certificate of Limited Partnership of Valero Logistics Operations, L.P.	NuStar Energy L.P.'s Registration Statement on Form S-1 (File No. 333-43668), Exhibit 3.5
3.10	Certificate of Amendment to Certificate of Limited Partnership of Valero Logistics Operations, L.P., dated March 21, 2007 and effective April 1, 2007	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, File No. 001-16417, Exhibit 3.03
3.11	Second Amended and Restated Agreement of Limited Partnership of Valero Logistics Operations, L.P.	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2001 (File No. 001-16417), Exhibit 3.9
3.12	Second Amendment to Second Amended and Restated Agreement of Limited Partnership of Valero Logistics Operations, L.P.	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2001 (File No. 001-16417), Exhibit 3.10
3.13	Certificate of Limited Partnership of Riverwalk Logistics, L.P.	NuStar Energy L.P.'s Registration Statement on Form S-1 (File No. 333-43668), Exhibit 3.7
3.14	First Amended and Restated Limited Partnership Agreement of Riverwalk Logistics, L.P.	NuStar Energy L.P.'s Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 001-16417), Exhibit 3.16
3.15	Certificate of Formation of Valero GP, LLC	NuStar Energy L.P.'s Registration Statement on Form S-1 (File No. 333-43668), Exhibit 3.9
3.16	Amendment to Certificate of Formation of Valero GP, LLC, dated March 21, 2007 and effective April 1, 2007	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, File No. 001-16417, Exhibit 3.02

Exhibit Number	Description	Incorporated by Reference to the Following Document
3.17	Certificate of Amendment to Certificate of Formation of Valero GP, LLC	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2001 (File No. 001-16417), Exhibit 3.14
3.18	First Amended and Restated LLC Agreement of Shamrock Logistics GP, LLC	NuStar Energy L.P.'s Registration Statement on Form S-1 (File No. 333-43668), Exhibit 3.10
3.19	First Amendment to First Amended and Restated Limited Liability Company Agreement of Valero GP, LLC	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2001 (File No. 001-16417), Exhibit 3.15
3.20	First Amended and Restated Limited Partnership Agreement of Riverwalk Logistics, L.P.	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2001 (File No. 001-16417), Exhibit 3.16
4.01	Indenture, dated July 15, 2002, among Valero Logistics Operations, L.P., as Issuer, Valero L.P., as Guarantor, and The Bank of New York, as Trustee, relating to Senior Debt Securities	NuStar Energy L.P.'s Current Report on Form 8-K filed July 15, 2002 (File No. 001-16417), Exhibit 4.1
4.02	First Supplemental Indenture, dated as of July 15, 2002, to Indenture dated July 15, 2002, in each case among Valero Logistics Operations, L.P., as Issuer, Valero L.P., as Guarantor, and The Bank of New York, as Trustee, relating to 6 7/8% Senior Notes Due 2012	NuStar Energy L.P.'s Current Report on Form 8-K filed July 15, 2002 (File No. 001-16417), Exhibit 4.2
4.03	Second Supplemental Indenture, dated as of March 18, 2003, to Indenture dated July 15, 2002, as amended and supplemented by a First Supplemental Indenture thereto dated as of July 15, 2002, in each case among Valero Logistics Operations, L.P., as Issuer, Valero L.P., as Guarantor, and The Bank of New York, as Trustee (including, form of global note representing $250,000,000 6.05% Senior Notes due 2013)	NuStar Energy L.P.'s Current Report on Form 8-K filed May 9, 2003 (File No. 001-16417), Exhibit 4.1
4.04	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	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.02

Exhibit Number	Description	Incorporated by Reference to the Following Document
4.05	Indenture, dated as of February 21, 2002, between Kaneb Pipe Line Operating Partnership, L.P. and JPMorgan Chase Bank (Senior Debt Securities)	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.03
4.06	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)	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.04
4.07	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	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.05
4.08	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	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.06
4.09	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)	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.07
4.10	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	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-16417), Exhibit 4.08
4.11	Registration Rights Agreement, dated March 18, 2003, among Valero Logistics Operations, L.P., as Issuer, Valero L.P., as Guarantor, and the initial purchasers of Valero Logistics Operations, L.P. 6.05% Senior Notes due 2013	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for quarter ended March 31, 2003 (File No. 001-16417), Exhibit 10.10

Exhibit Number	Description	Incorporated by Reference to the Following Document
10.01	5-Year Revolving Credit Agreement dated as of December 10, 2007 among NuStar Logistics, L.P., NuStar Energy L.P., the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent, Suntrust Bank, as Syndication Agent, and Barclays Bank PLC and Mizuho Corporate Bank Ltd., as Co-Documentation Agents	*
+10.02	NuStar GP, LLC Amended and Restated 2003 Employee Unit Incentive Plan	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-16417), Exhibit 10.03
+10.03	Form of Unit Option Agreement under the Amended and Restated Employee Unit Incentive Plan	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2006 (File No. 001-16417), Exhibit 10.18
+10.04	NuStar GP, LLC Amended and Restated 2002 Unit Option Plan, amended and restated as of April 1, 2007	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-16417), Exhibit 10.02
+10.05	NuStar GP, LLC Second Amended and Restated 2000 Long-Term Incentive Plan, amended and restated as of April 1, 2007	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-16417), Exhibit 10.01
+10.06	Form of Restricted Unit Agreement under the NuStar GP, LLC Second Amended and Restated 2000 Long-Term Incentive Plan	NuStar Energy L.P.'s Current Report on Form 8-K dated October 24, 2007 and filed October 29, 2007 (File No. 001-16417), Exhibit 10.03
+10.07	Form of Unit Option Award Agreement under the NuStar GP, LLC Second Amended and Restated 2000 Long-Term Incentive Plan	NuStar Energy L.P.'s Current Report on Form 8-K filed November 3, 2006 (File No. 001-16417), Exhibit 10.02
+10.08	Form of Performance Unit Agreement under the NuStar GP, LLC Amended and Restated 2000 Long-Term Incentive Plan	NuStar Energy L.P.'s Current Report on Form 8-K filed January 26, 2006 (File No. 001-16417), Exhibit 10.02
+10.09	Form of Non-employee Director Restricted Unit Agreement under the NuStar GP, LLC Second Amended and Restated 2000 Long-Term Incentive Plan	NuStar Energy L.P.'s Current Report on Form 8-K dated October 24, 2007 and filed October 29, 2007 (File No. 001-16417), Exhibit 10.02
+10.10	NuStar Energy L.P. Bonus Plan	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2006 (File No. 001-16417), Exhibit 10.18
+10.11	Change of Control Severance Agreement by and among Valero GP, LLC, Valero L.P. and Curtis V. Anastasio, dated November 6, 2006.	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 001-16417), Exhibit 10.05

Exhibit Number	Description	Incorporated by Reference to the Following Document
+10.12	Form of Change of Control Severance Agreement by and among Valero GP, LLC, Valero L.P. and each of the other executive officers of Valero GP, LLC	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 001-16417), Exhibit 10.06
10.13	Pipelines and Terminals Usage Agreement by and among Ultramar Diamond Shamrock Corporation, Shamrock Logistics Operations, L.P., Shamrock Logistics, L.P., Riverwalk Logistics, L.P. and Shamrock Logistics GP, LLC, dated April 16, 2001	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2001, Exhibit 10.6
10.14	Fourth Amended and Restated Services Agreement among Diamond Shamrock Refining and Marketing Company, Valero L.P., Valero Logistics Operations, L.P., Riverwalk Logistics, L.P. and Valero GP, LLC, effective as of December 22, 2006	NuStar Energy L.P.'s Current Report on Form 8-K filed December 22, 2006 (File No. 001-16417), Exhibit 10.01
10.15	Operating Agreement by and between Shamrock Logistics Operations, L.P. and Valero Pipeline Company, dated January 1, 2002	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2001 (File No. 001-16417), Exhibit 10.13
10.16	Contribution Agreement by and among Valero Refining Company–California, UDS Logistics, LLC, Valero L.P., Valero GP, Inc. and Valero Logistics Operations, L.P. dated as of March 6, 2003	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2002 (File No. 001-16417), Exhibit 10.13
10.17	Contribution Agreement by and among Valero Refining Company–Texas, L.P., UDS Logistics, LLC, Valero L.P., Valero GP, Inc. and Valero Logistics Operations, L.P. dated as of March 6, 2003	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2002 (File No. 001-16417), Exhibit 10.14
10.18	Contribution Agreement by and among Valero Pipeline Company, UDS Logistics, LLC, Valero L.P., Valero GP, Inc. and Valero Logistics Operations, L.P. dated as of March 6, 2003	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2002 (File No. 001-16417), Exhibit 10.15
10.19	Handling and Throughput Agreement between Valero Marketing and Supply Company and Valero Logistics Operations, L.P., dated as of March 18, 2003	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for quarter ended March 31, 2003 (File No. 001-16417), Exhibit 10.1

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Exhibit Number	Description	Incorporated by Reference to the Following Document
10.20	Amendment Number One to the Handling and Throughput Agreement between Valero Marketing and Supply Company and Valero Logistics Operations, L.P., effective as of April 27, 2004	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for quarter ended March 31, 2004 (File No. 001-16417), Exhibit 10.3
10.21	Throughput Commitment Agreement by and among Valero Marketing and Supply Company, Valero Logistics Operations, L.P. and Valero L.P., dated as of March 18, 2003	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for quarter ended March 31, 2003 (File No. 001-16417), Exhibit 10.4
10.22	Terminalling Agreement (Edinburg) between Valero Marketing and Supply Company and Valero Logistics Operations, L.P., dated as of March 18, 2003	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for quarter ended March 31, 2003 (File No. 001-16417), Exhibit 10.5
10.23	Terminalling Agreement (Houston Asphalt) between Valero Marketing and Supply Company and Valero Logistics Operations, L.P., dated as of March 18, 2003	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for quarter ended March 31, 2003 (File No. 001-16417), Exhibit 10.6
10.24	Terminalling Agreement (Hobby Airport) between Valero Marketing and Supply Company and Valero Logistics Operations, L.P., dated as of March 18, 2003	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for quarter ended March 31, 2003 (File No. 001-16417), Exhibit 10.7
10.25	Terminalling Agreement (Placedo) between Valero Marketing and Supply Company and Valero Logistics Operations, L.P., dated as of March 18, 2003	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for quarter ended March 31, 2003 (File No. 001-16417), Exhibit 10.8
10.26	Terminalling Agreement (San Antonio East) between Valero Marketing and Supply Company and Valero Logistics Operations, L.P., dated as of March 18, 2003	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for quarter ended March 31, 2003 (File No. 001-16417), Exhibit 10.9
10.27	Terminal Storage and Throughput Agreement between Valero Marketing and Supply Company and Valero Logistics Operation, L.P. effective as of January 15, 2004	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for quarter ended March 31, 2004 (File No. 001-16417), Exhibit 10.2
10.28	Terminal Agreement (Corpus Christi Crude Terminal) between Valero Marketing Supply Company and Valero Logistics Operation, L.P. effective as of January 1, 2004	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for quarter ended March 31, 2004 (File No. 001-16417), Exhibit 10.4

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Exhibit Number	Description	Incorporated by Reference to the Following Document
10.29	Terminal Services Agreement executed September 20, 2006, between Valero Logistics Operations, L.P. and Valero Marketing and Supply Company	NuStar Energy L.P.'s Current Report on Form 8-K filed October 3, 2006 (File No. 001-16417), Exhibit 10.01
10.30	Non-Compete Agreement between Valero GP Holdings, LLC, Valero L.P., Riverwalk Logistics, L.P. and Valero GP, LLC, effective as of July 19, 2006	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for quarter ended September 30, 2006 (File No. 001-16417), Exhibit 10.03
10.31	Administration Agreement between Valero GP Holdings, LLC and Valero GP, LLC, effective as of July 19, 2006	NuStar Energy L.P.'s Quarterly Report on Form 10-Q for quarter ended September 30, 2006 (File No. 001-16417), Exhibit 10.04
10.32	NuStar GP, LLC Excess Pension Plan, effective July 1, 2006	NuStar GP Holdings, LLC's Quarterly Report on Form 10-Q for quarter ended June 30, 2006 (File No. 001-32940), Exhibit 10.10
10.33	NuStar GP, LLC Excess Thrift Plan, effective July 1, 2006	NuStar GP Holdings, LLC's Quarterly Report on Form 10-Q for quarter ended June 30, 2006 (File No. 001-32940), Exhibit 10.11
10.34	NuStar GP, LLC Supplemental Executive Retirement Plan, effective July 1, 2006	NuStar GP Holdings, LLC's Quarterly Report on Form 10-Q for quarter ended June 30, 2006 (File No. 001-32940), Exhibit 10.12
10.35	NuStar GP, LLC Short-Term Incentive Plan	NuStar Energy L.P.'s Registration Statement on Form S-1 filed March 29, 2001 (File No. 333-43668), Exhibit 10.4
10.36	NuStar GP, LLC Intermediate-Term Incentive Plan	NuStar Energy L.P.'s Registration Statement on Form S-1 filed March 29, 2001 (File No. 333-43668), Exhibit 10.9
10.37	Sale and Purchase Agreement, dated as of November 5, 2007, by and between CITGO Asphalt Refining Company and NuStar Asphalt Refining, LLC	*
10.38	Aircraft Time Sharing Agreement, dated December 10, 2007, between NuStar Logistics, L.P. and William E. Greehey	*
12.01	Statement of Computation of Ratio of Earnings to Fixed Charges	*
14.01	Code of Ethics for Senior Financial Officers	NuStar Energy L.P.'s Annual Report on Form 10-K for year ended December 31, 2003, Exhibit 14.1

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Exhibit Number	Description	Incorporated by Reference to the Following Document
21.01	List of subsidiaries of NuStar Energy L.P.	*
23.01	Consent of KPMG LLP, dated February __, 2008	*
24.01	Powers of Attorney (included in signature page of this Form 10-K)	*
31.01	Rule 13a-14(a) Certifications (under Section 302 of the Sarbanes-Oxley Act of 2002)	*
32.01	Section 1350 Certifications (under Section 906 of the Sarbanes-Oxley Act of 2002)	*
99.01	Audit Committee Pre-Approval Policy	*
99.02	Report of Independent Registered Public Accountants, Balance Sheet— December 31, 2007 and Notes to Balance Sheet— December 31, 2007 of Riverwalk Logistics, L.P.	*

* Filed herewith.

\+ Identifies management contracts or compensatory plans or arrangements required to be filed as an exhibit hereto pursuant to Item 15(c) of Form 10-K.

Copies of exhibits filed as a part of this Form 10-K may be obtained by unitholders of record at a charge of $0.15 per page, minimum $5.00 each request. Direct inquiries to Corporate Secretary, NuStar Energy L.P., 2330 North Loop 1604 West, San Antonio, Texas 78248.

Disclosures Required by Section 303A.12 of the NYSE Listed Company Manual. Section 303A.12 of the NYSE Listed Company Manual requires the CEO of each listed company to certify to the NYSE each year that he or she is not aware of any violation by the listed company of any of the NYSE corporate governance listing standards. The CEO of NuStar Energy L.P. submitted the required certification without qualification to the NYSE as of March 28, 2007. In addition, the CEO certification and the chief financial officer's certification required by Section 302 of the Sarbanes-Oxley Act of 2002 (the SOX 302 Certifications) with respect to NuStar Energy L.P.'s disclosures in its Form 10-K for the year ended December 31, 2006 were filed as Exhibit 31.01 to NuStar Energy L.P.'s Form 10-K for the year ended December 31, 2006. The SOX 302 Certifications with respect to NuStar Energy L.P.'s disclosures in its Form 10-K for the year ended December 31, 2007 are being filed as Exhibit 31.01 to this Form 10-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NUSTAR ENERGY L.P.
(Registrant)

By: Riverwalk Logistics, L.P., its general partner
By: NuStar GP, LLC, its general partner

By: /s/ Curtis V. Anastasio
(Curtis V. Anastasio)
President and Chief Executive Officer
February 29, 2008

By: /s/ Steven A. Blank
(Steven A. Blank)
Senior Vice President, Chief Financial Officer and Treasurer
February 29, 2008

By: /s/ Thomas R. Shoaf
(Thomas R. Shoaf)
Vice President and Controller
February 29, 2008

POWER OF ATTORNEY

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

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

Signature	Title	Date
/s/ William E. Greehey (William E. Greehey)	Chairman of the Board	February 29, 2008
/s/ Curtis V. Anastasio (Curtis V. Anastasio)	President, Chief Executive Officer and Director (Principal Executive Officer)	February 29, 2008
/s/ Steven A. Blank (Steven A. Blank)	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	February 29, 2008
/s/ Thomas R. Shoaf (Thomas R. Shoaf)	Vice President and Controller (Principal Accounting Officer)	February 29, 2008
/s/ J. Dan Bates (J. Dan Bates)	Director	February 29, 2008
/s/ Dan J. Hill (Dan J. Hill)	Director	February 29, 2008
/s/ Stan McLelland (Stan McLelland)	Director	February 29, 2008
/s/ Rodman D. Patton (Rodman D. Patton)	Director	February 29, 2008

Exhibit 10.01

5-YEAR REVOLVING CREDIT AGREEMENT

dated as of December 10, 2007

among

NUSTAR LOGISTICS, L.P.

NUSTAR ENERGY L.P.

The Lenders Party Hereto

and

JPMORGAN CHASE BANK, N.A.,

as Administrative Agent

SUNTRUST BANK,

as Syndication Agent

and

BARCLAYS BANK PLC,

MIZUHO CORPORATE BANK LTD.,

as Co-Documentation Agents

J.P. MORGAN SECURITIES INC.,

as Sole Bookrunner

and

J.P. MORGAN SECURITIES INC. and SUNTRUST ROBINSON HUMPHREY, A DIVISION OF SUNTRUST CAPITAL MARKETS, INC.,

as Co-Lead Arrangers

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5-YEAR REVOLVING CREDIT AGREEMENT dated as of December 10, 2007 among NUSTAR LOGISTICS, L.P., a Delaware limited partnership, NUSTAR ENERGY L.P., a Delaware limited partnership, the LENDERS party hereto, JP MORGAN CHASE BANK, N.A., as Administrative Agent, SUNTRUST BANK, as Syndication Agent, and BARCLAYS BANK PLC, MIZUHO CORPORATE BANK LTD. and ROYAL BANK OF CANADA, 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.

"Adjusted LIBO Rate" means, with respect to any Eurocurrency 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., together with its Affiliates, in its capacity as administrative agent for the Lenders hereunder. It is understood and agreed that matters concerning Loans and Letters of Credit denominated in Euros may be administered by J. P. Morgan Europe Limited and therefore all notices concerning such Loans and Letters of Credit will be required to be given at the London funding office set forth in Section 10.01.

"Administrative Agent's Account" means (a) in the case of Loans and Letters of Credit denominated in Dollars, the account of the Administrative Agent as designated in writing from time to time by the Administrative Agent to the Borrower and the Lenders for such purpose, and (b) in the case of Loans and Letters of Credit denominated in Euros, the account of the Administrative Agent maintained by the Administrative Agent at its office at 125 London Wall, London EC2Y 5AJ, Account No. DE93501108006001600037, or such other account of the Administrative Agent as is designated in writing from time to time by the Administrative Agent to the Borrower and the Lenders for such purpose.

"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 Revolving 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, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Applicable Rate" means, for any day, with respect to any ABR Loan or Eurocurrency Revolving Loan, or with respect to the facility fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "ABR Spread", "Eurocurrency Spread" or "Facility Fee Rate", 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	Eurocurrency Spread	Facility Fee Rate
Tier 1 Greater than BBB or Baa2	0.00%	0.270%	0.080%
Tier 2 BBB or Baa2	0.00%	0.400%	0.100%
Tier 3 BBB- or Baa3	0.000%	0.500%	0.125%
Tier 4 BB+ or Ba1	0.000%	0.575%	0.175%
Tier 5 Less than BB+ or Ba1	0.000%	0.700%	0.200%

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 Maturity Date and the date of termination of the Commitments.

"Beneficial Owner" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition.

"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 NuStar Logistics, 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 Loan Documents, including, without limitation, the unpaid principal of and interest on the Loans and LC Disbursements 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 LC Disbursements 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 Loan 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 (a) Revolving Loans of the same Type, made, converted or continued on the same date and, in the case of Eurocurrency Loans, as to which a single Interest Period is in effect, (b) a Competitive Loan or group of Competitive Loans of the same Type made on the same date and as to which a single Interest Period is in effect or (c) a Swingline Loan.

"Borrowing Request" means a request by the Borrower for a Revolving Borrowing in accordance with Section 2.03.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close; provided, that (i) with respect to notices and determinations in connection with, and payments of principal and interest on, Eurocurrency Borrowings denominated in (a) Dollars, such day is also a day for trading by and between banks in Dollar deposits in the London interbank market and (b) Euros, such day is also a day on which banks in London are open for general banking business, including dealings in foreign currency and exchange, and on which the TARGET payment system is open for the settlement of payments in Euros.

"Calculation Date" means (a) each day as the Administrative Agent shall from time to time designate in its sole discretion as a "Calculation Date" and (b) each Extension Effective Date.

"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) 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 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; or

(c) the occurrence of any transaction that results in any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) other than a Permitted Holder becoming the Beneficial Owner, directly or indirectly, of more than 50% of the general partner interests in the MLP.

"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 any Issuing Bank (or, for purposes of Section 2.15(b), by any lending office of such Lender or by such Lender's or such Issuing Bank'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.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans, Competitive Loans or Swingline Loans.

"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 Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 2.19 or Section 10.04. 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 $1,250,000,000.

"Commitment Increase Effective Date" has the meaning assigned such term in Section 2.20.

"Competitive Bid" means an offer by a Lender to make a Competitive Loan in accordance with Section 2.04.

"Competitive Bid Rate" means, with respect to any Competitive Bid, the Margin or the Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

"Competitive Bid Request" means a request by the Borrower for Competitive Bids in accordance with Section 2.04.

"Competitive Loan" means a Loan made pursuant to Section 2.04.

"Consenting Lenders" has the meaning set forth in Section 2.21(b).

"Consolidated Debt Coverage Ratio" means, for any day, the ratio of (a) all Indebtedness of the MLP and its Restricted Subsidiaries (excluding the principal amount of Hybrid Equity Securities in an aggregate amount not to exceed 15% of Total Capitalization), 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 Restricted 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 (including any non-cash losses or negative adjustments under Statement of Financial Accounting Standards 133 (and any statements replacing, modifying or superseding such statement) as the result of changes in the fair market value of derivatives) and (ii) cash distributions received by the Borrower from Skelly-Belvieu Pipeline Company, and similar joint ventures, during such period; (b) minus all non-cash income added to Consolidated Operating Income in such period (including any non-cash gains or positive adjustments under Statement of Financial Accounting Standards 133 (and any statements replacing, modifying or superseding such statement) as the result of changes in the fair market value of derivatives); and (c) plus any Material Project EBITDA Adjustments for such period; provided that 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 Restricted Subsidiaries.

"Consolidated Net Worth" means, at any time, an amount equal to the consolidated partners' equity of the MLP and its Restricted Subsidiaries.

"Consolidated Operating Income" means, as to the MLP and its Restricted Subsidiaries on a consolidated basis for each Rolling Period, the amount equal to gross margin (including any proceeds received from business interruption insurance provided that such proceeds are received during any Rolling Period with respect to an event or events that occurred during such Rolling Period) minus operating expenses, general and administrative expenses, depreciation and amortization, and taxes other than income taxes, in each case for such period

"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.

“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.

“Dollar Equivalent” means, on any date, with respect to any amount in (a) Dollars, such amount and (b) Euros, the equivalent in Dollars of such amount as determined by the Administrative Agent in accordance with Section 2.22.

“Dollars” or “$” refers to lawful money of the United States of America.

“Effective Date” means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 10.02).

“EMU Legislation” means the legislative measures of the European Union for the introduction of, changeover to or operation of the Euro in one or more member states.

“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.

"EURIBOR Rate" means, with respect to any Eurocurrency Borrowing denominated in Euros for any Interest Period, the rate appearing on Page 248 of the Reuters Telerate 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 deposits in Euros in the London interbank market) at approximately 11:00 a.m., Brussels time, two Business Days prior to the commencement of such Interest Period, as the rate for Euro 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 "EURIBOR Rate" with respect to such Eurocurrency Borrowing for such Interest Period shall be the rate at which deposits in Euros of €5,000,000 and for a maturity comparable to such Interest Period are offered to first class banks in the London interbank market 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.

"Euro" or "€" means the single currency of the European Union as constituted by the Treaty on European Union and as referred to in the EMU Legislation for the introduction of, changeover to or operation of the Euro in one or more member states.

"Euro Sublimit" means $250,000,000, as such amount may be increased from time to time pursuant to Section 2.20.

“Eurocurrency”, 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 (or, in the case of a Competitive Loan, the LIBO Rate).

“Eurocurrency Rate” means, with respect to any Eurocurrency Borrowing denominated in Dollars 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 “Eurocurrency Rate” with respect to such Eurocurrency 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 to first class banks in the London interbank market 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.

“Event of Default” has the meaning assigned to such term in Article VII.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, and any statute successor thereto.

“Exchange Rate” means with respect to Euros on any date, the rate at which Euros may be exchanged into Dollars, as set forth on such date on the relevant Reuters currency page at or about 11:00 a.m., London time, on such date. In the event that such rate does not appear on any Reuters currency page, the “Exchange Rate” with respect to Euros shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by the Administrative Agent and the Borrower or, in the absence of such agreement, such Exchange Rate shall instead be the Administrative Agent’s spot rate of exchange in the interbank market where its foreign currency exchange operations in respect of Euros are then being conducted, at or about 10:00 a.m., local time, on such date for the purchase of Dollars with Euros, for delivery two Business Days later; provided, that if at the time of any such determination, for any reason, no such spot rate is being, or can reasonably be, quoted, the Administrative Agent may use any reasonable method as it deems appropriate to determine such rate, and such determination shall be conclusive absent manifest error.

“Excluded Taxes” means, with respect to the Administrative Agent, any Lender, any Issuing Bank 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 2.19(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 2.17(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 2.17(a).

"Existing Credit Agreement" means that certain 5-Year Revolving Credit Agreement dated as of December 20, 2004 among the Borrower, the MLP, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent, as amended, modified, supplemented or restated.

"Existing Letters of Credit" means the letters of credit set forth on Schedule 2.06.

"Extension Confirmation Date" has the meaning set forth in Section 2.21(b).

"Extension Effective Date" has the meaning set forth in Section 2.21(b).

"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.

"Fixed Rate" means, with respect to any Competitive Loan (other than a Eurocurrency Competitive Loan), the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

"Fixed Rate Loan" means a Competitive Loan bearing interest at a Fixed Rate.

"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 NuStar 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.

"Guarantor" means each of the MLP, KPOP, 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.

"Hybrid Equity Securities" means, on any date (the "determination date"), any securities issued by the Borrower or a financing vehicle of the Borrower, other than common stock, that meet the following criteria: (a) (i) the Borrower demonstrates that such securities are classified, at the time they are issued, as possessing a minimum of "intermediate equity content" by S&P and "Basket C equity credit" by Moody's (or the equivalent classifications then in effect by such agencies) and (ii) on such determination date such securities are classified as possessing a minimum of "intermediate equity content" by S&P or "Basket C equity credit" by Moody's (or the equivalent classifications then in effect by such agencies) and (b) such securities require no repayments or prepayments and no mandatory redemptions or repurchases, in each case, prior to at least 91 days after the later of the termination of the Commitments and the repayment in full of the Borrower Obligations. As used in this definition, "mandatory redemption" shall not include conversion of a security into common stock.

"Increasing Lender" has the meaning assigned to such term in Section 2.20.

"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.

"Indentures" means, collectively, the NuStar Logistics Indenture and the KPOP Indenture.

"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 the Confidential Information Memorandum dated November __, 2007 relating to the Borrower and the Transactions.

"Initial Notice of Commitment Increase" has the meaning assigned to such term in Section 2.20.

“Interest Election Request” means a request by the Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.08.

“Interest Payment Date” means (a) with respect to any ABR Loan, the last day of each March, June, September and December, (b) with respect to any Eurocurrency 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 Eurocurrency 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, (c) with respect to any Fixed Rate 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 Fixed Rate Borrowing with an Interest Period of more than 90 days’ duration (unless otherwise specified in the applicable Competitive Bid Request), each day prior to the last day of such Interest Period that occurs at intervals of 90 days’ duration after the first day of such Interest Period, and any other dates that are specified in the applicable Competitive Bid Request as Interest Payment Dates with respect to such Borrowing and (d) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

“Interest Period” means (a) with respect to any Eurocurrency 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, and (b) with respect to any Fixed Rate Borrowing, the period (which shall not be less than 1 day or more than 270 days) commencing on the date of such Borrowing and ending on the date specified in the applicable Competitive Bid Request; 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, in the case of a Eurocurrency Borrowing only, 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 Eurocurrency 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, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

“Investment” means, as applied to any Person, (a) any direct or indirect purchase or other acquisition by such Person of any Equity Interests in any other Person, (b) 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, (c) any Swap Agreement entered into by such Person other than Permitted Swap Agreements and (d) any direct or indirect purchase or other acquisition by such Person of all or substantially all of the property and assets or business of another Person or assets that constitute a business unit, line of business or division of another Person. In addition, a Letter of Credit issued hereunder on behalf or for the benefit of any Unrestricted Subsidiary shall constitute an “Investment” in such Unrestricted Subsidiary for the purposes hereof. The amount of any Investment described in clause (c) above 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.

"Investment Grade" means a rating for Index Debt of BBB- or higher by S&P and Baa3 or higher by Moody's.

"Issuing Bank" means each of JPMorgan Chase Bank, N.A. and SunTrust Bank, in each case, in its capacity as an issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.06(i). Any Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of such Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"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.

"KPOP" means Kaneb Pipe Line Operating Partnership, L.P., a Delaware limited partnership.

"KPOP Indenture" means that certain Indenture dated February 21, 2002, as amended and supplemented by the First Supplemental Indenture dated February 21, 2002, the Second Supplemental Indenture dated August 9, 2002, the Third Supplemental Indenture dated May 16, 2003, and the Fourth Supplemental Indenture, dated May 27, 2003, in each case, between KPOP and JPMorgan Chase Bank, as trustee (the "KPOP Trustee"), and as further amended and supplemented by the Fifth Supplemental Indenture dated July 1, 2005, by and among KPOP, the MLP, as affiliate guarantor, the Borrower, as affiliate guarantor, and the KPOP Trustee.

"KPOP Notes" means KPOP's $250,000,000 7.750% Senior Unsecured Notes Due 2012 and KPOP's $250,000,000 5.875% Senior Unsecured Notes Due 2013, in each case issued under the KPOP Indenture.

"LC Disbursement" means a payment made by any Issuing Bank pursuant to a Letter of Credit issued by such Issuing Bank.

"LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time. The LC Exposure of any Issuing Bank at any time shall be the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit issued by such Issuing Bank at such time plus (b) the aggregate amount of all LC Disbursements made by such Issuing Bank that have not yet been reimbursed by or on behalf of the Borrower at such time.

"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. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender.

“Lending Office” means, with respect to any Lender, the “Lending Office” of such Lender (or an Affiliate of such Lender) designated for each Type and/or currency of Loan or Letter of Credit in the Administrative Questionnaire submitted by such Lender or such other office of such Lender (or an Affiliate of such Lender) as such Lender may from time to time specify to the Administrative Agent and the Borrower as the office by which its Loans and Letters of Credit of such Type and/or currency are to be made and maintained.

“Letter of Credit” means any letter of credit issued pursuant to this Agreement (including the Existing Letters of Credit).

“LIBO Rate” means, for any Interest Period, with respect to any Eurocurrency Borrowing denominated in (a) Dollars, the Eurocurrency Rate and (b) Euros, the EURIBOR Rate.

“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, any notes issued pursuant to Section 2.10(e), and any Letter of Credit, 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 loans made by the Lenders to the Borrower pursuant to this Agreement.

“Margin” means, with respect to any Competitive Loan bearing interest at a rate based on the LIBO Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBO Rate to determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

“Material Adverse Effect” means a material adverse effect on (a) the business, assets, operations or condition (financial or otherwise) of the MLP and its Restricted 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 Indebtedness” means Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Swap Agreements, of any one or more of the MLP and its Restricted Subsidiaries in an aggregate principal amount exceeding $50,000,000. For

purposes of determining Material Indebtedness, the "principal amount" of the obligations of the MLP or any Restricted 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.

"Material Project" means each new pipeline, storage facility, processing plant or other capital expansion project wholly owned by the MLP or its Restricted Subsidiaries, the construction of which commenced after May 31, 2006 and which has a budgeted capital cost exceeding $25,000,000.

"Material Project EBITDA Adjustments" means, with respect to each Material Project, (a) for any Rolling Period ending on or prior to the last day of the fiscal quarter during which the Material Project is completed, a percentage (based on the then-current completion percentage of the Material Project) of an amount determined by the Borrower as the projected Consolidated EBITDA attributable to such Material Project and designated in a certificate of a Responsible Officer of the Borrower as described in the next sentence of this definition (such amount to be determined by the Borrower in good faith and in a commercially reasonable manner based on contracts relating to such Material Project, the creditworthiness of the other parties to such contracts and projected revenues from such contracts, capital costs and expenses, scheduled completion, and other similar factors deemed appropriate by the Borrower) shall be added to actual Consolidated EBITDA for the MLP and its Restricted Subsidiaries for the fiscal quarter in which construction of such Material Project commences and for each fiscal quarter thereafter until completion of the Material Project (net of any actual Consolidated EBITDA attributable to such Material Project following its completion); provided that if construction of the Material Project is not completed by the scheduled completion date, then the foregoing amount shall be reduced by the following percentage amounts depending on the period of delay for completion (based on the period of actual delay or then-estimated delay, whichever is longer): (i) longer than 90 days, but not more than 180 days, 25%, (ii) longer than 180 days but not more than 270 days, 50%, and (iii) longer than 270 days, 100%; and (b) for each Rolling Period ending on the last day of the first, second and third fiscal quarters, respectively, immediately following the fiscal quarter during which the Material Project is completed, an amount equal to the projected Consolidated EBITDA attributable to the Material Project for the period from but excluding the end of such Rolling Period through and including the last day of the fourth fiscal quarter following the fiscal quarter during which the Material Project is completed shall be added to Consolidated EBITDA for such Rolling Period (net of any actual Consolidated EBITDA attributable to the Material Project for the period from and including the date of completion through and including the last day of the fiscal quarter during which the Material Project is completed). Notwithstanding the foregoing, (i) no such additions shall be allowed with respect to any Material Project unless not later than 45 days prior to commencement of construction thereof, the Borrower shall have delivered to the Administrative Agent and the Lenders a certificate of a Responsible Officer of the Borrower certifying as to the amount determined by the Borrower as the projected Consolidated EBITDA attributable to such Material Project, together with a reasonably detailed explanation of the basis therefor and such other information and documentation as the Administrative Agent or any Lender may reasonably request, such certificate, explanation and other information and documentation delivered by the Borrower shall be deemed in form and substance satisfactory to the Administrative Agent and the Required

Lenders unless the Administrative Agent or the Required Lenders object thereto within 10 Business Days after receipt thereof, and (ii) the aggregate amount of all Material Project EBITDA Adjustments during any period shall be limited to 20% of the total actual Consolidated EBITDA of the MLP and its Subsidiaries for such period (which total actual Consolidated EBITDA shall be determined without including any Material Project EBITDA Adjustments or any adjustments in respect of any acquisitions or dispositions as provided in the definition of Consolidated EBITDA).

"Material Subsidiary" means, with respect to the MLP, any Restricted Subsidiary that meets any of the following conditions: (i) the MLP's and its other Restricted Subsidiaries' equity in the income from continuing operations before interest expense and all income taxes of such Restricted Subsidiary exceeds 10% of such income of the MLP and its Restricted Subsidiaries consolidated for the most recently completed fiscal year or (ii) the MLP's and its other Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of such Restricted Subsidiary exceeds 10% of the total assets of the MLP and its Restricted Subsidiaries consolidated as of the end of the most recently completed fiscal year.

"Maturity Date" means December 10, 2012, and for any Lender agreeing to extend its Maturity Date pursuant to Section 2.21, the date on December 10 in each year thereafter pursuant to which the Maturity Date has been extended, but in no event later than December 10, 2014.

"MLP" means NuStar Energy 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 Loan 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 Loan 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.

"New Funds Amount" means the amount by which a New Lender's or an Increasing Lender's outstanding Loans increase as of a Commitment Increase Effective Date (without regard to any such increase as a result of Borrowings made on such Commitment Increase Effective Date).

"New Lender" has the meaning assigned to such term in Section 2.20.

"Notice of Confirmation of Commitment Increase" has the meaning assigned to such term in Section 2.20.

"NuStar Logistics Indenture" means that certain Indenture dated as of July 15, 2002 among the MLP, the Borrower and The Bank of New York as Trustee (the "NuStar Logistics

Trustee”), as amended and supplemented by a First Supplemental Indenture thereto dated as of July 15, 2002, a Second Supplemental Indenture thereto dated as of March 18, 2003, and a Third Supplemental Indenture dated as of July 1, 2005 by and among the Borrower, the MLP as guarantor, KPOP, as affiliate guarantor and the NuStar Logistics Trustee.

“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.

“Partially Increasing Lender” has the meaning assigned to such term in Section 2.20.

“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 Holder" means NuStar GP Holdings, LLC, a Delaware limited liability company, or any successor to NuStar GP Holdings, LLC.

"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'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.

"Permitted Swap Agreements" has the meaning assigned to such term in Section 6.05.

"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.

"Reducing Lender" has the meaning assigned to such term in Section 2.20.

"Reduction Amount" means the amount by which a Reducing Lender's or a Partially Increasing Lender's outstanding Loans decrease as of a Commitment Increase Effective Date (without regard to any such increase as a result of Borrowings made on such Commitment Increase Effective Date).

"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, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing greater than 50% of the sum of the total Revolving Credit Exposures and unused Commitments at such time; provided that, for purposes of declaring the Loans to be due and payable pursuant to Article VII, and for all purposes after the Loans become due and payable pursuant to Article VII or the Commitments expire or terminate, the outstanding Competitive Loans of the Lenders shall be included in their respective Revolving Credit Exposures in determining the Required Lenders.

"Responsible Officer" means, as to any Person, the Chief Executive Officer, the President, any Financial Officer or any Vice President of such Person. Unless otherwise specified, all references to a Responsible Officer herein shall mean a Responsible Officer of the Borrower.

"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.

"Restricted Subsidiary" means any Subsidiary that is not an Unrestricted Subsidiary. For the avoidance of doubt, the Borrower is a Restricted Subsidiary of the MLP, the Borrower may not be an Unrestricted Subsidiary and each Subsidiary that is a Guarantor must be a Restricted Subsidiary.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans and its LC Exposure and Swingline Exposure at such time.

"Revolving Loan" means a Loan made pursuant to Section 2.03.

"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).

"Standard Ratio" has the meaning given such term in Section 6.11.

"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, liquid asset or similar percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by any Governmental Authority of the United States or of the jurisdiction of such currency or any jurisdiction in which Loans in such currency are made to which banks in such jurisdiction are subject for any category of deposits or liabilities customarily used to fund loans in such currency or by reference to which interest rates applicable to loans in such currency are determined. Such reserve, liquid asset or similar percentages shall include those imposed pursuant to Regulation D of the Board. Eurocurrency Loans shall be deemed 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 Regulation D or any other applicable law, rule or regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"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: (a) with respect to the MLP, any subsidiary of the MLP (including the Borrower) and (b) with respect to the Borrower, any subsidiary of the Borrower.

"Subsidiary Guaranty" means any guaranty executed and delivered pursuant to Section 5.11, including the Subsidiary Guaranty Agreement substantially in the form of Exhibit D, 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.

"Swingline Exposure" means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

"Swingline Lender" means JPMorgan Chase Bank, N.A., in its capacity as lender of Swingline Loans hereunder.

"Swingline Loan" means a Loan made pursuant to Section 2.05.

"Swingline Rate" means, for any day, the "ASK" rate for over-night Federal funds appearing on Page 5 of the Dow Jones Market Service on such day.

"TARGET" means the Trans-European Automated Real-Time Gross Settlement Express Transfer system.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"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, restated, modified or supplemented.

"Total Capitalization" means, at the date of any determination thereof, the sum of (a) all Indebtedness of the MLP and its Restricted Subsidiaries, determined on a consolidated basis in accordance with GAAP plus (b) Consolidated Net Worth.

"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 issuance of Letters of Credit hereunder, 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 or, in the case of a Competitive Loan or Borrowing, the LIBO Rate or a Fixed 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, restated, modified, supplemented, refinanced or replaced.

"Units" means the common units of limited partner interests in the MLP.

"Unrestricted Subsidiary" means any Subsidiary (other than the Borrower or any Guarantor) designated as such on Schedule 3.12 or which the Borrower has designated in writing to the Administrative Agent to be an Unrestricted Subsidiary pursuant to Section 6.10(b).

"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 may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurocurrency Loan") or by Class and Type (e.g., a "Eurocurrency Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurocurrency Borrowing") or by Class and Type (e.g., a "Eurocurrency Revolving 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 Revolving Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in the Dollar Equivalent (determined on the date by which a Borrowing Request in respect thereof is required to be delivered pursuant to Section 2.03) of (a) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment, (b) the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans exceeding the total Commitments or (c) the sum of the total Revolving Credit Exposures in Euros exceeding the Euro Sublimit. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

Section 2.02 Loans and Borrowings. (a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.04. 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 and Competitive Bids 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 2.14, (i) each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurocurrency Loans as the Borrower may request in accordance

herewith and (ii) each Competitive Borrowing shall be comprised entirely of Eurocurrency Loans or Fixed Rate Loans as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurocurrency Loan denominated in Dollars 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. Each Lender shall make each Eurocurrency Loan denominated in Euros from its applicable Lending Office.

(c) At the commencement of each Interest Period for any Eurocurrency Revolving Borrowing, the Dollar Equivalent of such Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $5,000,000 (in each case, determined on the date by which a Borrowing Request or Interest Election Request is required to be delivered pursuant to Section 2.03 or Section 2.08, respectively. At the time that each ABR Revolving 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 Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e). Each Competitive Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $5,000,000. Each Swingline Loan shall be in an amount that is an integral multiple of $100,000 and not less than $1,000,000. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of five Eurocurrency Revolving Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or 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 Revolving Borrowings. To request a Revolving Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurocurrency Borrowing to be funded in Dollars, not later than 12:00 noon, New York City time, three Business Days before the date of the proposed Borrowing, (b) in the case of a Eurocurrency Borrowing to be funded in Euros, not later than 12:00 noon, London time, four Business Days before the date of the proposed Borrowing, or (c) in the case of an ABR Borrowing, not later than 12:00 noon, New York City time, on date of the proposed Borrowing; provided that any such notice of an ABR Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e) may be given not later than 10:00 a.m., New York City time, on the 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 Eurocurrency Borrowing;

(iv) in the case of a Eurocurrency Borrowing, the currency of such Borrowing, which shall be either Dollars or Euros, and 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 2.07.

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurocurrency Revolving Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. If no currency is specified with respect to any requested Eurocurrency Borrowing, then the Borrower shall be deemed to have selected Dollars. 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 Competitive Bid Procedure.

(a) Subject to the terms and conditions set forth herein, from time to time during the Availability Period the Borrower may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans denominated in Dollars; provided that the Dollar Equivalent of the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans at any time shall not exceed the total Commitments. To request Competitive Bids, the Borrower shall notify the Administrative Agent of such request by telephone, in the case of a Eurocurrency Borrowing, not later than 11:00 a.m., New York City time, four Business Days before the date of the proposed Borrowing and, in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing; provided that the Borrower may submit no more than one Competitive Bid Request on the same day, but a Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request, unless such previous Competitive Bid Request shall have been withdrawn or all Competitive Bids received in response thereto rejected. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Competitive Bid Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Competitive Bid 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 a Eurocurrency Borrowing or a Fixed Rate Borrowing;

(iv) the Interest Period to be applicable to such Borrowing, 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 2.08.

Promptly following receipt of a Competitive Bid Request in accordance with this Section, the Administrative Agent shall notify the Lenders of the details thereof by telecopy, inviting the Lenders to submit Competitive Bids.

(b) Each Lender may (but shall not have any obligation to) make one or more Competitive Bids to the Borrower in response to a Competitive Bid Request. Each Competitive Bid by a Lender must be in a form approved by the Administrative Agent and must be received by the Administrative Agent by telecopy, in the case of a Eurocurrency Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before the proposed date of such Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform substantially to the form approved by the Administrative Agent may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be a minimum of $5,000,000 and an integral multiple of $1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (ii) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) and (iii) the Interest Period applicable to each such Loan and the last day thereof.

(c) The Administrative Agent shall promptly notify the Borrower by telecopy of the Competitive Bid Rate and the principal amount specified in each Competitive Bid and the identity of the Lender that shall have made such Competitive Bid.

(d) Subject only to the provisions of this paragraph, the Borrower may accept or reject any Competitive Bid. The Borrower shall notify the Administrative Agent by telephone, confirmed by telecopy in a form approved by the Administrative Agent, whether and to what extent it has decided to accept or reject each Competitive Bid, in the case of a Eurocurrency Competitive Borrowing, not later than 10:30 a.m., New York City time, three Business Days before the date of the proposed Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, on the proposed date of the Competitive Borrowing; provided that (i) the failure of the Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower rejects a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed the aggregate amount of the requested Competitive

Borrowing specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with clause (iii) above, the Borrower may accept Competitive Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of $5,000,000 and an integral multiple of $1,000,000; provided further that if a Competitive Loan must be in an amount less than $5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of $1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of $1,000,000 in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph shall be irrevocable.

(e) The Administrative Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, the amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) of this Section.

Section 2.05 Swingline Loans.

(a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Dollar denominated Swingline Loans to the Borrower from time to time during the Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding $100,000,000 or (ii) the Dollar Equivalent (determined on the date on which a notice of the requested Borrowing is delivered pursuant to Section 2.05(b)) of the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans exceeding the total Commitments; provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Loan, the Borrower shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 12:00 noon, New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Swingline Loan. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Borrower. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the general deposit account of the Borrower

with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e), by remittance to the Issuing Bank) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear; provided that any such payment so remitted shall be repaid to the Swingline Lender or to the Administrative Agent, as applicable, if and to the extent such payment is required to be refunded to the Borrower for any reason. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

Section 2.06 Letters of Credit.

(a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit denominated in Dollars or Euros for its own account from any Issuing Bank, in a form reasonably acceptable to the Administrative Agent and such Issuing Bank, at any time and from time to time during the Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, an Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to any Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the currency of such Letter of Credit, which must be either Dollars or Euros, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by an Issuing Bank, the Borrower also shall submit a letter of credit application on such Issuing Bank's standard form in connection with any request for a Letter of Credit. Following receipt of a notice requesting the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit) in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension, the Dollar Equivalent (determined on the date a request for the issuance, amendment, renewal or extension of such Letter of Credit is delivered pursuant to this Section 2.06(b)) of (i) the total LC Exposure shall not exceed $500,000,000, (ii) the LC Exposure of JPMorgan Chase Bank, N.A. shall not exceed $250,000,000, (iii) the LC Exposure of SunTrust Bank shall not exceed $250,000,000, (iv) the sum of the total Revolving Credit Exposures in Euros shall not exceed the Euro Sublimit, (v) the total LC Exposure in Euros shall not exceed $25,000,000 and (vi) the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans shall not exceed the total Commitments.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Maturity Date; provided that, notwithstanding the foregoing, no Letter of Credit may expire beyond the close of business on the date that is five Business Days prior to the earliest Maturity Date applicable to any Lender, unless the Dollar Equivalent of the amount of such Letter of Credit on the date of issuance, renewal or extension, as applicable, together with the outstanding LC Exposure at such time, is less than or equal to the total Commitments of all Lenders having a later Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank that issues such Letter of Credit or the Lenders, each Issuing Bank that issues a Letter of Credit hereunder hereby grants to each Lender, and each Lender hereby acquires from such Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and

unconditionally agrees to pay to the Administrative Agent, for the account of each Issuing Bank that issues a Letter of Credit hereunder, such Lender's Applicable Percentage of each LC Disbursement made by such Issuing Bank and not reimbursed by the Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If any Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit issued by such Issuing Bank, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 12:00 noon, New York City time, on the date that such LC Disbursement is made, in Dollars, in the case of any Letter of Credit denominated in Dollars, and in Euros, in the case of any Letter of Credit denominated in Euros, if the Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m., New York City time, on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 12:00 noon, New York City time, on (i) the Business Day that the Borrower receives such notice, if such notice is received prior to 10:00 a.m., New York City time, on the day of receipt, or (ii)) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that, in the case of any LC Disbursement in respect of any Letter of Credit denominated in Dollars, the Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 that such payment be financed with an ABR Revolving Borrowing or a Swingline Loan in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Issuing Bank that issued such Letter of Credit the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Issuing Bank that issued such Letter of Credit or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse such Issuing Bank, then to such Lenders and such Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse an Issuing Bank for any LC Disbursement (other than the funding of ABR Revolving Loans or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by any Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor any Issuing Bank, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of any Issuing Bank; provided that the foregoing shall not be construed to excuse any Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by such Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or wilful misconduct on the part of an Issuing Bank (as finally determined by a court of competent jurisdiction), each Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank that issued such Letter of Credit may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. Each Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. Such Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether such Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse such Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If any Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and

including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans; provided that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.12(d) shall apply. Interest accrued pursuant to this paragraph shall be for the account of such Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse such Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of an Issuing Bank. Any Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of an Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the replaced Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term “Issuing Bank” shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If (i) any Event of Default shall occur and be continuing, on the Business Day that the Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposure representing greater than 50% of the Dollar Equivalent of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph or (ii) the Borrower is required to pay to the Administrative Agent the excess attributable to an LC Exposure in connection with any prepayment pursuant to Section 2.11(c), then the Borrower shall deposit in one or more accounts with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, in the case of an Event of Default, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon, and in the case of a payment required by Section 2.11(c), the amount of such excess as provided in Section 2.11(c) (in each case, in the relevant currencies in which the Letters of Credit associated with the LC Exposure is denominated); provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in clause (g) or (h) of Article VII. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Borrower under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrower’s risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments

shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse each Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Lenders with LC Exposure representing greater than 50% of the Dollar Equivalent of the total LC Exposure), be applied to satisfy other obligations of the Borrower under this Agreement. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, and the Borrower is not otherwise required to pay to the Administrative Agent the excess attributable to an LC Exposure in connection with any prepayment pursuant to Section 2.11(c), such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived.

(k) Existing Letters of Credit. For all purposes hereunder, on the Effective Date, the Existing Letters of Credit shall be deemed issued under this Agreement.

Section 2.07 Funding of Borrowings. (a) Each Lender shall make available for the account of its applicable Lending Office each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds in Dollars, in the case of ABR Loans and Eurocurrency Loans to be funded in Dollars, and in Euros, in the case of Eurocurrency Loans to be funded in Euros, to the applicable Administrative Agent's Account, by 2:00 p.m., New York City time, with respect to Loans denominated in Dollars, and 2:00 p.m., London time, with respect to Loans denominated in Euros; provided that Swingline Loans shall be made as provided in Section 2.05. 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 or Competitive Bid Request; provided that ABR Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e) shall be remitted by the Administrative Agent to the Issuing Bank that made such LC Disbursement.

(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.

(c) A payment in Euros shall be deemed to have been made by the Administrative Agent on the date on which it is required to be made under this Agreement if the Administrative Agent has, on or before that date, taken all relevant steps to make that payment. With respect to the payment of any amount denominated in Euros, the Administrative Agent shall not be liable to the Borrower, any Issuing Bank or any of the Lenders in any way whatsoever for any delay, or the consequences of any delay, in the crediting to any account of any amount required by this Agreement to be paid by the Administrative Agent if the Administrative Agent shall have taken all relevant steps to achieve, on the date required by this Agreement, the payment of such amount in immediately available, freely transferable, cleared funds in Euros to the relevant account. In this paragraph, "all relevant steps" means all such steps as may be prescribed from time to time by the regulations or operating procedures of such clearing or settlement system as the Administrative Agent may from time to time determine for the purpose of clearing or settling payments denominated in Euros.

Section 2.08 Interest Elections. (a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurocurrency Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing (including converting a Eurocurrency Borrowing denominated in Dollars into a Eurocurrency Borrowing denominated in Euros) to a different Type or to continue such Borrowing and, in the case of a Eurocurrency Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section; provided that no Eurocurrency Borrowing denominated in Euros may be continued as, or converted into, a Borrowing denominated in Dollars. 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. This Section shall not apply to Competitive Borrowings or Swingline Borrowings, which may not be converted or continued.

(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 Revolving 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 Eurocurrency Borrowing; and

(iv) if the resulting Borrowing is a Eurocurrency Borrowing, the currency of such Borrowing, which shall be either Dollars or Euros, and 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 Eurocurrency 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. If an Interest Election Request requests a Eurocurrency Borrowing but does not specify a currency, then the Borrower shall be deemed to have selected Dollars in the case of a conversion of an ABR Borrowing to a Eurocurrency Borrowing, and in the case of a continuation of a Eurocurrency Borrowing, the same currency in which such Borrowing being continued is denominated.

(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 Eurocurrency Revolving 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, in the case of a Eurocurrency Borrowing denominated in Dollars, 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 Revolving Borrowing may be converted to or continued as a Eurocurrency Borrowing and (ii) unless repaid, each Eurocurrency Revolving Borrowing denominated in Dollars shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

Section 2.09 Termination and Reduction of Commitments. (a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of $1,000,000 and not less than $5,000,000 and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the Dollar Equivalent (determined on the date by which a notice of an election to terminate or reduce the Commitments is required to be delivered pursuant to Section 2.09(c)) of the sum of the Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans would exceed the total Commitments.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

Section 2.10 Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan on the Maturity Date, (ii) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Competitive Loan on the last day of the Interest Period applicable to such Loan and (iii) to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Maturity Date and the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least three Business Days after such Swingline Loan is made; provided that on each date that a Revolving Borrowing or Competitive Borrowing is made, the Borrower shall repay all Swingline Loans then outstanding.

(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 Class and 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 (including

payable in the currencies in which the Loans may be funded). Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after an increase in such Lender's Commitment pursuant to Section 2.20 or an increase or reduction in such Lender's Commitment pursuant to an assignment pursuant to Section 10.04) 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 2.11 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; provided that the Borrower shall not have the right to prepay any Competitive Loan without the prior consent of the Lender thereof.

(b) The Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurocurrency Revolving Borrowing denominated in Dollars, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of a Eurocurrency Revolving Borrowing denominated in Euros, not later than 11:00 a.m., London time, four Business Days before the date of prepayment, (iii) in the case of prepayment of an ABR Revolving Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment, (iv) in the case of prepayment of a Competitive Loan, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment or (v) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, New York City time, on 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; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Promptly following receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in the Dollar Equivalent (determined on the date by which a notice of prepayment in respect thereof is required to be delivered pursuant to this Section 2.11(b)) of an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Revolving 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 2.13 and any break funding payments required by Section 2.16.

(c) If on any Calculation Date, the Dollar Equivalent (determined on such Calculation Date) of (i) the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans exceeds the total Commitments then in effect or (ii) the sum of the total Revolving Credit Exposures in Euros exceeds the Euro Sublimit, then, in each case, the Borrower shall (A) prepay Borrowings in an aggregate amount equal to such excess and (B) if any excess remains after prepaying Borrowings as a result of an LC Exposure, pay to the Administrative Agent on behalf of the Lenders an amount equal to such excess to be held as cash collateral as provided in Section 2.06(j). Each such prepayment shall be accompanied by a payment of all accrued and unpaid interest on the Loans prepaid and any

break funding payments required by Section 2.16. The Borrower shall be obligated to make such prepayment and/or deposit of cash collateral within five Business Days of written demand from the Administrative Agent. Each prepayment of Borrowings pursuant to (1) clause (i) of this Section 2.11(c) shall be applied, first, ratably to any ABR Borrowings then outstanding, second, to any Eurocurrency Borrowings denominated in Euros then outstanding, and, third, to any Eurocurrency Borrowings denominated in Dollars then outstanding, and if more than one Eurocurrency Borrowing is then outstanding, to each such Eurocurrency Borrowing in order of priority beginning with the Eurocurrency Borrowing with the least number of days remaining in the Interest Period applicable thereto and ending with the Eurocurrency Borrowing with the most number of days remaining in the Interest Period applicable thereto; and (2) clause (ii) of this Section 2.11(c) shall be applied, first, to any Eurocurrency Borrowings denominated in Euros then outstanding, second, ratably to any ABR Borrowings then outstanding, and, third, to any Eurocurrency Borrowings denominated in Dollars then outstanding, and if more than one Eurocurrency Borrowing is then outstanding, to each such Eurocurrency Borrowing in order of priority beginning with the Eurocurrency Borrowing with the least number of days remaining in the Interest Period applicable thereto and ending with the Eurocurrency Borrowing with the most number of days remaining in the Interest Period applicable thereto.

Section 2.12 Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee, which shall accrue at the Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Effective Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the Effective Date; provided that any facility fees accruing after the date on which the Commitments terminate shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last).

(b) The Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Rate used to determine the interest rate applicable to Eurocurrency Revolving Loans on the average daily amount of the Dollar Equivalent of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to each Issuing Bank a fronting fee, which shall accrue at the rate of 0.125% per annum on the average daily amount of that portion of the Dollar Equivalent of the LC Exposure attributable to such Issuing Bank (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any LC Exposure attributable to such Issuing Bank, as well as

such Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on such last day, commencing on the first such date to occur after the Effective Date; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any other fees payable to an Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last).

(c) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a utilization fee which shall accrue at a per annum rate equal to 0.100% on the daily amount of the Dollar Equivalent of such Lender's Revolving Credit Exposure during the time the Dollar Equivalent of the sum of the total Revolving Credit Exposures equals or exceeds 50% of the total Commitments. Utilization fees shall be computed on the basis of a year of 360 days and shall be payable in arrears on the last day of March, June, September and December of each year.

(d) 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.

(e) All fees payable hereunder shall be paid in Dollars on the dates due, in immediately available funds, to the Administrative Agent (or to an Issuing Bank, in the case of fees payable to it) for distribution, in the case of facility fees and participation fees, to the Lenders. Fees paid shall not be refundable under any circumstances. For purposes of calculating fees pursuant to this Section 2.12, the amount of any Revolving Credit Exposure or LC Exposure in Euros shall be the Dollar Equivalent of such amount calculated using the Exchange Rate as of the date such fees are payable as specified in this Section 2.12.

Section 2.13 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 Eurocurrency Borrowing shall bear interest (i) in the case of a Eurocurrency Revolving Loan, at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate, or (ii) in the case of a Eurocurrency Competitive Loan, at the LIBO Rate for the Interest Period in effect for such Borrowing plus (or minus, as applicable) the Margin applicable to such Loan.

(c) Each Fixed Rate Loan shall bear interest at the Fixed Rate applicable to such Loan.

(d) Each Swingline Loan shall bear interest at the Swingline Rate plus the Applicable Rate for Eurocurrency Revolving Loans.

(e) 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.

(f) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (e)of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Availability Period), 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 Eurocurrency Revolving 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.

(g) 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 2.14 Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurocurrency 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 (or, in the case of a Eurocurrency Competitive Loan, the Lender that is required to make such Loan) 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 Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurocurrency Borrowing shall be ineffective and (ii) if any Borrowing Request requests a Eurocurrency Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing and (iii) any request by the Borrower for a

Eurocurrency Competitive Borrowing shall be ineffective; provided that (A) if the circumstances giving rise to such notice do not affect all the Lenders, then requests by the Borrower for Eurocurrency Competitive Borrowings may be made to Lenders that are not affected thereby and (B) if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

Section 2.15 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 any Issuing Bank; or

(ii) impose on any Lender or any Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurocurrency Loans or Fixed Rate Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurocurrency Loan or Fixed Rate Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or such Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or such Issuing Bank hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender or such Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or any Issuing Bank 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 or such Issuing Bank's capital or on the capital of such Lender's or such Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by such Issuing Bank, to a level below that which such Lender or such Issuing Bank or such Lender's or such Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or such Issuing Bank's policies and the policies of such Lender's or such Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or such Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Bank or such Lender's or such Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or an Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or such Issuing Bank 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 or such Issuing Bank, as the case may be, 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 or any Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or such Issuing Bank's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or an Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 270 days prior to the date that such Lender or such Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or such Issuing Bank'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.

(e) Notwithstanding the foregoing provisions of this Section, a Lender shall not be entitled to compensation pursuant to this Section in respect of any Competitive Loan if the Change in Law that would otherwise entitle it to such compensation shall have been publicly announced prior to submission of the Competitive Bid pursuant to which such Loan was made.

Section 2.16 Break Funding Payments. In the event of (a) the payment of any principal of any Eurocurrency Loan or Fixed Rate 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 Eurocurrency Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Eurocurrency Loan or Fixed Rate Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.11(b) and is revoked in accordance therewith), (d) the failure to borrow any Competitive Loan after accepting the Competitive Bid to make such Loan, or (e) the assignment of any Eurocurrency Loan or Fixed Rate 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 2.19, 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 Eurocurrency 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 or Euro (as applicable) deposits of a comparable amount and period from other banks in the Eurocurrency 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 2.17 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, Lender or Issuing Bank (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, each Lender and each Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent, such Lender or such Issuing Bank, 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 an Issuing Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or an Issuing Bank, 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 2.18 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 reimbursement of LC Disbursements, or of amounts payable under Section 2.15, Section 2.16 or Section 2.17, or otherwise) on the date when due, in immediately available funds, without set-off or counterclaim, to the applicable Administrative Agent's Account, in the case of payments in Dollars, prior to 12:00 noon, New York City time, and in the case of payments in Euros, prior to 12:00 noon, London time. 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, except payments to be made directly to an Issuing Bank or

the Swingline Lender as expressly provided herein and except that payments pursuant to Section 2.15, Section 2.16, Section 2.17 and Section 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 in like funds to the appropriate recipient, for the account of its applicable Lending Office, 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, except with respect to Loans denominated in Euros or reimbursement of LC Disbursements in respect of Letters of Credit denominated in Euros, which shall be prepaid or repaid, including interest thereon, in Euros.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, 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 and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements 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 Revolving Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and participations in LC Disbursements and Swingline 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 Revolving Loans and participations in LC Disbursements and Swingline 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 Revolving Loans and participations in LC Disbursements and Swingline 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 or participations in LC Disbursements 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 or any Issuing Bank 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 or such Issuing Bank, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or such Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or such Issuing Bank 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 Section 2.06(d) or (e), Section 2.07(b) or Section 2.18(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 2.19 Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.15, 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 2.17, 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 2.15 or Section 2.17, 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 2.15, 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 2.17, or if any Lender defaults in its obligation to fund Loans hereunder or if any Lender shall fail to agree to extend the Maturity Date pursuant to Section 2.21 if the Required Lenders have agreed to do so, 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 (other than outstanding Competitive Loans held by it) 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 (and, if a Commitment is being assigned, each Issuing Bank), 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 (other than Competitive Loans) and

participations in LC Disbursements and Swingline 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 2.15 or payments required to be made pursuant to Section 2.17, 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.

Section 2.20 Procedures Regarding Increases to the Commitments. (a) So long as no Default or Event of Default has occurred and is continuing, the Borrower may request from time to time, subject to the terms and conditions hereinafter set forth, that the aggregate amount of the Lenders' Commitments be increased and, in connection therewith, that the Euro Sublimit be increased. Any such request shall be made by written notice to the Administrative Agent; provided, however, that any such notice must be given no later than 60 days prior to the Maturity Date. Each such notice (a "Initial Notice of Commitment Increase") shall be in the form of Exhibit C-1 and specify therein:

(i) the proposed effective date of such increase to the Lenders' Commitments, which date (the requested "Commitment Increase Effective Date") shall be no earlier than forty-five days after receipt by the Administrative Agent of such notice;

(ii) the amount of the requested increase to the Lenders' Commitments; provided, however, that (A) such increase must be at least $25,000,000 and (B) after giving effect to such requested increase, the aggregate amount of the Lenders' Commitments shall not exceed $1,500,000,000; and

(iii) the amount of the requested increase to the amount of the Euro Sublimit, if any; provided, however, that the amount by which the Euro Sublimit is increased shall not exceed the amount of the requested increase to the Lenders' Commitments.

The Administrative Agent shall deliver a copy of such Initial Notice of Commitment Increase to each Lender via facsimile transmission on or before the third Business Day next succeeding the date the Administrative Agent receives such Initial Notice of Commitment Increase. After receipt of the Initial Notice of Commitment Increase, each Lender shall determine, in its sole discretion, whether to participate, and to what extent, if any, in such Commitment increase and shall communicate such decision in writing to the Administrative Agent and the Borrower on or before the eleventh day prior to the proposed Commitment Increase Effective Date.

(b) On the tenth day prior to the proposed Commitment Increase Effective Date, so long as no Default or Event of Default has occurred and is continuing, the Borrower shall deliver to the Administrative Agent a written notice confirming the requested increase in the aggregate amount of the Lenders' Commitments. Each such notice (a "Notice of Confirmation of Commitment Increase") shall be in the form of Exhibit C-2 and specify therein:

(i) the proposed Commitment Increase Effective Date, which date shall be no earlier than five Business Days after receipt by the Administrative Agent of such Notice of Confirmation of Commitment Increase;

(ii) the amount of the requested increase to the Lenders' Commitments; provided, however, that (A) such increase must be at least $25,000,000 and (B) after giving effect to such requested increase, the aggregate amount of the Lenders' Commitments shall not exceed $1,500,000,000;

(iii) the amount of the requested increase to the amount of the Euro Sublimit, if any; provided, however, that the amount by which the Euro Sublimit is increased shall not exceed the amount of the requested increase to the Lenders' Commitments;

(iv) the identity of each of the then Lenders, if any, which has agreed with the Borrower to increase its Commitment in an amount such that its Applicable Percentage after giving effect to such requested increase will be the same or greater than its Applicable Percentage prior to giving effect to such requested increase (each such Lender being an "Increasing Lender"), each of the other then Lenders, if any, which has agreed to increase its Commitment in an amount such that its Applicable Percentage after giving effect to such a requested increase will be less than its Applicable Percentage prior to giving effect to such requested increase (each such Lender being a "Partially Increasing Lender") and the identity of each financial institution not already a Lender, if any, which has agreed with the Borrower to become a Lender to effect such requested increase in the aggregate amount of the Lenders' Commitments (each such financial institution shall be reasonably acceptable to the Administrative Agent and each such financial institution being a "New Lender" and each of the other then Lenders, if any, which has not agreed to increase its Commitment being a "Reducing Lender"); and

(v) the amount of the respective Commitments of the then existing Lenders, such Increasing Lenders, such Partially Increasing Lenders, such Reducing Lenders and such New Lenders from and after the effective date of such increase.

(c) On or before each Commitment Increase Effective Date:

(i) the Borrower, each Increasing Lender, each Partially Increasing Lender and each then New Lender shall execute and deliver to the Administrative Agent for its acceptance, as to form, documentation embodying the provisions of the Notice of Commitment Increase relating to the increase in the aggregate amount of the Lenders' Commitments to be effected on such Commitment Increase Effective Date; and

(ii) upon acceptance of such documentation by the Administrative Agent, which acceptance shall not be unreasonably withheld, and so long as no Default or Event of Default has occurred and is continuing, (A) the Administrative Agent shall give prompt notice of such acceptance to each Lender, (B) it shall become effective, and each Increasing Lender's and Partially Increasing Lender's Commitment shall be increased to the amount specified therein, on such Commitment Increase Effective Date and (C) the Administrative Agent shall record each New Lender's information in the Register.

(d) On each Commitment Increase Effective Date:

(i) each then New Lender and each then Increasing Lender shall, by wire transfer of immediately available funds, deliver to the Administrative Agent such Lenders' New Funds Amount for such Commitment Increase Effective Date, which amount, for each such Lender, shall constitute Loans made by such Lender to the Borrower pursuant to Section 2.01 on such Commitment Increase Effective Date; and

(ii) the Administrative Agent shall, by wire transfer of immediately available funds, pay to each then Reducing Lender and to each Partially Increasing Lender its Reduction Amount for such Commitment Increase Effective Date, which amount, for each such Lender, shall constitute a prepayment by the Borrower pursuant to Section 2.11, ratably in accordance with the respective principal amounts thereof, of the principal amounts of all then outstanding Loans of such Lender.

The Administrative Agent shall record each then New Lender's, each then Increasing Lender's and each then Partially Increasing Lender's information in the Register. Also effective as of each Commitment Increase Effective Date, each then New Lender and each then Increasing Lender shall be deemed to have purchased and had transferred to it, and each then Reducing Lender and each Partially Increasing Lender shall be deemed to have sold and transferred as provided in Section 2.06(d) to such New Lenders and Increasing Lenders, such undivided interest and participation in such Reducing Lender's and such Partially Increasing Lender's interest and participation in all then outstanding Letters of Credit, to the extent necessary so that such undivided interests and participations of all Lenders (including each New Lender) shall accord with their respective Applicable Percentages after giving effect to the increase in the aggregate amount of the Lenders' Commitments on such Commitment Increase Effective Date.

Section 2.21 Extension of Maturity Date.

(a) Not earlier than 90 days prior to, nor later than 30 days prior to, each anniversary of December 10, 2007, the Borrower may, upon notice to the Administrative Agent (which shall promptly notify the Lenders), request a one-year extension of the Maturity Date then in effect. Within 20 days of delivery of such notice, each Lender shall notify the Administrative Agent whether or not it consents to such extension (which consent may be given or withheld in such Lender's sole and absolute discretion). Any Lender not responding within the above time period shall be deemed not to have consented to such extension. The Administrative Agent shall promptly notify the Borrower and the Lenders of the Lenders' responses.

(b) The Maturity Date shall be extended only if the Required Lenders (calculated excluding any Lender in default in its obligation to fund Loans hereunder and prior to giving effect to any replacements of Lenders permitted herein) (the Lenders that so consent being the "Consenting Lenders" and the Lenders that do not consent being the "Non-Consenting

Lenders”) have consented thereto. If so extended, the Maturity Date, as to the Consenting Lenders, shall be extended to the same date in the year following the Maturity Date then in effect (such existing Maturity Date being the “Extension Effective Date”). The Administrative Agent and the Borrower shall promptly confirm to the Lenders such extension, specifying the date of such confirmation (the “Extension Confirmation Date”), the Extension Effective Date, and the new Maturity Date (after giving effect to such extension). As a condition precedent to such extension, the Borrower shall deliver to the Administrative Agent a certificate of the Borrower dated as of the Extension Confirmation Date signed by a Responsible Officer of the Borrower (i) certifying and attaching the resolutions adopted by the Borrower approving or consenting to such extension and (ii) certifying that, (A) before and after giving effect to such extension, the representations and warranties contained in Article III made by it are true and correct on and as of the Extension Confirmation Date, except to the extent that such representations and warranties specifically refer to an earlier date, (B) before and after giving effect to such extension no Default exists or will exist as of the Extension Confirmation Date, and (C) since December 31, 2006, no event, development or circumstance that has had a Material Adverse Effect has occurred. The Borrower shall pay to the Administrative Agent for the account of each Non-Consenting Lender the then unpaid principal amount of such Non-Consenting Lender’s Loans outstanding on the Extension Effective Date (and pay any additional amounts required pursuant to Section 2.16). In addition, the Borrower shall prepay any Loans outstanding on the Extension Effective Date (and pay any additional amounts required pursuant to Section 2.16) to the extent necessary to keep outstanding Loans ratable with any revised and new Applicable Percentages of all the Lenders effective as of the Extension Effective Date.

Section 2.22 Dollar Equivalent Determinations.

(a) Not later than 5:00 p.m. (New York time) on each date on which the Dollar Equivalent of any amount in Euros is required to be determined hereunder (other than pursuant to Section 2.23 or except as otherwise expressly provided for herein), the Administrative Agent shall determine the Dollar Equivalent of such amount using the Exchange Rate for such date.

(b) Promptly after the determination of the Dollar Equivalent of any amount in Euros pursuant to this Section 2.22, the Administrative Agent shall promptly notify the Borrower, the Issuing Banks and the Lenders of the results thereof. All determinations by the Administrative Agent of the Exchange Rate and the Dollar Equivalent of any amount shall be deemed to be conclusive absent manifest error.

Section 2.23 Currency Conversion. Notwithstanding anything to the contrary contained herein, if any payment of any obligation shall be made in a currency other than the currency required hereunder, such amount shall be converted into the currency required hereunder at the rate determined by the Administrative Agent, as the rate quoted by it in accordance with methods customarily used by the Administrative Agent for such or similar purposes as the spot rate for the purchase by the Administrative Agent of the required currency with the currency of actual payment through its principal foreign exchange trading office at approximately 11:00 a.m. (local time at such office) two Business Days prior to the effective date of such conversion, provided that the Administrative Agent may obtain such spot rate from another financial institution

actively engaged in foreign currency exchange if the Administrative Agent does not then have a spot rate for the required currency. The parties hereto hereby agree, to the fullest extent that they may effectively do so under applicable law, that if for the purposes of obtaining any judgment or award it becomes necessary to convert from any currency other than the currency required hereunder into the currency required hereunder any amount in connection with any obligation hereunder, then the conversion shall be made as provided above on the Business Day before the day on which the judgment or award is given, in the event that there is a change in the applicable conversion rate prevailing between the Business Day before the day on which the judgment or award is given and the date of payment, the Borrower will pay to the Administrative Agent, for the benefit of the Lenders, such additional amounts (if any) as may be necessary, and the Administrative Agent, on behalf of the Lenders, will pay to the Borrower such excess amounts (if any) as result from such change in the rate of exchange, to assure that the amount paid on such date is the amount in such other currency, which when converted at the conversion rate described herein on the date of payment, is the amount then due in the currency required hereunder, and any amount due from the Borrower under this Section 2.23 shall be due as a separate debt and shall not be affected by judgment or award being obtained for any other sum due.

ARTICLE III
Representations and Warranties

The MLP and the Borrower, in each case with respect to itself and its Restricted Subsidiaries, each represents and warrants to the Lenders that:

Section 3.01 Organization; Powers. It and its Restricted 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 Restricted 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 Restricted Subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made by it or any of its Restricted 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, 2006, reported on by KPMG, and (B) as of and for the fiscal quarter and the portion of the fiscal year ended September 30, 2007, certified by its chief financial officer; and (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, 2006, certified by its chief financial officer, and (B) as of and for the fiscal quarter and the portion of the fiscal year ended September 30, 2007, certified by its chief financial officer. 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, and the Borrower and its consolidated subsidiaries, 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, 2006, there has been no material adverse change in the business, assets, operations or condition (financial or otherwise) of it and its Restricted Subsidiaries, taken as a whole.

Section 3.05 Properties. (a) It and its Restricted 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 Restricted 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 Restricted 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 Restricted 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 Restricted 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 Company Status. Neither it nor any of its Subsidiaries is an “investment company” as defined in, or subject to regulation under, the Investment Company Act of 1940. 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 (a) sought a waiver of the minimum funding standard under Section 412 of the Code in respect of any Plan, (b) 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 (c) 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 Subsidiaries. As of the date hereof, Schedule 3.12: (a) sets forth the name and jurisdiction of incorporation or organization of each Subsidiary; (b) identifies each Subsidiary of the MLP as either a Restricted Subsidiary or Unrestricted Subsidiary, (c) identifies each Subsidiary of the MLP as a Wholly-Owned Subsidiary or a non Wholly-Owned Subsidiary and (d) identifies each Subsidiary of the MLP that is a Material Subsidiary.

ARTICLE IV
Conditions

Section 4.01 Effective Date. The obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit 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 the MLP, 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 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 or the Transactions, 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, 2003, the Indentures 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 Indentures 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 all loans, letters of credit and other obligations owing pursuant to the Existing Credit Agreement and the Term Credit Agreement shall have been paid in full or will be paid in full contemporaneous herewith and all commitments thereunder shall have been terminated.

(h) 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.

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 and of the Issuing Banks to issue Letters of Credit 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 December 12, 2007 (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, and of the Issuing Banks to issue, amend, renew or extend any Letter of Credit, 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 or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable (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 or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, 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 Restricted Subsidiary may be a party.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit 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 and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, 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 KPMG 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;

(e) if, at any time, any of the consolidated Subsidiaries of the MLP are Unrestricted Subsidiaries, then concurrently with any delivery of financial statements under Section 5.01(a) or Section 5.01(b), a certificate of a Financial Officer setting forth consolidating spreadsheets that show all consolidated Unrestricted Subsidiaries and the eliminating entries, in such form as would be presentable to the auditors of the MLP; and

(f) 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.

Documents required to be delivered pursuant to Section 5.01(a) or Section 5.01(b) (to the extent any such documents are included in materials otherwise filed with the Securities and Exchange Commission) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the MLP posts such documents, or provides a link thereto on the MLP's website on the Internet at www.nustarenergy.com; or (ii) on which such documents are posted on the MLP's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that the Borrower shall notify the Administrative Agent and each Lender (by telecopier or electronic mail) of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. Notwithstanding anything contained herein, in every instance the MLP and the Borrower shall be required to provide paper copies of the compliance certificate required by Section 5.01(c) to the Administrative Agent and the Lenders. Except for such compliance certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the MLP and the Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

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) or the Partnership Agreement (Borrower), 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 Restricted 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 Restricted 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 Restricted 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 Restricted 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 Restricted 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 Restricted 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 Restricted 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 Partnership Agreement (MLP), 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 and Letters of Credit. The proceeds of the Loans will be used for working capital and general partnership purposes of the Borrower, its Restricted Subsidiaries and subject to Section 6.04(g)) its Unrestricted Subsidiaries (including, without limitation, for distributions to the MLP to allow the MLP to make distributions to unitholders as contemplated in the Partnership Agreement (MLP) and to fund Investments permitted under Section 6.04). The Letters of Credit shall be used for general business purposes of the Borrower, its Restricted Subsidiaries and (subject to Section 6.04(g)) its Unrestricted Subsidiaries or for such other purposes as may be approved by the Administrative Agent. 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 Unrestricted Subsidiaries.

(a) It will cause the management, business and affairs of each of it and its Unrestricted Subsidiaries to be conducted in such a manner (including, without limitation, by keeping separate books of account, furnishing separate financial statements of Unrestricted Subsidiaries to creditors and potential creditors thereof and by not permitting assets or properties of it and its respective Restricted Subsidiaries to be commingled (except pursuant to contractual arrangements that comply with Section 6.07)) so that each Unrestricted Subsidiary that is a corporation or other entity will be treated as a corporate or other entity separate and distinct from it and the Restricted Subsidiaries.

(b) Except as permitted by Section 6.04(g), it will not, and will not permit any of the Restricted Subsidiaries to, incur, assume, guarantee or be or become liable for any Indebtedness of any of the Unrestricted Subsidiaries.

(c) It will not permit any Unrestricted Subsidiary to hold any Equity Interest in, or any Indebtedness of, it or any Restricted Subsidiary.

Section 5.11 Subsidiary Guaranty. It will cause each of its Subsidiaries that guarantees any public debt of the MLP or any Subsidiary of the MLP (including, without limitation, any debt issued pursuant to any Indenture), to guarantee the Borrower Obligations, by executing and delivering to the Administrative Agent, for the benefit of the Lenders, on or prior to the Effective Date with respect to any Subsidiary that guarantees any such public debt as of the Effective Date, and thereafter, within five (5) Business Days after any Subsidiary guarantees any such public debt, (a) a Subsidiary Guaranty (or a supplement thereto as may be requested by the Administrative Agent) and (b) such other additional closing documents, certificates and legal opinions as shall reasonably be requested by the Administrative Agent. For the avoidance of doubt, if at any time any Subsidiary referenced above does not guarantee any obligations of the MLP or any of its Subsidiaries under any public debt instrument (including the Indentures), then such Subsidiary shall be released from the Subsidiary Guaranty in accordance with Section 6.15 of the 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 and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, 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 Restricted Subsidiaries to, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness created under this Agreement;

(b) Indebtedness created under the UK Credit Agreement, the principal amount of which does not exceed £21,000,000 in the aggregate at any time;

(c) Indebtedness of the MLP to any Restricted Subsidiary and of any Restricted Subsidiary to the MLP or any other Restricted Subsidiary;

(d) Guarantees by the MLP of Indebtedness of any Restricted Subsidiary and by any Restricted Subsidiary of Indebtedness of the MLP or any other Restricted Subsidiary;

(e) Indebtedness consisting of the KPOP Notes, and any guarantees thereof, the principal amount of which does not exceed $500,000,000 in the aggregate; and

(f) other Indebtedness of the MLP and any Restricted 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 the Consolidated Debt Coverage Ratio set forth in Section 6.11.

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 all Restricted Subsidiaries (other than Indebtedness described on Schedule 6.01 and Indebtedness of the Borrower) at any time to exceed 5% of Consolidated Net Worth.

Section 6.02 Liens. It will not, and will not permit any of its Restricted 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 Restricted Subsidiary or existing on any property or asset of any Person that becomes a Restricted Subsidiary after the date hereof prior to the time such Person becomes a Restricted Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Restricted Subsidiary, as the case may be, (ii) such Lien shall not apply to any other property or assets of the MLP or any Restricted 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 Restricted Subsidiary, as the case may be;

(c) Liens on fixed or capital assets acquired, constructed or improved by the MLP or any Restricted Subsidiary; provided that (i) such security interests 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 Restricted 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) It will not, and will not permit any of its Restricted 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 Restricted 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 Restricted Subsidiaries, taken as a whole) of any of its Restricted 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 Restricted Subsidiary may merge into the Borrower in a transaction in which the Borrower is the surviving entity or the Borrower may merge into or consolidate 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 Restricted Subsidiary (other than the Borrower) may merge into or consolidate with any Restricted Subsidiary (other than the Borrower) in a transaction in which the surviving entity is a Restricted Subsidiary (other than the Borrower), (iii) any Restricted Subsidiary (other than the Borrower) may sell, transfer, lease or otherwise dispose of all or any portion of its assets to the Borrower or to another Restricted Subsidiary and (iv) any Restricted 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 or consolidation involving a Person that is not a Wholly-Owned Restricted 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 Restricted Subsidiaries to, engage to any material extent in any business other than businesses of the type conducted by it and its Restricted 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 Restricted 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 the MLP and any Restricted Subsidiary in the Equity Interests of any Restricted Subsidiary;

(c) loans or advances made by the MLP to any Restricted Subsidiary and made by any Restricted Subsidiary to the MLP or any other Restricted Subsidiary;

(d) Guarantees constituting Indebtedness permitted by Section 6.01;

(e) the Borrower's interest in (i) the Skelly-Belvieu Pipeline Company, L.L.C. and (ii) ST Linden Terminal, LLC;

(f) the purchase or other acquisition by the MLP or a Restricted Subsidiary of the assets of another Person constituting all or substantially all of the property and assets or business of another Person or assets that constitute a business unit, line of business or division of another Person, or the purchase or other acquisition by the MLP or a Restricted Subsidiary of all or substantially all of the Equity Interests in any Person, that immediately upon the consummation thereof, will be a Restricted Subsidiary (including, without limitation, as a result of a merger or consolidation otherwise permitted under this Agreement); 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, or (ii) the Consolidated Debt Coverage Ratio set forth in Section 6.11;

(g) Investments in Joint Venture Interests and Unrestricted Subsidiaries; 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 or (ii) the Consolidated Debt Coverage Ratio set forth in Section 6.11; provided further that the aggregate amount of Investments made pursuant to this clause (g) (other than Investments described in Schedule 6.04) shall not exceed $500,000,000 in the aggregate at any time;

(h) Investments in Swap Agreements other than Permitted Swap Agreements; 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 or (ii) the Consolidated Debt Coverage Ratio set forth in Section 6.11; provided further that the aggregate amount of Investments made pursuant to this clause (h) shall not exceed $100,000,000 in the aggregate at any time; and

(i) Guarantees of obligations not constituting Indebtedness of Restricted Subsidiaries.

Section 6.05 Swap Agreements. It will not, and will not permit any of its Restricted Subsidiaries to, enter into any Swap Agreement, other than (a) Swap Agreements entered into for the purpose of fixing, hedging or swapping interest rate, commodity price or foreign currency

exchange rate risk (or to reverse or amend any such agreements previously made for such purposes), and not for speculative purposes, (b) other 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, and not for speculative purposes (the Swap Agreements in clauses (a) and (b), collectively the "Permitted Swap Agreements") or (c) Swap Agreements other than Permitted Swap Agreements to the extent permitted by Section 6.04(h).

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 Restricted 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 Restricted 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 Restricted 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 Restricted 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 Restricted Subsidiaries to create, incur or permit to exist any Lien upon any of its property or assets, or (b) the ability of any Restricted Subsidiary to pay dividends or other distributions with respect to any of its Equity Interests or to make or repay loans or advances to the MLP or any other Restricted Subsidiary or to Guarantee Indebtedness of the Borrower or any other Restricted Subsidiary; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law, by this Agreement, by the UK Credit Agreement or any Hybrid Equity Securities (but, in the case of Hybrid Equity Securities, only with respect to the ability of the Borrower to pay dividends or other distributions with respect to its Equity Interests), (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 Restricted Subsidiary pending such sale; provided such restrictions and conditions apply only to the Restricted 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 Restricted Subsidiaries to, amend, modify or change, or consent to any amendment, modification or change to, any of the terms of, the Partnership Agreement (MLP), except to the extent the same could not reasonably be expected to have a Material Adverse Effect.

Section 6.10 Designation and Conversion of Restricted and Unrestricted Subsidiaries; Debt of Unrestricted Subsidiaries.

(a) Unless designated as an Unrestricted Subsidiary on Schedule 3.12 as of the date hereof or thereafter, assuming compliance with Section 6.10(b), any Person that becomes a Subsidiary of the MLP or any Restricted Subsidiary shall be classified as a Restricted Subsidiary.

(b) The Borrower may designate by written notification thereof to the Administrative Agent, any Restricted Subsidiary (other than the Borrower or any Guarantor), as an Unrestricted Subsidiary if: (i) prior, and after giving effect, to such designation, no Default would exist and (ii) such designation is deemed to be an Investment in an Unrestricted Subsidiary in an amount equal to the fair market value as of the date of such designation of the MLP's direct and indirect ownership interest in such Subsidiary and such Investment would be permitted to be made at the time of such designation under Section 6.04(g). Except as provided in this Section 6.10(b), no Restricted Subsidiary may be redesignated as an Unrestricted Subsidiary.

(c) The Borrower may designate any Unrestricted Subsidiary to be a Restricted Subsidiary if after giving effect to such designation: (i) the representations and warranties of the MLP and the Borrower contained in each of the Loan Documents are true and correct on and as of the date of such designation as if made on and as of the date of such designation (or, if stated to have been made expressly as of an earlier date, were true and correct as of such date), (ii) no Default would exist and (iii) the MLP and the Borrower complies with the requirements of Section 5.10. Any such designation shall be treated as a cash dividend in an amount equal to the lesser of the fair market value of the MLP's direct and indirect ownership interest in such Subsidiary or the amount of the MLP's cash investment previously made for purposes of the limitation on Investments under Section 6.04(g).

(d) Notwithstanding the foregoing or anything to the contrary contained herein, for the purposes of this Agreement the Borrower and each Guarantor is a Restricted Subsidiary of the MLP and may not be an Unrestricted Subsidiary.

(e) The Borrower shall notify the Administrative Agent in writing promptly upon any Subsidiary becoming a Material Subsidiary.

Section 6.11 Financial Condition Covenant. The MLP will not permit at any time its Consolidated Debt Coverage Ratio to be in excess of 5.00 to 1.00 (the "Standard Ratio") for any Rolling Period; provided that if at any time the MLP or any of its Restricted Subsidiaries consummates an acquisition for which the MLP or any of its Restricted 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 the Standard Ratio.

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 or any reimbursement obligation in respect of any LC Disbursement 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 Restricted 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, Section 5.11 or in Article VI;

(e) the MLP, 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 Restricted 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 $50,000,000 and that are not covered by insurance shall be rendered against the MLP, any Restricted 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 Restricted 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 a Material Adverse Effect;

(l) the MLP or any Subsidiary shall incur an Environmental Liability or Environmental Liabilities that could reasonably be expected to have a Material Adverse Effect;

(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; or

(o) a Change in Control shall occur;

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. Anything to the contrary notwithstanding, the maximum liability of the MLP under the guarantee provided for in this Article VIII shall in no event exceed the amount which can be guaranteed by the MLP under applicable federal and state laws relating to insolvency of debtors (after giving effect to any right of contribution provided for herein or in any other Loan Document).

(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, no Letter of Credit shall be outstanding 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, no Letter of Credit shall be outstanding 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, nor shall the MLP seek or be entitled to seek any contribution or reimbursement from the Borrower or any other Guarantor (or any other guarantor) in respect of payments made by the MLP hereunder, 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 MLP 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 Loan 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 (a) 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, (b) 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 (c) 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 any other person or entity liable on the obligations guaranteed hereby, (xi) the existence of any collateral or other guaranty, or any exchange, release or non-perfection of any collateral or other guaranty, or (xii) 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 the relevant currency 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 and the Issuing Banks 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, the Issuing Banks 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 and the Issuing Banks, 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 2330 N. Loop 1604 West, San Antonio, Texas 78248, Attention of Senior Vice President, Chief Financial Officer and Treasurer (Telecopy No. (210) 918-5055);

(ii) if to the Administrative Agent at its London funding office, to J. P. Morgan Europe Limited, Loan and Agency Services Group, 125 London Wall, London, EC2Y 5AJ, Attention of Maxine Graves (Telecopy No. +44 207 777 2360), with a copy 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 if to the Administrative Agent at its domestic funding office, 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);

(iii) if to JPMorgan Chase Bank, N.A., in its capacity as Issuing Bank, to it at JPMorgan Chase Bank, N.A., Letter of Credit Group, Global Trade Services, 10420 Highland Manor Dr., Tampa, Florida 33610, Attention of James Alonzo (Telecopy No. (813) 432-5161);

(iv) if to SunTrust Bank, in its capacity as Issuing Bank, to it at SunTrust Bank, 25 Park Place, 16th Floor, Standby Letter of Credit Dept., MC-3706, Atlanta, Georgia 30303, Attention of Nivetta Freeman (Telecopy No. (404) 588-8129)), with a copy to it at the same address and telecopy number, Attention of Aimee Maier;

(v) if to the Swingline Lender, to it at JPMorgan Chase Bank, N.A., Loan and Agency Services Group, 1111 Fannin, 8th Floor, Houston, Texas 77002, Attention of Rose Salvacion (Telecopy No. 713-750-2501); and

(vi) 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, any Issuing Bank 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, the Issuing Banks 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 or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or any Issuing Bank 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 LC Disbursement 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 LC Disbursement, 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 2.18(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 2.21, Section 4.01,

Article VIII or release the MLP from its obligations hereunder or release any other Guarantor from a Subsidiary Guaranty (except as expressly 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, any Issuing Bank or the Swingline Lender hereunder without the prior written consent of the Administrative Agent, such Issuing Bank or the Swingline Lender, as the case may be.

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), (ii) all reasonable out-of-pocket expenses incurred by any Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, any Issuing Bank or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent, any Issuing Bank 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 or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Borrower shall indemnify the Administrative Agent, each Issuing Bank 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 Letter of Credit or the use of the proceeds therefrom (including any refusal by any Issuing Bank to honor a demand for payment under a Letter of Credit issued by it if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (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, any Issuing Bank or the Swingline Lender under paragraph (a) or (b) of this Section (and without limiting the Borrower's obligation to do so), each Lender severally agrees to pay to the Administrative Agent, such Issuing Bank or the Swingline Lender, as the case may be, 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, such Issuing Bank or the Swingline Lender 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 Letter of Credit 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 (including any Affiliate of any Issuing Bank that issues any Letter of Credit), 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 (including any Affiliate of any Issuing Bank that issues any Letter of Credit), 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, the Issuing Banks 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 or delayed) 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;

(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; and

(C) each Issuing Bank.

(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 of any Class, 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; provided that this clause shall not be construed to prohibit the assignment of a proportionate part of all the assigning Lender's rights and obligations in respect of one Class of Commitments or Loans;

(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 Section 2.15, Section 2.16, Section 2.17 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 and LC Disbursements 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, the Issuing Banks 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, the Issuing Banks 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 2.06(d) or (e), Section 2.07(b), Section 2.18(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, the Administrative Agent, any Issuing Bank or the Swingline Lender, 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, the Issuing Banks 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 Section 2.15, Section 2.16, Section 2.17 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 2.18(c) as though it were a Lender.

(ii) A Participant shall not be entitled to receive any greater payment under Section 2.15 or Section 2.17 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 2.17 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 2.17(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 and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, any Issuing Bank 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 or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Section 2.15, Section 2.16, Section 2.17 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 or termination of the Letters of Credit and 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, any Issuing Bank 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, the Issuing Banks 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, any Issuing Bank 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, any Issuing Bank 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.

NUSTAR LOGISTICS, L.P.

By: NuStar GP, Inc., its General Partner

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

NUSTAR ENERGY L.P.

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

By: NuStar GP, LLC, its General Partner

By: /s/ Steven A. Blank
Name: Steven A. Blank
Title: Senior Vice President, Chief Financial Officer and Treasurer

Schedule 2.01

JPMORGAN CHASE BANK, N.A., individually and as Administrative Agent

By: /s/ Robert Traband
Name: Robert Traband
Title: Executive Director

Schedule 2.01

SUNTRUST BANK, individually and as Syndication Agent

By: /s/ Carmen J. Malizia
Name: Carmen J. Malizia
Title: Vice President

Schedule 2.01

BARCLAYS BANK PLC, individually and as Co-Documentation Agent

By: /s/ Nicholas Bell
Name: Nicholas Bell
Title: Director

Schedule 2.01

MIZUHO CORPORATE BANK LTD., individually and as Co-Documentation Agent

By: /s/ Raymond Ventura
Name: Raymond Ventura
Title: Deputy General Manager

Schedule 2.01

BANK OF AMERICA, N.A.,

By: /s/ Ronald E. McKaig
Name: Ronald E. McKaig
Title: Senior Vice President

Schedule 2.01

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,

By: /s/ Linda Terry
Name: Linda Terry
Title: Vice President & Manager

Schedule 2.01

BNP PARIBAS,

By: /s/ Mark A. Cox
Name: Mark A. Cox
Title: Managing Director

By: /s/ Greg Smothers
Name: Greg Smothers
Title: Vice President

Schedule 2.01

CITIBANK, N.A.,

By: /s/ James Reilly
Name: James Reilly
Title: Attorney-in-Fact

Schedule 2.01

CREDIT SUISSE, CAYMAN ISLANDS BRANCH,

By: /s/ Vanessa Gomez
Name: Vanessa Gomez
Title: Vice President

By: /s/ Morenikeji Ajayi
Name: Morenikeji Ajayi
Title: Associate

Schedule 2.01

DEUTSCHE BANK AG NEW YORK BRANCH,

By: /s/ Marcus Tarkington
Name: Marcus Tarkington
Title: Director

By: /s/ Ranier Meier
Name: Ranier Meier
Title: Vice President

Schedule 2.01

LEHMAN BROTHERS BANK, FSB

By: /s/ George Janes
Name: George Janes
Title: Chief Credit Officer

Schedule 2.01

MORGAN STANLEY BANK

By: /s/ Daniel Twenge
Name: Daniel Twenge
Title: Authorized Signatory

Schedule 2.01

SUMITOMO MITSUI BANKING CORPORATION,

By: /s/ William M. Ginn
Name: William M. Ginn
Title: General Manager

Schedule 2.01

UBS LOAN FINANCE LLC

By: /s/ Richard L. Tavrow
Name: Richard L. Tavrow
Title: Director

By: /s/ Irja R. Otsa
Name: Irja R. Otsa
Title: Associate Director

Schedule 2.01

WACHOVIA BANK, NATIONAL ASSOCIATION

By: /s/ Paul Pritchett
Name: Paul Pritchett
Title: Vice President

Schedule 2.01

WELLS FARGO BANK, NATIONAL ASSOCIATION,

By: /s/ Richard A. Gould
Name: Richard A. Gould
Title: Senior Vice President

Schedule 2.01

WILLIAM STREET CAPITAL CORPORATION

By: /s/ Mark Walton
Name: Mark Walton
Title: Assistant Vice President

Schedule 2.01

BAYERISCHE LANDESBANK, NEW YORK BRANCH

By: /s/ Craig Anderson
Name: Craig Anderson
Title: First Vice President

By: /s/ Nickolai von Mengden
Name: Nickolai von Mengden
Title: Senior Vice President

Schedule 2.01

THE ROYAL BANK OF SCOTLAND plc

By: /s/ David Slye
Name: David Slye
Title: Vice President

Schedule 2.01

COMPASS BANK

By: /s/ Frank Carvelli
Name: Frank Carvelli
Title: Vice President

Schedule 2.01

THE FROST NATIONAL BANK

By: /s/ Sarah Cernosek
Name: Sarah Cernosek
Title: Asst. Vice President

Schedule 2.01

Exhibit 10.37

SALE AND PURCHASE AGREEMENT

between

CITGO Asphalt Refining Company,

a New Jersey General Partnership

and

NuStar Asphalt Refining, LLC,

a Delaware limited liability Company

dated

November 5, 2007

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SALE AND PURCHASE AGREEMENT

This SALE AND PURCHASE AGREEMENT (this "Agreement") is entered into as of November 5, 2007 (the "Execution Date"), by and between **CITGO Asphalt Refining Company**, a New Jersey general partnership ("Seller"), and **NuStar Asphalt Refining, LLC**, a Delaware limited liability company ("Buyer").

RECITALS

A. Seller owns and operates an asphalt refinery in Paulsboro, New Jersey, an asphalt refinery in Savannah, Georgia, a marine asphalt terminal in Wilmington, North Carolina, and certain other assets; and

B. Seller desires to sell the Transferred Assets (as hereinafter defined) to Buyer, and Buyer desires to buy the Transferred Assets from Seller and assume certain liabilities related thereto on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the representations, warranties and covenants contained herein, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Definitions. As used in this Agreement (including in the Recitals), the following terms, when capitalized, shall have the following meanings:

"Affiliate" means any Person that directly, or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Person specified. For purposes of this definition, control of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise, except that for the purposes of this Agreement Petróleos de Venezuela, S.A. is not, nor shall be deemed for any purpose to be, an affiliate of Seller or the Partners.

"Agreement" has the meaning given such term in the preamble of this Agreement.

"Asphalt Sales Agreement" means the Asphalt Sales Agreement for asphalt to be entered into by and between Buyer and PDVSA Petróleo, S.A. as of the Effective Time, substantially in the form attached hereto as Exhibit A.

"Assignment and Assumption Agreement" means the Assignment and Assumption Agreement to be entered into by and between Buyer and Seller as of the Effective Time, substantially in the form attached hereto as Exhibit B.

"Assignment of Leases and Easements" means the Assignment and Assumption of Leases and Easements to be entered into by and between Buyer and Seller as of the Effective Time, substantially in the form attached hereto as Exhibit C.

"Assumed Authorizations" has the meaning given such term in Section 2.7(a)(i).

“Assumed Contracts” has the meaning given such term in Section 2.7(a)(i).

“Assumed Obligations” means the Specific Assumed Obligations and the Other Assumed Obligations.

“Assumed Vacation” means the aggregate amount, determined in accordance with GAAP, of the Transferred Employees’ unused vacation and short-term leave entitlement immediately prior to the Effective Time.

“Authorization” means any franchise, permit, license, authorization, order, certificate, registration, plan, exemption, variance, decree, agreement, right or other consent or approval granted by any Governmental Authority, including Environmental Permits.

“Base Purchase Price” means $450,000,000.

“Benefit Plan” means any employee benefit plan or arrangement, including any stock purchase, stock option, stock bonus, stock ownership, phantom stock or other stock or equity plan, pension, profit sharing, bonus, retirement, deferred compensation, incentive compensation, severance or termination pay, hospitalization or other medical or dental, life or other insurance, supplemental unemployment, salary continuation, or vacation benefits plan or agreement or policy or other arrangement providing employee benefits, employment-related compensation, fringe benefits or other benefits (whether qualified or nonqualified, written or unwritten) and including “employee benefit plans,” as defined in Section 3(3) of ERISA.

“Bill of Sale” means the Bill of Sale to Buyer to be executed by Seller as of the Effective Time, substantially in the form attached hereto as Exhibit D.

“Books and Records” means, as they relate to the Business and/or CITERCO, design manuals, operation and safety manuals, process flow diagrams, blueprints, drawings, engineering studies and engineering reports and with respect to computer software, object code; user operations and system documentation; system engineering and design information; and all associated data files and data bases; all historical operating and maintenance data; and all personnel and employment records of the Transferred Employees, other than any such records that may not be provided to Buyer under applicable Law or any applicable licensing agreement. For the avoidance of doubt, Books and Records specifically excludes (i) all records, documents, plans, strategies and financial records relating to the competitive bid process resulting in the transactions contemplated by this Agreement; (ii) any of Seller’s minute books and records, Tax Returns or other materials that do not pertain to the Transferred Assets or the Business; and (iii) the contents of any files maintained by the CITGO Legal Department and any audit reports by CITGO’s Internal Audit Department.

“Breach Notice” has the meaning given such term in Section 5.3.

“Business” means the business conducted as of the Execution Date by Seller and CITERCO, including the ownership and operation of the Transferred Assets.

“Business Day” means a day other than Saturday, Sunday or any other day on which banks located in the State of New York or Houston, Texas are authorized or obligated to close.

"Buyer" has the meaning given such term in the preamble of this Agreement.

"Buyer Indemnification Ceiling" means $40,000,000.

"Buyer Indemnification Deductible" means $3,400,000.

"Buyer Indemnitees" means Buyer, its Affiliates and their respective officers, directors, employees, agents, representatives, successors and assigns.

"Buyer Material Adverse Effect" means a material adverse effect on the ability of Buyer to perform its obligations under this Agreement or consummate the transactions contemplated by this Agreement.

"Buyer Plan" means Benefit Plans sponsored, maintained or contributed to by Buyer.

"Buyer Transaction Documents" has the meaning given such term in Section 4.2.

"Buyer's Auditor" has the meaning given such term in Section 7.10.

"CBA" means the Savannah CBA and the Paulsboro CBA.

"CERCLA" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended.

"CITERCO" means CITERCO Asphalt Products LLC, a Delaware limited liability company.

"CITERCO Agreements" means, collectively, (i) that certain CITERCO Sublicense Agreement dated as of February 27, 1997, by and between CITERCO and Ergon, Inc., (ii) that certain CITGO Marketing Agreement dated as of February 27, 1997, by and among CITERCO, Seller and Ergon, Inc., and (iii) that certain Statement of Consent and Assignment and Assumption Agreement dated as of February 27, 1997, by and among Noordhollandse Asfalt Centrale B.V., CITERCO, Seller and Ergon, Inc.

"CITERCO Interests" means all the outstanding equity interests in CITERCO.

"CITGO" means CITGO Petroleum Corporation, a Delaware corporation.

"CITGO Records" means the books and records of the Partners not located at the Real Property but used or held for use solely in the conduct of the Business or otherwise relating or pertaining to the Transferred Assets and specifically excluding the contents of (i) any files maintained by the CITGO Legal Department and (ii) any audit reports by CITGO's Internal Audit Department, except to the extent (i) and (ii) relate to any Assumed Obligation; provided, however, that CITGO reserves the right to redact any information contained in CITGO Records that is not related to any Assumed Obligation or such documents and records subject to attorney-client privilege.

"Claim" means (i) any demand, claim, grievance or Litigation, made or pending for any Loss, specific performance, injunctive relief, remediation or other equitable relief or (ii) any charge or notice of violation issued by a Governmental Authority, in each of cases (i) and (ii), whether or not ultimately determined to be valid.

"Closing" has the meaning given such term in Section 2.3.

"Closing Adjustment" means an amount, positive or negative, equal to the difference of (i) the value of the Inventory as of the Effective Time, calculated in accordance with Schedule 2.5, minus (ii) the amount of any Prepayments as of the Effective Time, minus (iii) the amount of Assumed Vacation.

"Closing Adjustment Payment" has the meaning given such term in Section 2.5(c).

"Closing Adjustment Statement" has the meaning given such term in Section 2.5(b).

"Closing Conditions" means each of the conditions to the Closing set forth in Article VIII.

"Closing Date" has the meaning given such term in Section 2.3.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commercial Matters" means any Litigation related to or arising out of any commercial dispute or disagreement.

"Confidentiality Agreement" means the Confidentiality Agreement dated as of January 25, 2007 by and between Seller and Buyer, and amended on May 31, 2007.

"Contracts" means any written, oral, implied or other promise, agreement, contract, understanding, arrangement, instrument, note, guaranty, indemnity, representation, warranty, assignment, power of attorney, certificate, purchase order, work order, commitment, covenant, assurance or undertaking of any nature, but excluding the Deeds.

"Corrective Action" means any investigation, sampling, analysis, monitoring, abatement, demolition, dismantlement, removal, decontamination, remediation, cleanup, treatment, storage, disposal or other action that is reasonably required in order to comply with Environmental Laws with respect to a Release(s) of Hazardous Material.

"Crude Supply Agreement" means the Crude Oil Sales Agreement to be entered into by and between Buyer and PDVSA Petróleo S.A. as of the Effective Time, substantially in the form attached hereto as Exhibit E.

"Deeds" has the meaning given such term in Section 2.4(a)(i).

"Diligence Representatives" has the meaning given such term in Section 5.5.

"Dock Agreement" has the meaning given such term in Section 11.14.

"Dollars" and the symbol "$" mean the lawful currency of the United States of America.

"DOJ" means the United States Department of Justice.

"Easements" means the surface leases, easements, rights of way, servitudes, permits, licenses and other grants conveying to Seller rights and interests in the portions of the Land or otherwise held for the benefit of Seller with respect to the Transferred Assets and otherwise not conveyed in the Deeds.

"Effective Time" means (i) 11:59 P.M. Central time on the Closing Date, if the Closing Date shall occur on the last day of any month or (ii) 12:01 A.M. Central time on the Closing Date, if the Closing Date shall occur on any day other than the last day of any month.

"Employees" has the meaning given such term in Section 6.1.

"Employee Transfer Time" has the meaning given such term in Section 6.3.

"Environmental Condition" means the existence of Hazardous Materials at or immediately adjacent to any of the Transferred Assets, if such adjacent Hazardous Materials are related to Seller's activity, including in or on the soil, surface water, groundwater at, on or under any of the Transferred Assets, in each case to the extent the levels of any such Hazardous Material reasonably require Corrective Action.

"Environmental Law" means any Law pertaining to the protection, pollution or remediation of natural resources, wildlife, or the environment or public health or safety in any or all jurisdictions in which Seller owns or operates, or has owned or has operated, property, including the Clean Air Act, as amended, CERCLA, the Federal Water Pollution Control Act, as amended, the Resource Conservation and Recovery Act of 1976, as amended, the Safe Drinking Water Act, as amended, the Toxic Substances Control Act, as amended, the Hazardous & Solid Waste Amendments Act of 1984, as amended, the Superfund Amendments and Reauthorization Act of 1986, as amended, the Hazardous Materials Transportation Act, as amended, the Occupational Safety and Health Act of 1970, as amended, the Oil Pollution Act of 1990, as amended, the Emergency Planning and Community Right to Know Act, and any regulations promulgated pursuant to any of the foregoing, as well as any state and local Laws implementing or comparable to the foregoing federal Laws, including ISRA and any regulations promulgated pursuant thereto.

"Environmental Matters" means (a) the actual or threatened presence or release into the environment of Hazardous Materials at or from any of the Transferred Assets or any other location owned or operated, or formerly owned or operated, by Seller, (b) any condition that now requires or may in the future require remediation of soil, groundwater or any other environmental medium, (c) any condition that now gives rise to or may in the future give rise to a Claim by any party relating to damage to natural resources, (d) any condition that now gives rise to or may in the future give rise to a Claim by any party relating to exposure to Hazardous Materials, (e) any actual or asserted liability for noncompliance with, or lack of an Authorization under, any Environmental Law, or (f) any condition that otherwise could result in the imposition of liability under Environmental Law.

"Environmental Permits" means all Authorizations required, issued or granted by any Governmental Authority or Person pursuant to Environmental Law or in relation to Releases of Hazardous Materials.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Estimated Adjustment" has the meaning given such term in Section 2.5(a).

"Exception Documents" has the meaning given such term in Section 5.4(a).

"Excluded Assets" has the meaning given such term in Section 2.6.

"Execution Date" has the meaning given such term in the preamble of this Agreement.

"FTC" means the United States Federal Trade Commission.

"GAAP" means accounting principles generally accepted in the United States of America, consistently applied.

"Governmental Authority" means any national, federal, regional, state, local or other governmental agency, authority, administrative agency, regulatory body, commission, instrumentality, court or arbitral tribunal having governmental or quasi-governmental powers; provided, however, that such term shall not include any entity or organization that is engaged primarily in industrial or commercial operations and is wholly or partly owned by any government.

"Hazardous Materials" means those pollutants, contaminants, chemicals or toxic, hazardous or petroleum hydrocarbon substances or wastes that are regulated under applicable Environmental Laws, including petroleum products and any fraction thereof.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Indemnified Party" has the meaning given such term in Section 10.4(a).

"Indemnifying Party" has the meaning given such term in Section 10.4(a).

"Intangible Property" means (i) any and all business trade secrets and other Intellectual Property, including sales tools, and supplier lists and (ii) other intangible properties, including any goodwill or going concern value associated with any of the foregoing.

"Intellectual Property" has the meaning given such term in Section 3.14.

"Inventory" means all product inventory held by Seller for sale to third parties or for use in the production of products for sale to third parties, including crude oil, intermediate feedstock, asphalt, semi-finished refined products, refined products (such as vacuum gas oil and marine diesel oil), including recoverable hydrocarbons in tank heels, and roofing products.

"IRS" means the United States Internal Revenue Service.

"ISRA" means the New Jersey Industrial Site Recovery Act.

"Knowledge" means, in the case of Seller, the actual knowledge of the individuals listed in Part I of Exhibit F, after a reasonable inquiry of appropriate personnel, and, in the case of Buyer, the actual knowledge of the individuals listed on Part II of Exhibit F, after a reasonable inquiry of appropriate personnel.

"Koch" has the meaning given such term in Section 11.14.

"Land" means all of the tracts or parcels of land, and interests in land, owned or leased by Seller in connection with the Business, including those described on Schedule 1.1(a).

"Law" means any applicable law, statute or ordinance of any nation or state, including the United States of America, and any political subdivision thereof, including any state of the United States of America, any regulation, policy, protocol, proclamation, directive or executive order promulgated by any Governmental Authority, any rule or regulation of any self-regulatory organization such as a securities exchange, or any applicable judgment, order, decree or decision of any court or other Governmental Authority having the effect of law in any such jurisdiction.

"Leave" has the meaning given such term in Section 6.1.

"Lien" means any mortgage, pledge, security interest, lien, deed of trust, floating charge or other charge of any kind, gaps in record title, right of possession, encumbrance or other adverse claim to or burden upon title (including any agreement to give any of the foregoing), purchase or lease options, preferential rights of purchase or possession, any conditional sale or other title retention agreement, or the filing of or agreement to give any security interest, charge or financing statement under the Laws of any jurisdiction.

"Litigation" means any action, case, suit, arbitration, hearing, investigation, charge, claim (including any claim of a violation of Law), litigation or other proceeding pending, commenced, brought, conducted or prosecuted before, or otherwise involving, any Governmental Authority or arbitrator.

"Loss" means all damages, dues, penalties, fines, costs, amounts paid in settlement, liabilities, Obligations, Taxes, Liens, losses, assessments, judgments, awards, arbitration awards, demands, claims, orders, expenses and fees, including costs of investigation, court costs, costs of defense and reasonable attorneys' fees and expenses.

"Material Adverse Effect" means a material adverse effect on the business, properties, financial condition, prospects or results of operations of Seller and CITERCO, in the aggregate; provided, however, that in no event shall any effect that results from any one or more of the following be deemed to constitute a Material Adverse Effect: (a) this Agreement or any actions expressly required to be taken pursuant to this Agreement, the transactions contemplated hereby, or the pendency or announcement thereof, (b) changes or conditions affecting the petroleum industry (including feedstock pricing, refining, marketing, transportation, terminaling and trading) generally or regionally that are not directly or indirectly caused by Seller or any of its Affiliates, or the Bolivarian Republic of Venezuela, (c) changes in general economic, capital markets, regulatory or political conditions in the United States, the Bolivarian Republic of

Venezuela or elsewhere (including interest rate fluctuations) that are not directly or indirectly caused by Seller or any of its Affiliates, or the Bolivarian Republic of Venezuela, (d) changes in Laws or GAAP or regulatory accounting requirements or interpretations thereof that are not directly or indirectly caused by Seller or any of its Affiliates, or the Bolivarian Republic of Venezuela, (e) fluctuations in currency exchange rates, (f) acts of war, insurrection, sabotage or terrorism that are not directly or indirectly caused by Seller or any of its Affiliates, or the Bolivarian Republic of Venezuela, or (g) the failure of the Business to meet financial expectations or projections.

"Material Contracts" has the meaning given such term in Section 3.8(a).

"NJDEP" means the New Jersey Department of Environmental Protection.

"Non-Union Employees" has the meaning given such term in Section 6.1.

"Non-Union Transferred Employees" has the meaning given such term in Section 6.2.

"NSR Consent Decree" means the Consent Decree filed on or about October 6, 2004 in *United States et al. v. CITGO Petroleum Corporation et al.* (S.D. Tex., No. H-04-3883) concerning allegations of violations of the Clean Air Act by the defendant at various facilities, including the Savannah Refinery and the Paulsboro Refinery.

"NSR CD Modification" has the meaning given such term in Section 5.9(c).

"Objection" has the meaning given such term in Section 5.4(b).

"Obligations" shall mean duties, liabilities and obligations, whether vested, absolute or contingent, primary or secondary, direct or indirect, known or unknown, asserted or unasserted, accrued or unaccrued, liquidated or unliquidated, due or to become due, and whether contractual, statutory or otherwise.

"Original Litigation" has the meaning given such term in Section 2.7(c)(xi).

"Other Agreements" means the Crude Supply Agreement, the Asphalt Sales Agreement and the Transition Services Agreement.

"Other Assumed Obligations" has the meaning given such term in Section 2.7(b).

"Other Assumed Obligations Time" means the earlier of either: (a) the date that is seven (7) years after the Closing Date or (b) the time at which the aggregate amount of (i) the cash amount(s) paid by Seller as a result of all Other Retained Obligations and (ii) the aggregate cash amount(s) paid by Seller to Buyer Indemnitees for all Claims pursuant to Section 10.2(a)(i) of this Agreement (other than (A) Claims arising with respect to Section 3.1, Section 3.2, Section 3.7(a) or Section 3.7(d), or (B) any Claims for any breach of, or any inaccuracy in, any representation or warranty by Seller of which Seller had Knowledge at any time prior to the time at which such representation or warranty was made) exceeds $40,000,000.

"Other Retained Obligations" has the meaning given such term in Section 2.7(d).

“Partners” means CITGO and CITGO East Coast Oil Corporation, a Delaware corporation.

“Paulsboro CBA” means the collective bargaining agreement and all existing contract extension agreements, memoranda of agreement, letters of understanding and similar agreements and instruments between Seller and the Union at the Paulsboro Refinery as listed on Schedule 1.1(b).

“Paulsboro Property Tax Dispute” means the litigation styled *Citgo Petroleum Corp. v. West Deptford Twp.* and *Citgo Petroleum Corp. v. Borough of Paulsboro*: 2469-1997; 2465-1997; 459-1998; 458-1998; 1826-1999; 1000-1999; 958-2000; 1026-2000; 490-2001; 537-2001; 489-2001; 717-2002; 709-2002; 414-2003; 3709-2003; 4706-2004; 1833-2004; 1046-2005; 1052-2005; 4000-2005; 3972-2005; 4213-2005; 694-2006; 4570-2006; 4426-2006; 739-2006; 6890-2007; 38-2007; 40-2007; 6940-2007.

“Paulsboro Refinery” means the asphalt refinery located on the real property near Paulsboro, New Jersey, as more particularly described in Schedule 1.1(a), and a light oils terminal located thereon, and all storage tanks, truck racks, pipelines, equipment, machinery, boilers, pumps, buildings, terminal facilities, dock facilities, rail and tank car facilities, and all other improvements thereon and thereunder.

“Permitted Lien” means:

(i) inchoate Liens and charges imposed by Law and incidental to the construction, maintenance, development or operation of Seller’s properties or the Business, if payment of the obligation secured thereby is not yet overdue or if the validity or amount of which is being contested in good faith by Seller;

(ii) Liens for Taxes, assessments, obligations under workers’ compensation or other social welfare legislation or other requirements, charges or levies of any Governmental Authority, in each case not yet overdue, or which are being contested in good faith by Seller;

(iii) easements, rights-of-way and similar servitudes filed of record affecting any of the Land which do not, on an individual or aggregate basis, constitute a material impairment to the use or operation of the affected item of Real Property;

(iv) conventional provisions contained in any contracts or agreements affecting properties under which Seller is required immediately before the expiration, termination or abandonment of rights, titles or interests in or to a particular property to reassign to such Person’s predecessor in title all or a portion of such Person’s rights, titles and interests in and to all or a portion of such property;

(v) only with respect to any parcel of Land for which Buyer does not obtain any survey, any state of facts that an accurate survey would show (but not including any unrecorded lease or easement);

(vi) pre-printed standard form exceptions to an owner's policy of title insurance commonly applied to properties of the same type as the Real Property, based upon the geographic region where the pertinent parcel of Real Property is located;

(vii) pledges and deposits to secure the performance of bids, tenders, trade or government contracts (other than for repayment of borrowed money), leases, licenses, statutory obligations, surety bonds, performance bonds and completion bonds or as otherwise incurred in the ordinary course of business consistent with past practice, in each case to the extent relating to any Assumed Obligation;

(viii) any Liens consisting of (A) statutory landlord's liens under leases to which Seller is a party or other Liens on leased property reserved in leases thereof for rent or for compliance with the terms of such leases, (B) statutory bailee's liens under bailments and terminaling agreements to which Seller is a party, (C) rights reserved to or vested in any Governmental Authority (other than the Bolivarian Republic of Venezuela) to control or regulate any property of Seller, or to limit the use of such property in any manner which does not materially impair the use of such property for the purposes for which it is held by Seller (D) obligations or duties to any Governmental Authority (other than the Bolivarian Republic of Venezuela) with respect to any franchise, grant, license, lease or permit and the rights reserved or vested in any such Governmental Authority to terminate any such franchise, grant, license, lease or permit or to condemn or expropriate any property, or (E) zoning or other land use or Environmental Laws and ordinances of any Governmental Authority (but excluding any Lien arising out of any violation of same);

(ix) Liens in respect of judgments or awards with respect to which an appeal or other proceeding for review is being prosecuted and with respect to which a stay of execution pending such appeal or such proceeding for review has been obtained, but only to the extent the judgment secured by said Lien constitutes a Retained Obligation;

(x) Liens that will be paid in full or released on or prior to the Effective Time;

(xi) Liens caused or created by Buyer; and/or

(xii) Liens set forth on Schedule 1.1(c).

"Permitted Schedule Update Losses" means any Losses that Buyer suffers or incurs as a result of matters disclosed in any supplement(s) or amendment(s) to the Seller Disclosure Schedule made by Seller in accordance with Section 5.8 to the extent such supplement(s) or amendment(s): (i) relate to any action (or the effect of any such action) consented to in writing by Buyer, (ii) relate to any action (or the effect of any such action) expressly required to be taken by Seller pursuant to this Agreement, or (iii) are made to add any new Contract(s) entered into

after the date of this Agreement in accordance with Seller's obligations under Section 5.1 or to remove any Contract(s) that have been fully performed in accordance with their terms or terminated in accordance with Seller's obligations under Section 5.1.

"Person" means an individual, partnership, limited liability company, corporation, joint stock company, trust, estate, joint venture, association or unincorporated organization, Governmental Authority, or any other form of business or professional entity.

"Possible Alternative" has the meaning given such term in Section 5.11.

"Pre-Closing Adverse Effect" has the meaning given such term in Section 8.4(a).

"Pre-Closing Off-Site Disposal" means the transportation, storage, treatment, or disposal or the arrangement for such transportation, storage, treatment or disposal of a Hazardous Material at any location other than any of the Real Property on or before the Effective Time; provided, however, that this does not include any migration of a Hazardous Material from any of the Real Property.

"Prepayments" means any customer deposits, prepayments and other similar amounts received by Seller prior to the Effective Time for goods or services to be provided by Buyer after the Effective Time.

"Purchase Price" has the meaning given such term in Section 2.2.

"Real Property" means (i) the Land; (ii) all buildings and other structures, facilities or improvements currently or hereafter located thereon and permanently affixed thereto; (iii) all fixtures, systems, owned or (to the extent transferable) leased equipment and other items of tangible personal property situated thereon or attached thereto but not permanently affixed thereto (including any docks, but excluding raw materials, work in process and Inventory); (iv) all Easements; and (v) all appurtenances relating to the property described in any of the foregoing clauses.

"Release(s) of Hazardous Material" means any discharge, emission, spill, seepage, leak, escape, leaching, injection, pumping, pouring, emptying, dumping, burying, abandoning, unauthorized disposing, migration or release of any Hazardous Material into or upon the environment (including the air, soil, surface water, and groundwater), including the abandonment of barrels, containers and other closed receptacles containing or formerly containing any Hazardous Material.

"Repair Estimate" has the meaning given such term in Section 8.4(b).

"Retained Obligations" means the Specific Retained Obligations and the Other Retained Obligations.

"Savannah CBA" means the collective bargaining agreement and all existing contract extension agreements, memoranda of agreement, letters of understanding and similar agreements and instruments between Seller and the Union at the Savannah Refinery as listed in Schedule 1.1(b).

"Savannah Project" means the replacement of the No. 1 crude tank at the Savannah Refinery upon the specifications previously disclosed to Buyer.

"Savannah Refinery" means the asphalt refinery located on the real property near Savannah, Georgia, as more particularly described in Schedule 1.1(a), and a light oils terminal located thereon, and all storage tanks, truck racks, pipelines, equipment, machinery, boilers, pumps, buildings, terminal facilities, dock facilities, rail and tank car facilities, and all other improvements thereon and thereunder.

"SEC" has the meaning given such term in Section 7.10.

"Seller" has the meaning given such term in the preamble of this Agreement.

"Seller Benefit Plan" means any Benefit Plan that is or was directly sponsored, maintained, or contributed to by Seller or any of its Affiliates for the benefit of Seller's current or former directors, officers or employees.

"Seller Disclosure Schedule" means the disclosure schedule relating to Article III delivered by Seller to Buyer on the Execution Date. The Seller Disclosure Schedule has been arranged in sections corresponding to the numbered sections of Article III.

"Seller Indemnitees" means Seller, its Affiliates (other than CITERCO) and their respective officers, directors, employees, agents, representatives, successors and assigns.

"Seller Transaction Documents" has the meaning given such term in Section 3.2.

"Specific Assumed Obligations" has the meaning given such term in Section 2.7(a).

"Specific Retained Obligations" has the meaning given such term in Section 2.7(c).

"Subcharter Agreement" means that certain Subcharter Agreement relating to that certain Tanker Time Charter Party dated March 31, 2001, by and between AHL Shipping Company and CITGO, in the form attached hereto as Exhibit G.

"Subsequent Litigation" has the meaning given such term in Section 2.7(c)(xi).

"Subsidiary" means, with respect to any Person, any corporation, partnership, limited liability company, joint venture or other legal entity (and any successor to any such legal entity) of which such Person owns, directly or indirectly, more than fifty percent (50%) of the stock or other equity or partnership interests, the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation, partnership, limited liability company, joint venture or other legal entity.

"Survey" has the meaning given such term in Section 5.4(a).

"Taking" means, as to any property or asset, any taking thereof by condemnation or eminent domain or by agreement in lieu thereof with any Person authorized to exercise such rights.

"Tax" and "Taxes" means taxes of any kind, levies or other like assessments, customs, duties, imposts, charges or fees, including income taxes, gross receipts, *ad valorem*, value added, excise, real or property, asset, sales, use, franchise, license, payroll, transaction, capital, net worth, withholding, estimated, social security, utility, workers' compensation, severance, disability, wage, employment, production, unemployment compensation, occupation, premium, windfall profits, transfer and gains taxes or other governmental taxes imposed by or on behalf of or payable to any Governmental Authority, together with any interest, penalties or additions with respect thereto and any interest in respect of such additions or penalties.

"Tax Returns" has the meaning given such term in Section 3.15(a).

"Termination Date" has the meaning given such term in Section 9.1(d).

"Third-Party Claim" has the meaning given such term in Section 10.4(b).

"Third-Party Consent" means any approval, consent, amendment or waiver of a Person that is required under any organizational document of Seller, CITERCO or Buyer or under any Contract to which Seller, CITERCO or Buyer is a party or by which it or its assets is bound in order to effect the transactions contemplated hereby or any part thereof, including waivers and consents by lenders and waivers of transfer restrictions.

"Time Estimate" has the meaning given such term in Section 8.4(c).

"Title Cure Period" has the meaning given such term in Section 5.4(b).

"Title Commitment" has the meaning given such term in Section 5.4(a).

"Title Company" has the meaning given such term in Section 5.4(a).

"Transferred Assets" has the meaning given such term in Section 2.1.

"Transferred Employees" has the meaning given such term in Section 6.2.

"Transition Services Agreement" means the Transition Services Agreement to be entered into by and among Buyer, Seller and the other parties thereto as of the Effective Time, substantially in the form attached hereto as Exhibit H.

"UBS Engagement Letter" means that certain letter agreement dated January 13, 2006 by and between CITGO and UBS Securities LLC.

"Union" has the meaning given such term in Section 6.1.

"Union Employees" has the meaning given such term in Section 6.1.

"Union Transferred Employees" has the meaning given such term in Section 6.2.

"WARN Act" means the Worker Adjustment and Retraining Notification Act, as amended.

"Wilmington Assets" means the Real Property at Wilmington, North Carolina as more particularly described on Schedule 1.1(d), and all storage tanks, pipelines, equipment, machinery, boilers, pumps, truck racks, dock facilities, rail and tank car facilities, buildings, and all other improvements thereon and thereunder, all other tangible assets and properties used primarily in the operations thereof, all Contracts and Authorizations relating primarily to the foregoing properties and assets or the operation thereof, and the Inventory located at such Real Property.

"Wilmington Obligations" means all Obligations, Claims and Litigation related to the Wilmington Assets or the business or operations thereof, including any of same relating to Environmental Matters or any Employees employed at the Wilmington Assets.

Section 1.2 Construction. Whenever the context requires, the gender of all words used in this Agreement includes the masculine, feminine and neuter. Terms defined in the singular have the corresponding meanings in the plural, and vice versa. All references to Articles and Sections refer to articles and sections of this Agreement, all references to Exhibits refer to exhibits to this Agreement and all references to Schedules refer to Schedules to this Agreement, which Exhibits and Schedules are attached hereto and made a part hereof for all purposes. The word "includes" or "including" means "including, but not limited to." The words "hereof," "hereby," "herein," "hereunder" and similar terms in this Agreement shall refer to this Agreement as a whole and not any particular section or article in which such words appear. Any reference to a statute, regulation or law shall include any amendment thereof or any successor thereto and any rules and regulations promulgated thereunder, all as in effect as of the Execution Date. Currency amounts referenced herein, unless otherwise specified, are in Dollars. Whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified.

ARTICLE II
SALE AND TRANSFER OF TRANSFERRED ASSETS; CLOSING

Section 2.1 Sale and Transfer of Transferred Assets. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, for the consideration specified in Section 2.2, Seller shall sell, convey, assign, transfer and deliver to Buyer free and clear of all Liens, other than Permitted Liens, and Buyer shall purchase and acquire from Seller, all of Seller's property and assets (but excluding the Excluded Assets), real, personal or mixed, tangible and intangible, completed or inchoate, fixed or unfixed, absolute or contingent, liquidated or unliquidated, known or unknown, that are used in or for, or relate to, the Business, or are necessary for the continued operation of the Business consistent with prior operations, including the following:

(a) the Paulsboro Refinery;

(b) the Savannah Refinery;

(c) the Real Property and all tangible assets and properties of Seller that are located on the Land;

(d) 100% of the CITERCO Interests and the minute books and similar records of CITERCO;

(e) the rolling stock described in Schedule 2.1(e), including the 87 railroad tank cars that are to be located at the Savannah Refinery by Seller on the Closing Date, and vehicles owned by Seller and used in the Business;

(f) throughput rights at the other terminals as contained in the terminaling agreements listed in Schedule 2.1(f);

(g) all of Seller's and CITERCO's rights and incidents of interest in any other real property including all easements, rights of way, and prescription rights;

(h) all spare parts, supplies, furniture, office furniture, computers and computer software that is stand alone within the Transferred Assets, fixtures, computer and telecommunication systems, printers, network equipment, security and video surveillance equipment, data storage systems and on-site or off-site back-up tapes, and other tangible personal property and all other machinery, equipment, boilers (including the boiler owned by Seller or its Affiliates at a terminal in Baltimore), tanks, pipelines and pumps that are (i) located at the Paulsboro Refinery, the Savannah Refinery or the Wilmington Assets or (ii) owned by Seller or CITERCO and used in the Business, including the low NOx burners previously purchased by Seller for installation at the Savannah Refinery as required by the NSR Consent Decree;

(i) all rights of Seller or CITERCO in and to all Assumed Contracts and Assumed Authorizations;

(j) all rights of Seller or CITERCO in and to all customer lists and supplier lists of the Business;

(k) all of Seller's and CITERCO's interest in the telephone numbers related to or used at the Paulsboro Refinery, the Savannah Refinery, the Wilmington Assets and the other Land;

(l) the Inventory;

(m) all Claims of Seller against third Persons (including CITERCO, but excluding any Claims set forth on Schedule 2.1(m) against either or both Partners or any of their Affiliates other than CITERCO) relating to the Transferred Assets or the Business, whether choate or inchoate, known or unknown, contingent or non-contingent, to the extent that the same either (x) relate to any Assumed Obligation or (y) are against CITERCO;

(n) all rights of Seller relating to deposits, return of deposits, prepaid expenses (other than prepaid insurance premiums) or rights of offset to the extent that the same relate to any Assumed Obligation;

(o) the Books and Records;

(p) Seller's interest in all Intangible Property;

(q) Seller's interest in all Intellectual Property;

(r) any and all Authorizations (including Environmental Permits) that are transferable by Seller to Buyer;

(s) all manufacturer's, vendor's and other third-party warranties or undertakings to the extent related to any of the Transferred Assets, to the extent transferable by Seller to Buyer;

(t) the Wilmington Assets;

(u) any insurance proceeds relating to the Assumed Obligations received after the Effective Time; and

(v) any and all other assets owned by Seller or CITERCO that are used in the Business and are not Excluded Assets.

All of the property and assets to be transferred to Buyer hereunder are herein referred to collectively as the "Transferred Assets."

Section 2.2 Purchase Price. The purchase price for the Transferred Assets is the Base Purchase Price plus an amount equal to the Closing Adjustment as determined in accordance with Section 2.5 (collectively, the "Purchase Price").

Section 2.3 Closing; Closing Date. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Curtis, Mallet-Prevost, Colt & Mosle LLP in Houston, Texas, or at such other place as Buyer and Seller may mutually agree, at 9:00 A.M. Central time on the third Business Day after the day on which the last to be fulfilled of the Closing Conditions (other than Closing Conditions to be fulfilled at the Closing) is fulfilled or waived by the relevant party or parties hereto or at such other date as Buyer and Seller may mutually agree (the "Closing Date").

Section 2.4 Deliveries at the Closing.

(a) At the Closing, Seller shall deliver, or cause to be delivered, to Buyer:

(i) one or more properly executed and acknowledged special warranty deeds (the "Deeds") conveying to Buyer good and indefeasible title to all Real Property (other than the Leases), each such Deed to be substantially in the form of Exhibit I. The Deeds shall be in a form suitable for recording in the county records in which the pertinent item of Real Property is located;

(ii) duly executed Assignment and Assumption Agreement;

(iii) duly executed Assignment of Leases and Easements;

(iv) duly executed Bill of Sale;

(v) a copy of each Third-Party Consent and Authorization set forth on Schedule 2.4(a) for which consent has been obtained;

(vi) a copy of each Third-Party Consent and Authorization set forth on Schedule 8.3(g);

(vii) the certificates referred to in Section 8.3(a) and Section 8.3(b);

(viii) duly executed Other Agreements;

(ix) duly executed Assignment of CITERCO Interests in the form attached hereto as Exhibit N;

(x) a guarantee from each of the Partners of Seller's obligations hereunder in the form attached hereto as Exhibit J; and

(x) such other deeds, bills of sale, endorsements, assignments, releases, and other good and sufficient instruments of transfer, assignment, and conveyance, in form and substance reasonably satisfactory to Buyer and its counsel, as shall be effective to convey to Buyer good and indefeasible title in and to all of the Real Property and good and marketable title in and to all of the Transferred Assets that are not Real Property, and all other documents and instruments required to be delivered by the Seller pursuant to this Agreement.

(b) At the Closing, Buyer shall:

(i) deliver to Seller the certificates referred to in Section 8.2(a) and Section 8.2(b);

(ii) pay to Seller, by wire transfer or delivery of other immediately available funds, an amount equal to the sum of the Base Purchase Price, plus the Estimated Adjustment;

(iii) deliver to Seller a duly executed Assignment and Assumption Agreement;

(iv) deliver to Seller a copy of each Third-Party Consent and Authorization set forth on Schedule 2.4(b);

(v) duly execute and deliver to Seller the Other Agreements.

Section 2.5 Closing Adjustments.

(a) Seller shall deliver a notice to Buyer no later than three (3) Business Days prior to the reasonably anticipated Closing Date including Seller's reasonable good faith estimate, together with supporting calculations and information and determined in accordance with the procedures described on Schedule 2.5, of the value of the Inventory, the Prepayments as of the Effective Time, the Assumed Vacation and the resulting estimated Closing Adjustment

(the "Estimated Adjustment"), subject to Buyer's review and consent to such estimate, which consent shall not be unreasonably withheld. Buyer and its representatives shall have access to such records of Seller as may be reasonably requested for verifying the Estimated Adjustment.

(b) After the Closing, Seller shall initially calculate the Closing Adjustment and shall deliver to Buyer a statement (the "Closing Adjustment Statement") setting forth the amount of the Closing Adjustment, together with supporting calculations and information, on or before the 30th day after the Closing Date. Buyer shall cause its employees to give Seller and its advisors access at all reasonable times to the personnel, properties and books and records of the Business and Buyer's working papers for the purpose of conducting the physical inventory and preparing the Closing Adjustment Statement, and Buyer and its representatives and advisors may be present for and participate in such physical inventory. Unless Buyer gives notice to Seller on or before the 15th day after Buyer's receipt of the Closing Adjustment Statement that Buyer disputes the Closing Adjustment specified in the Closing Adjustment Statement, the Closing Adjustment shall be as specified in the Closing Adjustment Statement. If Buyer gives notice to Seller on or before such 15th day that it disputes the Closing Adjustment specified in the Closing Adjustment Statement, (i) Buyer or Seller, as the case may be, shall pay all undisputed portions of the Closing Adjustment Payment to the other party not later than five (5) calendar days after receiving Buyer's notice of dispute, and (ii) Seller and Buyer shall consult in good faith and use commercially reasonable efforts to agree upon the calculation of the Closing Adjustment. If on or before the 30th day after Buyer's receipt of the Closing Adjustment Statement Seller and Buyer have not agreed on the Closing Adjustment, such matters as remain in dispute shall be submitted to KPMG LLP, or such other accounting firm as Seller and Buyer shall agree, for final resolution, which resolution shall be binding upon Seller and Buyer, with no rights of appeal therefrom. The fees and expenses of such accounting firm for its services in resolving such dispute shall be borne equally by Seller and Buyer.

(c) If the actual Closing Adjustment, determined in accordance with Section 2.5(b) above, is greater than the Estimated Adjustment, Buyer shall make an additional payment to Seller in an amount equal to the amount by which the Closing Adjustment exceeds the Estimated Adjustment, which payment shall be made by wire transfer or delivery of other immediately available funds on or before the fifth Business Day after the final determination of the Closing Adjustment in accordance with this Section 2.5. If the actual Closing Adjustment is less than the Estimated Adjustment, Seller shall make a payment to Buyer in an amount equal to the amount by which the Estimated Adjustment exceeds the Closing Adjustment, which payment shall be made by wire transfer or delivery of other immediately available funds on or before the fifth Business Day after the final determination of the Closing Adjustment in accordance with this Section 2.5. The payment to be made by Buyer or by Seller, as applicable, is herein called the "Closing Adjustment Payment."

Section 2.6 Excluded Assets. Notwithstanding anything to the contrary contained in Section 2.1 or elsewhere in this Agreement, the following assets of Seller, its Affiliates and/or other third parties (collectively, the "Excluded Assets") are not part of the sale and purchase contemplated hereunder, are excluded from the Transferred Assets and shall remain the property of Seller, its Affiliates and/or relevant third parties after the Effective Time:

(a) all assets listed on Schedule 2.6(a);

(b) all cash, cash equivalents and short-term investments;

(c) all bank deposits and bank accounts;

(d) all receivables, including accounts receivable or trade receivables owed to Seller (other than by CITERCO) by reason of deliveries made by Seller or on account of the Transferred Assets prior to the Effective Time;

(e) the financial books and records of Seller, the personnel, employment and other records of Seller as to any current or former employee who is not a Transferred Employee, and the personnel, employment and other records of Seller as to any Transferred Employee that are not Books and Records;

(f) all minute books and similar materials related to maintenance of partnership records of Seller that are not Books and Records;

(g) any Claims or other rights to receive monies arising prior to or after the Execution Date which Seller or any of its Affiliates has or may have which are attributable to its ownership of the Transferred Assets prior to the Effective Time;

(h) those rights relating to non-banking deposits and prepaid expenses and Claims for refunds and rights to offset in respect thereof listed on Schedule 2.6(h);

(i) the Contracts listed on Schedule 2.6(i);

(j) all Claims for refund of Taxes and other governmental charges of whatever nature (including with respect to the Paulsboro Property Tax Dispute) relating to the period of time prior to the Effective Time;

(k) all insurance policies and rights and Claims thereunder, except to the extent such rights and Claims relate to any Assumed Obligation; and

(l) the Seller Benefit Plans.

For the avoidance of doubt, all property and assets owned by an Affiliate of Seller and/or a third party that are located on a part of the Land and which property or assets are leased to Seller in connection with the Business (1) shall remain the property of such third party and (2) are not a part of the Transferred Assets, except to the extent that Seller's leasehold interest in such property or assets constitutes an Assumed Obligation.

Section 2.7 Assumed Obligations and Retained Obligations.

(a) From and after the Effective Time, Buyer shall assume and agree to pay, perform and discharge, and indemnify, defend and hold Seller, the Partners and their Affiliates harmless from only the following Obligations of Seller (other than the Retained Obligations) (collectively, the "Specific Assumed Obligations"):

(i) all Obligations of Seller under (x) all Contracts to which Seller is a party as of the Effective Time to the extent relating to the Business or the Transferred Assets (collectively, the "Assumed Contracts") and (y) all Authorizations held by Seller as of the Effective Time (collectively, the "Assumed Authorizations"), but only, in the case of each Assumed Contract and each Assumed Authorization, to the extent such Obligations arise after the Effective Time; provided, however, that Buyer does not assume any Obligation under any of the Assumed Contracts to pay any rebate or other similar amount, apply any credit or make any other similar concession to the extent such Obligation arises out of any transaction occurring prior to the Effective Time;

(ii) all Claims, Losses and Obligations arising out of or related to Buyer's ownership of the Transferred Assets and operation of the Business after the Effective Time, including any Obligations arising out of or related to the condition of the Transferred Assets at the Effective Time but excluding any Obligations relating to Environmental Matters to the extent not assumed by Buyer pursuant to Section 2.7(a)(iv) and Section 2.7(a)(v) below;

(iii) effective as of the Employee Transfer Time, those Obligations with respect to the Transferred Employees required to be assumed by Buyer pursuant to Article VI;

(iv) without prejudice to Buyer's rights of indemnification pursuant to Section 10.2(b), all Obligations under Environmental Law to perform Corrective Action of any Environmental Condition to the extent the same relate to, result from or arise out of any Environmental Condition that existed prior to the Effective Time; and

(v) those Obligations relating to responsibilities under the NSR Consent Decree that relate to the Paulsboro Refinery, the Savannah Refinery and the Wilmington Assets required to be assumed or performed by Buyer pursuant to Section 5.9.

(b) In addition to the Specific Assumed Obligations, and subject to Section 2.7(d), from and after the Other Assumed Obligations Time, Buyer shall assume and agree to pay, perform and discharge, and indemnify, defend and hold Seller, the Partners and their Affiliates harmless from all Obligations of Seller arising after the Other Assumed Obligations Time relating to or arising from the Transferred Assets and relating to the period of time prior to the Effective Time (other than Specific Retained Obligations or Other Retained Obligations) (collectively, "Other Assumed Obligations"), including any Obligation arising out of or related to the exposure of any Person (including any Transferred Employee) prior to the Effective Time to any Hazardous Material existing at or released from any of the Transferred Assets. Buyer shall have the sole right and authority to defend and take all other actions with respect to any Other Assumed Obligation.

(c) From and after the Effective Time, Seller shall retain and agree to pay, perform and discharge, and indemnify, defend and hold Buyer and its Affiliates harmless from the following Obligations of Seller (other than the Assumed Obligations) (collectively, the "Specific Retained Obligations"):

(i) any Tax (including deficiencies, interest and penalties relating thereto) accruing to or for any period ending prior to the Effective Time, except to the extent provided otherwise in Section 7.4;

(ii) any expenses (except Taxes described in Section 7.4(b), Section 7.4(e) and Section 7.4(f)) incurred in connection with the transfer of the Transferred Assets as contemplated by this Agreement;

(iii) any fees payable by Seller in connection with the UBS Engagement Letter;

(iv) any accounts payable, trade payables, distribution payables, accrued interest or interest payable, liabilities associated with industry insurance consortia, loans payable and exchange balances owed to a third party (including all accounts payable with respect to the Inventory);

(v) any indebtedness for borrowed money, and any Obligations evidenced by any loan agreement, mortgage, bond, indenture, debenture, promissory note, guarantee or similar instrument, together with any Contract evidencing or relating to any of the foregoing;

(vi) any Contract listed on Schedule 2.6(i); any Obligation under any of the Assumed Contracts or Assumed Authorizations arising prior to the Effective Time (including any Obligation arising out of or relating to a breach of any Assumed Contract or Assumed Authorization that occurred prior to the Effective Time, including any warranty claim or similar claim with respect to any product delivered by Seller prior to the Effective Time) or arising after the Effective Time but relating to any Obligation to pay any rebate or other similar amount, apply any credit or make any other similar concession to the extent such Obligation arises out of transactions occurring prior to the Effective Time; and any Obligation under any derivative, option, hedge, futures or similar Contracts;

(vii) any Obligations of Seller under this Agreement or any Seller Transaction Document, including any Losses assumed by Seller as provided in Section 7.4 and Section 7.5 of this Agreement;

(viii) any Obligations, Losses or Litigation relating to the Excluded Assets (including the Paulsboro Property Tax Dispute) or Seller's business or assets after the Effective Time;

(ix) any Obligations under any Benefit Plan of Seller or any of its Affiliates or relating to payroll, bonuses, vacation, sick leave, worker's compensation, unemployment benefits, pension benefits, employee stock option or profit-sharing plans, health care plans or benefits, or any other employee plans or benefits of any kind for Seller's or its Affiliates' employees or former employees, or both;

(x) any Obligations to indemnify, reimburse or advance amounts to any officer, director, manager, member, shareholder, employee or agent of Seller or any other third party in respect of matters arising prior to Closing;

(xi) any Obligations arising out of any Litigation that shall have been commenced on or prior to the Effective Time, or threatened and set forth in Section 3.12 of the Seller Disclosure Schedule; it being understood that for purposes of this Agreement, Litigation commenced after the Effective Time shall be deemed to have been commenced before the Effective Time if, and only to the extent that, such Litigation ("Subsequent Litigation") involves the same parties (irrespective of the joinder of other parties) and arises out of the same factual or legal allegations or claims as asserted or alleged in Litigation that was in fact commenced before the Effective Time or set forth in Section 3.12 ("Original Litigation"), regardless of the venue or forum in which such Subsequent Litigation shall have been commenced;

(xii) any Losses arising out of any non-compliance with Law by Seller or any of its Affiliates;

(xiii) any Obligations to make payments to Union Employees under the CBA or any other Contract with a labor union resulting from the consummation of the transactions contemplated by this Agreement accruing prior to the Effective Time, including pursuant to Article XXVI of the Paulsboro CBA;

(xiv) any and all Obligations, Losses or Litigation arising from claims, obligations, causes of action, fines, penalties, litigation, administrative proceedings, costs and expenses, and all associated reasonable fees for legal and technical counsel, arising from or relating to the M/T *Athos I* allision near the Paulsboro Refinery on or about November 26, 2004, or the associated release of crude oil and Hazardous Materials to the natural and human environment;

(xv) except with respect to any Obligations assumed by Buyer pursuant to Section 2.7(a)(iv) and Section 2.7(a)(v), all Obligations relating to or arising out of Environmental Matters, whether arising or first occurring on, before or after the Effective Time and that, (x) in the case of Environmental Matters relating to any of the Transferred Assets, relate to any act or occurrence, or condition that existed, prior to the Effective Time, and (y) in the case of Environmental Matters relating to any property or asset owned, leased or operated or formerly or hereafter owned, leased or operated by Seller or any of its Affiliates, other than the Transferred Assets, relate to any act or occurrence, or condition that existed, prior to or after the Effective Time, including:

(A) Any Obligations under Environmental Law to perform Corrective Action with respect to Hazardous Materials that exist at or

immediately adjacent to any property or asset owned, leased or operated or formerly or hereafter owned, leased or operated by Seller or any of its Affiliates, other than the Transferred Assets;

(B) Any Obligations arising out of or related to any enforcement action brought by a Governmental Authority that relates to, results from or arises out of either: (x) any of the Transferred Assets' non-compliance with any Environmental Law, or any Environmental Condition that existed, prior to the Effective Time, (y) the Excluded Assets or (z) any property or asset formerly owned, leased or operated by Seller or any of its Affiliates, or operations thereon, other than the Transferred Assets;

(C) Any Obligations arising out of or related to any Claim by any third party that relates to, results from or arises out of either: (x) any of the Transferred Assets' non-compliance with any Environmental Law, or any Environmental Condition that existed, prior to the Effective Time, (y) the Excluded Assets or (z) any property or asset formerly owned, leased or operated by Seller or any of its Affiliates, or operations thereon, other than the Transferred Assets;

(D) any Pre-Closing Off-Site Disposal; and

(E) Any Obligations arising out of or related to the exposure of any Person (including any Transferred Employee) to any Hazardous Material existing at or released from any property or asset owned, leased or operated (or formerly owned, leased or operated) by Seller or any of its Affiliates, other than the Transferred Assets.

(xv) any other Obligations listed on Schedule 2.7(c).

(d) Without prejudice to Seller's rights of indemnification pursuant to Section 10.3(b), from and after the Effective Time, in addition to the Specific Retained Obligations, Seller shall retain and agree to pay, perform and discharge, and indemnify, defend and hold Buyer and its Affiliates harmless from, all Obligations arising prior to the Other Assumed Obligations Time to the extent relating to or arising from the Transferred Assets and relating to the period of time prior to the Effective Time (other than Specific Assumed Obligations and Specific Retained Obligations) (collectively, "Other Retained Obligations"), including, any Obligations arising out of or related to the exposure of any Person (including any Transferred Employee) prior to the Effective Time to any Hazardous Material existing at or released from any of the Transferred Assets. Notwithstanding the occurrence of the Other Assumed Obligations Time, any Other Retained Obligation related to any Original Litigation (or Subsequent Litigation) that is pending as of the Other Assumed Obligations Time shall remain as an Other Retained Obligation and shall not be considered an Other Assumed Obligation, but without prejudice to Seller's indemnification rights under Section 10.3(b).

(e) In the event Seller shall suffer or incur any Other Retained Obligation, or any Claim shall be made or commenced against Seller that constitutes or, if successful, would result in any liability related to, an Other Retained Obligation, Seller shall give Buyer prompt written notice thereof describing in reasonable detail the facts and circumstances then known with respect thereto and the amount of cash payments that Seller has been required to pay, or is projecting to be required to pay, in connection therewith, and Seller shall thereafter provide Buyer additional periodic written notices of any additional amounts paid or required to be paid by Seller in connection therewith as well as the aggregate amount of such payments made by Seller as a result of all Other Retained Obligations. Upon request from Buyer, Seller shall provide Buyer with such information as Buyer may reasonably request to evidence or support such payments or to support that such payments arise out of an Other Retained Obligation. In the event Buyer would be responsible for indemnifying Seller in respect of any Other Retained Obligation pursuant to Section 10.3(b), then Buyer shall be entitled to participate in the defense of such Other Retained Obligation, and Seller shall not settle or compromise, or consent to the entry of any judgment in connection with, such Other Retained Obligation without the prior written consent of Buyer.

Section 2.8 Allocation. Buyer and Seller agree that subsequent to but in no event later than sixty (60) days after the execution of this Agreement they will use their best efforts to agree on an estimate of the proper allocation of the consideration paid or received in connection with the transactions contemplated hereunder for purposes of Section 1060 of the Code and IRS Form 8594. Additionally, no later than 120 days after the Effective Time, Buyer will either prepare or obtain a valuation report and forward the relevant information needed by the Seller to prepare IRS Form 8594. Buyer and Seller shall use such information in order to agree upon the proper allocation of the consideration paid or received in connection with the transactions contemplated hereunder for purposes of Section 1060 of the Code and IRS Form 8594. If the parties are not able to reach an agreement, each party shall make such filings as required of it under applicable tax laws applying the requirements of Section 1060 of the Code in its own discretion.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in the Seller Disclosure Schedule, which exceptions shall be deemed to be part of the representations and warranties made hereunder, Seller hereby represents and warrants to Buyer that all of the statements contained in this ARTICLE III are true and correct as of the Execution Date, and will be true and correct as of the Closing Date as though made on and as of the Closing Date.

Section 3.1 Organization and Qualification.

(a) Seller is a New Jersey general partnership duly organized and validly existing and in good standing under New Jersey Law. Seller has the requisite partnership power and authority to carry on its business as it is now being conducted. Seller is duly qualified as a foreign partnership and in good standing in each jurisdiction in which the character of its properties owned or held under lease or the nature of its activities makes such qualification necessary, except where the failure to be so qualified would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Seller has heretofore made available

to Buyer correct and complete copies of its organizational documents. Seller does not own, directly or indirectly, any capital stock or other equity or ownership or proprietary interest in any other corporation, partnership, association, trust, joint venture or other entity, other than the CITERCO Interests.

(b) Seller has only one Subsidiary, CITERCO. CITERCO is a limited liability company duly organized, validly existing and in good standing under the laws of Delaware, has the requisite power and authority to carry on its business as it is now being conducted, and is duly qualified as a foreign limited liability company and in good standing in each jurisdiction where the character of its properties owned or held under lease or the nature of its activities makes such qualification necessary. Seller has heretofore made available to Buyer correct and complete copies of CITERCO's organizational documents. The only property or assets of CITERCO are the CITERCO Agreements, and the only Obligations of CITERCO are the obligations under the CITERCO Agreements. CITERCO is not a party to or bound by any Contract other than the CITERCO Agreements. CITERCO has conducted no business or operations other than holding the CITERCO Agreements and utilizing the same in connection with the Business.

Section 3.2 Due Authority. The execution, delivery and performance of this Agreement and each document, instrument or agreement executed pursuant to this Agreement by Seller (the "Seller Transaction Documents") and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary action, and no other action on the part of Seller is necessary to authorize and approve the execution, delivery and performance of this Agreement or any Seller Transaction Documents or the consummation of the transactions contemplated hereby and thereby. Neither Seller nor CITERCO is subject to any provision of its organizational documents or any order or decree of any court or governmental body which would prevent the consummation of the transactions contemplated by this Agreement or any Seller Transaction Documents. This Agreement has been, and each Seller Transaction Document will be, duly and validly executed by Seller and, assuming the due authorization, execution, and delivery of this Agreement and each applicable Seller Transaction Document by Buyer, this Agreement constitutes, and each Seller Transaction Document will constitute, the legal, valid and binding obligation of Seller enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency or other similar Laws affecting the enforcement of creditors' rights generally and except that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding therefor may be brought.

Section 3.3 Governmental Authorization. The execution, delivery and performance by Seller of this Agreement and each Seller Transaction Document, and the consummation of the transactions contemplated hereby and thereby, require no action by or in respect of, or filing with, any Governmental Authority other than as may be required under the HSR Act and ISRA and as set forth in Section 3.3 of the Seller Disclosure Schedule.

Section 3.4 Conflicts and Approvals. Assuming the accuracy of the representations and warranties set forth in Section 4.3, except as set forth in Section 3.4 of the Seller Disclosure Schedule, neither the execution and delivery by Seller of this Agreement or any of the Seller Transaction Documents nor the performance by Seller of its obligations hereunder or thereunder

will (A) violate or breach the terms of, cause a default under or give any Person any right to exercise any remedy or obtain any relief under (i) any Law applicable to Seller or CITERCO, (ii) Seller's partnership agreement or CITERCO's organizational documents or (iii) any Material Contract or any material Contract to which CITERCO is a party or by which any of its properties or assets is bound, (B) with the passage of time, the giving of notice or the taking of any action by a third Person, have any of the effects set forth in clause (A) of this Section 3.4, (C) constitute a default under or give rise to any right of termination, cancellation or acceleration of any right or obligation, or result in a loss of any benefit to which Seller or CITERCO is entitled under any provision of any Contract binding upon Seller or CITERCO, (D) contravene, conflict with, or result in a violation of, or give any governmental body or other Person the right to challenge any of the transactions contemplated hereby or to exercise any remedy or obtain any relief under, any applicable laws and regulations or any order issued by any Governmental Authority to which Seller, CITERCO or any of the Transferred Assets or CITERCO Agreements may be subject or (E) result in the creation or imposition of any Lien on any Assets or any assets of CITERCO, except for Permitted Liens.

Section 3.5 No Brokers. Other than pursuant to the UBS Engagement Letter, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Seller or CITERCO, except any fees and commissions which will be discharged by Seller.

Section 3.6 Absence of Undisclosed Liabilities. Except as set forth in Section 3.6 of the Seller Disclosure Schedule and those liabilities and obligations incurred in the ordinary course of business consistent with past practice since December 31, 2006, to the Knowledge of Seller, neither Seller nor CITERCO is aware of any liabilities or obligations (whether direct, indirect, accrued or contingent) in excess of $5,000,000 individually or in the aggregate.

Section 3.7 Transferred Assets. Except as set forth in Section 3.7 of the Seller Disclosure Schedule:

(a) Seller (i) has good and indefeasible title to the Real Property, (ii) has a valid and subsisting leasehold estate in and the right to quiet enjoyment of the real properties leased by it as lessee above for the full term of the applicable lease and is not in material default in relation thereto, and (iii) has good and marketable title to each Transferred Asset other than Real Property; in each case free and clear of any Liens and subject only to Permitted Liens. To the Knowledge of Seller, Schedule 1.1(a) sets forth accurate legal descriptions of the Land.

(b) Neither the whole nor any portion of the Real Property material to the conduct of the Business is subject to any governmental decree or order to be sold or is being condemned, expropriated or otherwise taken by any public authority with or without payment or compensation therefor, nor, to the Knowledge of Seller, has any such condemnation, expropriation or taking been proposed.

(c) To the Knowledge of Seller, Seller has obtained all appropriate easements, licenses and rights-of-way required to use the Real Property in the manner in which the Real Property is currently being used and which are required for the ownership, operation and maintenance of the Paulsboro Refinery, the Savannah Refinery and the Wilmington Assets.

(d) Seller owns beneficially and of record, good and marketable title to the CITERCO Interests free and clear of any Liens except for Permitted Liens and any restrictions on sales or transfers of securities under applicable securities laws. The CITERCO Interests constitute 100% of the authorized, issued and outstanding membership interests of CITERCO. All of the CITERCO Interests have been duly authorized, and are validly issued, fully paid and non-assessable and were not issued in violation of the preemptive rights of any Person. Except as contemplated in this Agreement, there are no outstanding or authorized options, warrants, rights, subscriptions, claims of any character, agreements, obligations, convertible or exchangeable securities, or other commitments, contingent or otherwise, relating to the membership interests of CITERCO pursuant to which CITERCO is or may become obligated to issue membership interests or any securities convertible into, exchangeable for, or evidencing the right to subscribe for, any interest of CITERCO, and there are no outstanding agreements affecting or relating to the voting, issuance, purchase, redemption, repurchase or transfer of the CITERCO Interests.

(e) Except for (i) assets disposed of in the ordinary course of business consistent with past practice subsequent to the Execution Date or which were disposed of in such a manner prior to the Effective Time and (ii) the Excluded Assets, the Transferred Assets include all material assets which would be reasonably required to conduct the Business immediately following the Effective Time substantially in the manner in which the Business is currently conducted by Seller in all material respects.

(f) All Inventory (including crude oil, feedstocks, and finished petroleum products) meet their respective specifications and other supplies are merchantable or if purchased by specification, met those specifications.

(g) To the Knowledge of Seller, Seller's current use and occupancy of the Real Property, and the operation of the Business as currently conducted thereon, does not violate or breach in any material respect any Easement.

(h) Seller is not a "foreign person" but is a "United States person" as such terms are defined in Sections 1445 and 7701 of the Code.

Section 3.8 Material Contracts.

(a) Except for the Contracts listed in Section 3.8(a) of the Seller Disclosure Schedule (collectively with the CITERCO Agreements, the "Material Contracts"), and except for this Agreement, neither Seller nor CITERCO is a party to or bound by any of the following:

(i) any Contract for the purchase or sale of feedstocks, intermediate stocks or refined products that will not be terminated prior to the Effective Time, cannot be terminated on less than ninety (90) days notice and (A) provides for forward physical delivery on a date more than ninety (90) days in the future or (B) provides for the future payment by or to Seller or CITERCO of more than $5,000,000;

(ii) any Contract for the supply of goods or services to or by Seller or CITERCO not covered in any other paragraph of this Section 3.8(a) that will not be terminated prior to the Effective Time, cannot be terminated on less than ninety (90) days notice and provides for future payments by or to Seller or CITERCO of more than $5,000,000;

(iii) any Contract for the sale of any asset by Seller not covered in any other paragraph of this Section 3.8(a) that cannot be terminated on less than ninety (90) days notice and provides for the future payment by or to Seller or CITERCO of more than $1,000,000;

(iv) any Contract that provides for the sale of any material assets of Seller or CITERCO or the acquisition of any material assets, other than Inventory in the ordinary course of business consistent with past practice;

(v) any Contract that grants to any Person a preferential right to purchase any of the Transferred Assets or any of CITERCO's assets;

(vi) any Contract that grants to any Person a right to occupy or use any portion of the Transferred Assets (or any portion of the premises or other assets covered by any lease or other agreement constituting part of the Transferred Assets);

(vii) Any Contract relating to the storage, terminaling or transportation (including any lease, service agreement or other Contract relating to Seller's use of railcars or similar equipment) of Inventory or any other feedstocks, intermediate stocks, refined products or other goods, in each case whether by or for Seller or CITERCO or otherwise relating to any of the Transferred Assets (or any portion of the premises or other assets covered by any lease or other agreement constituting part of the Transferred Assets);

(viii) any Contract that would restrict Buyer from owning, operating, selling, transferring, pledging or otherwise disposing of or encumbering any of the Transferred Assets or the CITERCO Agreements or from competing with any Person or engaging in any business or activity in any geographic area;

(ix) any license, royalty or other Contract constituting, governing or relating to Intellectual Property;

(x) any joint venture, partnership or alliance Contracts;

(xi) any Contracts (i) containing any so-called "most favored nation" provisions or any similar provision requiring Seller or CITERCO to offer a third party terms or concessions at least as favorable as offered to one or more parties or (ii) containing any so-called "change of control" provisions;

(xii) any Contracts with clients, customers or any other Person for the sharing of fees, the rebating of charges or purchase price or other similar arrangements other than consistent with general industry practice;

(xiii) any Contracts that contain restrictions with respect to payment of dividends or any other distribution in respect of the CITERCO Interests;

(xiv) any Contract that relates to the employment of any employee or would require the payment of severance or bonus by Buyer or CITERCO to any employee, including any severance obligation that may be required under any collective bargaining agreement;

(xv) any Contract relating to any indebtedness of CITERCO or to be assumed by Buyer hereunder, whether or not evidenced by a note, bond, debenture or similar instrument;

(xvi) any collective bargaining agreement or other Contract with a labor union;

(xvii) any Contract with any Affiliate of Seller; and

(xviii) any Contracts material to the Business or operations of Seller or CITERCO.

(b) Except as set forth in Section 3.8(b) of the Seller Disclosure Schedule:

(i) All of the Material Contracts are valid and binding agreements in full force and effect and enforceable in accordance with their respective terms. The enforceability of such Material Contracts will not be affected in any manner by the execution and delivery of this Agreement or any of the Seller Transaction Documents or the consummation of the transactions contemplated hereby and thereby.

(ii) Neither Seller nor CITERCO has breached the terms of any Material Contract. Each Material Contract is in full force and effect, and none of Seller, CITERCO or, to the Knowledge of Seller, any other party thereto has failed to perform its obligations thereunder to date.

(iii) To the Knowledge of Seller, no event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time) would reasonably be expected to result in a breach or violation of, or a default under, the terms of any Material Contract.

(iv) Neither Seller nor CITERCO is providing any additional products or services, without charge, to any customer covered by any of the Material Contracts. Complete and accurate copies of each of the Material Contracts, including any amendments or modifications thereto, have been provided, or made available, to Buyer.

Section 3.9 Authorizations. Except with respect to matters subject to Section 3.11, (a) Seller and CITERCO have obtained all material Authorizations that are necessary to carry on the Business as currently conducted, (b) no event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time) would reasonably be expected to constitute or result in a material violation by Seller or CITERCO of, or a failure on the part of Seller or CITERCO to comply in any material respect with the terms of, any such Authorization, (c) neither Seller nor CITERCO has received from any Governmental Authority written notification that any such Authorization (i) is not in full force and effect, (ii) has been violated in any respect, or (iii) is subject to any suspension, revocation, modification or cancellation, and (d) there is no Litigation pending or, to the Knowledge of Seller or CITERCO, threatened regarding suspension, revocation, adverse modification or cancellation of any such Authorization.

Section 3.10 Compliance with Laws. Except for matters that are described in Section 3.10 of the Seller Disclosure Schedule, for the preceding three (3) years, except with respect to matters subject to Section 3.11, to the Knowledge of Seller: (i) each of Seller and CITERCO has been in compliance in all material respects with all applicable Laws, (ii) neither Seller nor CITERCO has received any written notification from any applicable Governmental Authority asserting that it is not in material compliance with any applicable Laws, and (iii) no event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time) would reasonably be expected to constitute or result in a material failure of Seller or CITERCO to comply with the terms of any applicable Law.

Section 3.11 Environmental. Except for matters that are described in Section 3.11 of the Seller Disclosure Schedule, to the Knowledge of Seller:

(a) For the preceding three (3) years, Seller, CITERCO, the Transferred Assets, the CITERCO Agreements and the Business have been in material compliance with all applicable Environmental Laws;

(b) all Environmental Permits required to be obtained or filed by or complied with by Seller under any applicable Environmental Law currently in effect in connection with the Business as currently conducted, including those relating to Hazardous Materials, have been duly obtained or filed for, and Seller is in material compliance with the terms and conditions of all such Environmental Permits; and

(c) none of the Real Property is the subject of (i) any outstanding order or judgment or arbitration award from any Governmental Authority under any applicable Environmental Laws requiring remediation or similar actions, the payment of a fine or penalty, or the performance of any Corrective Action or environmental project, or (ii) any investigation or other Litigation that might result in any of the foregoing, except for the requirements of ISRA at the Paulsboro Refinery;

(d) for the preceding three (3) years, there has been no reportable Release of Hazardous Materials or disposal of any Hazardous Materials by Seller at, on, or underlying any of the Real Property that is subject to any remedial obligations under any applicable Environmental Laws;

(e) there is no pending or, to the Knowledge of Seller, threatened Litigation against Seller under any applicable Environmental Law relating to the Business or any of the Real Property;

(f) Seller has provided Buyer access to or copies of all soil and groundwater investigation reports that are in Seller's or CITERCO's custody or control that were prepared during the three (3) years prior to the date hereof.

Section 3.12 Litigation. Except as set forth in Section 3.12 of the Seller Disclosure Schedule, there is no material Litigation pending or, to the Knowledge of Seller, threatened against Seller or CITERCO, including any Litigation involving a claim for indemnification pursuant to any statute, organizational document or contract relating to any other Litigation. To the Knowledge of Seller, neither Seller nor CITERCO has any material Commercial Matters.

Section 3.13 Labor Matters.

(a) Except as set forth in Section 3.13 of the Seller Disclosure Schedule, there are no strikes, labor disputes, unfair labor practices, slow downs or work stoppage or similar material labor difficulty pending or, to Seller's Knowledge, threatened against Seller ,and there have been no such strikes, labor disputes, unfair labor practices, slow downs, picketing or work stoppage or similar material labor difficulty during the past two (2) years. There is not presently pending or existing, and to the Knowledge of Seller there is not threatened any application for certification of a collective bargaining agent. There is currently no lockout of any employees by Seller, and to the Knowledge of Seller no such action is contemplated by Seller. Seller has not materially breached or otherwise failed to comply in any material respect with any provision of any collective bargaining agreement and will not because of the transaction(s) contemplated by this Agreement or otherwise. Except for the CBA as set forth in Schedule 1.1(b), Seller is not a party to any collective bargaining agreement covering Seller's employees. Seller has not received written notice of any pending representation petition with the National Labor Relations Board regarding Seller's employees.

(b) The Union Employees are represented by the Union. No other Employees are represented by a union.

Section 3.14 Intellectual Property.

(a) Section 3.14 of the Seller Disclosure Schedule sets forth a list of all registered and unregistered patents, patent rights, patent applications, inventions upon which patent applications have not yet been filed, trade names, trademarks, service marks, trademark and service mark registrations and applications, logos, copyrights (whether or not registered), copyright registrations and applications, and software and computer programs (other than "shrink-wrap" licensed software) presently owned, possessed, licensed, sublicensed or used by Seller and/or CITERCO in the conduct of the Business ("Intellectual Property"). Set forth in Section 3.14 of the Seller Disclosure Schedule opposite each item of Intellectual Property listed thereon are, to the Knowledge of Seller, the names and addresses of the true and correct owners thereof. Seller and CITERCO have valid and enforceable rights to utilize in the Business as presently operated the Intellectual Property respectively owned by or licensed by them from any

other Person, free and clear of any Liens or right of termination, and without payment to any Person other than payments required pursuant to the terms of those licenses listed in Section 3.14 of the Seller Disclosure Schedule.

(b) Each of Seller and CITERCO has taken reasonable precautions to protect its rights in and to the Intellectual Property owned by it including maintaining the confidentiality of trade secrets, pending patent applications, know-how and other confidential Intellectual Property.

(c) (i) Nothing has come to the attention of either Seller or CITERCO, without any independent investigation on the part of either of them, that would lead either of them to believe that any Person has infringed on the respective Intellectual Property owned by them or that there has been unlawful use by any Person of any of the respective Intellectual Property owned by them; (ii) neither Seller nor CITERCO have, in the ownership or use of the Intellectual Property, infringed, or unlawfully used the Intellectual Property and (iii) the Intellectual Property owned by Seller and CITERCO does not infringe the patents, trade names, trademarks, logos, copyrights or other proprietary rights of any Person.

Section 3.15 Tax Matters. Except as set forth in Section 3.15 of Seller Disclosure Schedule:

(a) CITERCO has timely filed, or there have been timely filed on CITERCO's behalf, all material returns, declarations, reports, estimates, information returns and statements required to be filed in respect of Taxes ("Tax Returns"); and

(b) All Taxes payable with respect to such material CITERCO Tax Returns have been paid. To the Knowledge of Seller, all such material CITERCO Tax Returns were correct and complete in all material respects and were prepared in substantial compliance with all applicable laws and regulations. To the Knowledge of Seller, no claims have ever been made by an authority in a jurisdiction where CITERCO does not file Tax Returns that CITERCO is or may be subject to taxation by that jurisdiction.

(c) Section 3.15 of the Seller Disclosure Schedule lists all material federal, state, local and foreign Tax Returns filed with respect to CITERCO for the 2004 to 2006 taxable years and indicates those Tax Returns that have been audited, and indicates those Tax Returns that currently are the subject of audit.

(d) Effective January 1, 2004 and for all taxable years thereafter, CITERCO has been treated as a disregarded entity within the meaning of Treasury Regulation § 301.7701-3.

(e) There are no Liens, other than Permitted Liens, on any of the Transferred Assets that arose in connection with any failure (or alleged failure) to pay any Tax.

Section 3.16 Employee Benefits. Seller has provided all material information regarding the level of employee benefits currently being provided to its Employees under the Seller Benefit Plans.

Section 3.17 No Knowledge of Breach. To the Knowledge of Seller, Buyer is not in breach in any material respect, as of the date hereof, of any of the representations or warranties of Buyer contained in this Agreement. Except as set forth in Section 3.17 of the Seller Disclosure Schedule all information and data that have been or will be made available by Seller or their representatives or advisors to Buyer (whether prior to or on or after the date hereof) in the Data Site, is and will be complete and correct in all material respects and does not and will not, taken as a whole, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements are made.

Section 3.18 Customer and Supplier Relations. Since December 31, 2006, there has not been any adverse change in the relationships between either Seller or CITERCO and any of its material suppliers or customers. Since December 31, 2006, no material customer or supplier of Seller or CITERCO has terminated or reduced its business with Seller or CITERCO and no oral or written notice of termination or cancellation or indication of an intention to terminate or cancel any of such relationships with such customer or suppliers has been given or received. Section 3.18 of the Seller Disclosure Schedule is a list, together with a brief description, of all material complaints and disputes with any of Seller's or CITERCO's customers or suppliers since December 31, 2006 or that were made prior to such date and remain unresolved to the satisfaction of such customer or supplier. Each Contract entered into by Seller or CITERCO with any of its customers or suppliers has been entered into in the ordinary course of business consistent with past practice.

Section 3.19 Books and Records. The minute books of CITERCO contain accurate and complete records of substantially all meetings held of, and corporate action taken by, CITERCO's managers, members and/or other governing authorities.

Section 3.20 Certain Payments. Neither Seller, CITERCO nor any officer, agent or employee of Seller or CITERCO, nor any other Person associated with or acting for or on behalf of Seller or CITERCO, has directly or indirectly (a) made, offered or agreed to offer any contribution, gift, bribe, rebate, payoff, influence payment, kickback or other payment to any Person, private or public, regardless of form, whether in money, property or services (i) to obtain favorable treatment in securing business, (ii) to pay for favorable treatment for business secured, (iii) to obtain special concessions or for special concessions already obtained, for or in respect of Seller, CITERCO or any of their respective Affiliates or (iv) in violation of any Law or (b) established or maintained any fund or asset that has not been recorded in the Books and Records of Seller or CITERCO, as applicable.

Section 3.21 Insurance. Seller and CITERCO have each maintained, and as of the date hereof have in effect, such policies of property, casualty, workers' compensation, general liability and other insurance, including, without limitation, group insurance and other life, health, disability or other insurance for the benefit of employees or their dependents or both as are required by Law or any Contract to which it is a party and are adequate and appropriate with respect to the Business. Set forth in Section 3.21 of the Seller Disclosure Schedule is a complete list, with a summary thereof, of all insurance policies that Seller and CITERCO maintain with respect to the Business or their respective properties or employees, which insurance policies are in full force and effect. During the last three (3) years, there has not been any material adverse change in the relationship of Seller or CITERCO with its insurers or in the premiums payable pursuant to its insurance policies.

Section 3.22 Assumed Contracts.

(a) To the Knowledge of Seller, Section 3.22 of the Seller Disclosure Schedule sets forth all Assumed Contracts.

(b) Each of the Assumed Contracts to which Seller is a party is fully assignable (effective as of the Effective Time), by Seller to Buyer.

Section 3.23 No Material Adverse Effect. Since December 31, 2006, there has been no Material Adverse Effect.

Section 3.24 Disclosure. Neither this Agreement, nor any Schedule, Exhibit or certificate delivered in accordance with the terms hereof or any document or statement in writing that has been supplied by or on behalf of Seller or CITERCO in connection with the transactions contemplated by this Agreement contains any untrue statement of a material fact or omits any statement of a material fact necessary in order to make the statements contained herein or therein not misleading.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller that all of the statements contained in this Article IV are true and correct as of the Execution Date, and will be true and correct as of the Closing Date as though made on and as of the Closing Date.

Section 4.1 Organization and Qualification. Buyer is a limited liability company duly organized and validly existing and in good standing under Delaware Law. Buyer has the requisite limited liability company power and authority to carry on its business as it is now being conducted. Buyer is duly qualified as a foreign limited liability company and in good standing in each jurisdiction where the character of its properties owned or held under lease or the nature of its activities makes such qualification necessary.

Section 4.2 Due Authority. The execution, delivery and performance of this Agreement and each document, instrument or agreement executed pursuant to this Agreement by Buyer (the “Buyer Transaction Documents”) and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary action, and no other action on the part of Buyer is necessary to authorize and approve the execution, delivery and performance of this Agreement or any Buyer Transaction Documents or the consummation of the transactions contemplated hereby and thereby. Buyer is not subject to any provision of its organizational documents or any order or decree of any court or governmental body which would prevent the consummation of the transactions contemplated by this Agreement or any Buyer Transaction Documents. This Agreement has been, and each Buyer Transaction Document will be, duly and validly executed by Buyer and, assuming the due authorization, execution, and delivery of this Agreement and each applicable Buyer Transaction Document by Seller, this Agreement constitutes, and each Buyer Transaction Document will constitute, the legal, valid

and binding obligation of Buyer enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency or other similar Laws affecting the enforcement of creditors' rights generally and except that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding therefor may be brought.

Section 4.3 Conflicts and Approvals. Assuming the accuracy of Seller's representations and warranties set forth in Section 3.4, as of the date hereof, neither the execution and delivery by Buyer of this Agreement nor the performance by Buyer of its obligations hereunder will, to the Knowledge of Buyer, (A) violate or breach the terms of or cause a default under (i) any Law applicable to Buyer, (ii) the organizational documents of Buyer or (iii) any contract or agreement to which Buyer is a party or by which it or any of its properties or assets is bound or (B), with the passage of time, the giving of notice or the taking of any action by a third Person, have any of the effects set forth in clause (A) of this Section 4.3, except for any matters described in this Section 4.3 that would not reasonably be expected to have a Buyer Material Adverse Effect.

Section 4.4 Litigation. There is no Litigation pending or, to the Knowledge of Buyer, threatened against Buyer except any Litigation that, individually or in the aggregate, would not reasonably be expected to have a Buyer Material Adverse Effect.

Section 4.5 No Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Buyer, except any fees and commissions for which will be discharged by Buyer.

Section 4.6 Availability of Funds. Buyer will at the Closing have sufficient immediately available funds, in cash, sufficient to pay the Purchase Price, as it may be adjusted pursuant to this Agreement.

Section 4.7 No Knowledge of Breach. To the Knowledge of Buyer, Seller is not in breach, as of the date hereof, of any of the representations or warranties of Seller contained in this Agreement.

ARTICLE V
PRE-CLOSING COVENANTS

Section 5.1 Operation of the Business. Except (i) as set forth on Schedule 5.1, (ii) as otherwise contemplated by this Agreement or (iii) as otherwise consented to by Buyer in writing, such consent not to be unreasonably withheld, from the Execution Date until the Closing, Seller shall (and, where applicable, shall cause CITERCO to):

(a) afford to Buyer and its agents, advisors and representatives reasonable access to Seller's and CITERCO's properties, personnel, documents and records, except those documents and records subject to attorney-client privilege or other confidentiality restrictions, and shall furnish such information about Seller and CITERCO as Buyer shall reasonably request, all upon reasonable notice to Seller and in a manner that does not interfere in any material respect with the normal operations of the Business;

(b) operate the Business in the ordinary course consistent with past practice or as otherwise provided on Schedule 5.1, including maintenance of Inventory in amounts consistent with past practice;

(c) keep and preserve the Business and the Transferred Assets in good condition and repair;

(d) operate the Business in all material respects in accordance with all applicable Laws currently in effect;

(e) timely file all Tax returns and all reports required to be filed with any Governmental Authority;

(f) use commercially reasonable efforts to preserve beneficial relationships with agents, lessors, suppliers, customers, employees and others having business relationships with Seller or CITERCO;

(g) refrain from making, or committing to make, any bonus, pension, retirement, welfare or insurance payment or arrangement to or with any such Persons except those that may have already been accrued, and bonus and insurance payments in the ordinary course of business and consistent with past practices;

(h) not incur any obligations for borrowed money or purchase money indebtedness, whether or not evidenced by a note, bond, debenture or similar instrument, nor enter into any guarantees, which indebtedness is secured by some or all of the Transferred Assets except indebtedness that will be paid in full at or prior to the Closing;

(i) not sell, assign, lease, mortgage, pledge, create or assume or permit to exist any Lien upon, any of Seller's or CITERCO's assets, except for Permitted Liens and sales of Inventory in the ordinary course of business;

(j) except in the ordinary course consistent with past practice, not destroy or remove any Books and Records;

(k) promptly notify Buyer of any material emergency or other material change in the Business or any of the Transferred Assets;

(l) not enter into any Contract other than in the ordinary course of business consistent with past practice or any Contract having a commitment for expenditure over $50,000;

(m) not amend, modify or terminate any Material Contract or Authorization, or otherwise waive, release or assign any material rights, Claims or benefits of Seller under any Material Contract or Authorization or enter into any derivative, option, hedge or futures contracts, except any derivative, option, hedge or futures contracts entered into in the ordinary course of business consistent with past practice;

(n) not make any capital expenditure or other commitment for expenditure over $50,000 for which Buyer would be responsible;

(o) maintain CITERCO's organizational documents in their form on the date of this Agreement;

(p) not adopt any Seller Benefit Plan;

(q) not hire or terminate any Employees except in the ordinary course of business consistent with past practices, and not enter into any Contract with any Employee (other than at-will employment arrangements); and

(r) not agree, resolve or commit to do any of the actions prohibited in Section 5.1 that would, or the effects of which would, survive the Closing.

Section 5.2 Appropriate Action; Consents; Filings. From the Execution Date until the Closing:

(a) Seller and Buyer shall each use commercially reasonable efforts to (i) take, or cause to be taken, all actions, and do, or cause to be done, all things that, in either case, are necessary, proper or advisable under applicable Law or otherwise to consummate and make effective the transactions contemplated by this Agreement, (ii) obtain from the relevant Governmental Authorities all Authorizations required to be obtained at or prior to the Closing by Seller or Buyer in connection with the authorization, execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, and (iii) make all necessary filings, including filings under the HSR Act, and thereafter make any other required submissions, with respect to this Agreement and the transactions contemplated hereby required under any applicable Law at or prior to the Closing. Buyer and Seller shall bear the costs and expenses of their respective filings; provided, however, that Buyer shall pay the filing fee in connection with any such filings. Seller and Buyer shall cooperate in connection with the making of all such filings, including by providing copies of all such documents to the non-filing party and its advisors prior to filing. Seller and Buyer shall each use commercially reasonable efforts to furnish or cause to be furnished all information required for any application or other filing to be made pursuant to any applicable Law in connection with the transactions contemplated by this Agreement.

(b) Seller and Buyer shall each timely give or cause to be given all notices to third Persons and use commercially reasonable efforts to obtain all Third-Party Consents and Authorizations (i) set forth on Schedule 2.4(a) and Schedule 2.4(b), as applicable, or (ii) required under any Assumed Contract in connection with the consummation of the transactions contemplated hereby.

(c) Seller and Buyer shall each give prompt notice to the other of the receipt of any written notice or other written communication from (i) any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated hereby, (ii) any Governmental Authority in connection with the transactions contemplated hereby, (iii) any Governmental Authority or other Person regarding the initiation or threat of initiation of any Claims against, relating to, or involving or otherwise affecting Buyer or Seller

that relate to the consummation of the transactions contemplated hereby, and (iv) any Person regarding the occurrence or nonoccurrence of any event the occurrence or nonoccurrence of which would be reasonably likely to (A) cause any condition to the obligations of the other party to consummate the transactions contemplated hereby not to be satisfied, (B) cause a breach of the representations, warranties or covenants of such party under this Agreement, or (C) delay or impede the ability of either Buyer or Seller, respectively, to consummate the transactions contemplated by this Agreement or to fulfill their respective obligations set forth herein. No delivery of any notice pursuant to clause (iv) of this Section 5.2(c) shall cure any breach of any representation, warranty or covenant of the party hereto giving such notice contained in this Agreement.

(d) Buyer and Seller each agree to cooperate and to vigorously contest and resist any administrative or judicial action, and to seek to have vacated, lifted, reversed or overturned any order (whether temporary, preliminary or permanent) of any court or other Governmental Authority that restricts, prevents or prohibits the consummation of the transactions contemplated by this Agreement, including the vigorous pursuit of all available avenues of administrative and judicial appeal. Buyer shall not be obligated to agree or consent to any material conditions upon its ability to acquire, own or operate the Transferred Assets or to agree to dispose of, hold separate or take any other action with respect to any material portion of the Transferred Assets.

Section 5.3 Breach Notice. Between the date of this Agreement and the Closing Date, Seller and Buyer shall each promptly notify (the "Breach Notice") the other party in writing if it obtains knowledge of any fact or condition that causes or constitutes a breach of any of its representations and warranties as of the date of this Agreement, or if it obtains knowledge of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause or constitute a breach of any of its representations or warranties had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition, such Breach Notice to be given within three (3) Business Days of such discovery or on the day prior to the Closing Date, whichever is earlier. The Breach Notice shall contain reasonable details regarding the alleged breach and the notifying party's good faith estimate of the potential Losses associated with such breach.

Section 5.4 Title Matters Related to the Real Property.

(a) Buyer may obtain for its own benefit one or more standard commitments for title insurance covering the Real Property (collectively, the "Title Commitment") and effective as of a date which is on or prior to the Closing Date. The Title Commitment shall be issued by Fidelity National Title Insurance Company – National Title Services, 1900 West Loop South, Suite 650, Houston, Texas, 77027 (the "Title Company"). Buyer in its sole discretion may obtain any such extended coverage or endorsements from the Title Company covering the Real Property as it desires, the expense for same being solely Buyer's, provided that Seller shall reasonably cooperate with same. If Buyer elects to purchase a title insurance policy pursuant to the Title Commitment, Buyer shall be responsible for paying the premium therefor. Seller agrees to deliver to Buyer within fifteen (15) Business Days after the date of this Agreement, copies of all prior title reports and commitments and title insurance policies, surveys, plats and site plans of the Real Property, in Seller's or any of its Affiliates' possession or control (the "Exception Documents"). Buyer may obtain, at its cost, current new or recertified surveys of the Real Property (collectively, the "Survey"), and Seller will reasonably cooperate with same.

(b) Buyer shall have ten (10) Business Days after its receipt of the last of the Title Commitment, the Survey or the Exception Documents to object to any issue disclosed therein or otherwise discovered by Buyer, relating to title to the Real Property (an "Objection"), except that Buyer may not object to any Permitted Liens. Buyer shall make any Objection by delivering to Seller written notice of such Objection. Seller shall have the option to (i) cure the Title Objections, in which case Seller will provide Buyer with notice of its intention to cure the same seven (7) Business Days of receipt of notice of Buyer's Title Objections. Seller will thereafter have an opportunity, at its expense, to remove or cure such Title Objections within sixty (60) days following receipt of written notice from Buyer identifying the Title Objections (the "Title Cure Period"), or (ii) reimburse Buyer for any increase in title insurance premiums caused by Seller's failure to cure the Title Objections to the extent that the Title Company agrees to insure over such Title Objections if such additional premiums are paid; it being understood that Buyer shall consult with the Title Company prior to the commencement of the Title Cure Period and promptly notify Seller if the Title Company has refused to insure over any Title Objection and, if the Title Company has agreed to insure over such Title Objections, the amount of the premium associated therewith. If Seller declines to or cannot cure all Title Objections within the Title Cure Period, or address uncured Title Objections pursuant to clause (ii) immediately above, then Buyer may elect to terminate this Agreement by written notice to Seller, with neither party having any further obligations to the other hereunder, except as provided in Section 9.2; provided that Buyer's termination right in this regard shall not accrue unless and until the aggregate estimated amount of Losses associated with any and all uncured Title Objections exceeds $10,000,000. If Buyer does not exercise its termination right under this Section 5.4, or if such termination right does not accrue, then Buyer will be deemed to have waived any uncured Title Objections and shall proceed with Closing, subject to ARTICLE VIII.

Section 5.5 Right of Entry. Promptly following the Execution Date and until the Closing Date (or the earlier termination of this Agreement), upon Buyer's reasonable request, Seller shall permit representatives, consultants or other Persons acting by or on behalf of Buyer ("Diligence Representatives"):

(a) to have reasonable access (at reasonable times, upon reasonable advance notice and in a manner so as not to interfere unduly with the business operations of Seller or CITGO) to Seller, CITGO and their respective agents and employees, and to the premises of the Business and the CITGO Records, and to CITGO IT systems personnel in order to commence the IT migration process, insofar as such access would not (i) violate any legal constraints or any legal obligation, (ii) waive any attorney/client, work product or like privilege, (iii) disclose information about the activities of Seller or CITGO that is unrelated to the operation of the Transferred Assets or (iii) disclose information regarding Seller's and CITGO's auction process regarding the Transferred Assets; and

(b) subject to any required consent of any third Person and upon reasonable advance notice to Seller, to conduct at reasonable times, in the presence of representatives of Seller, reasonable inspections of the Transferred Assets; provided, however, that neither Buyer nor its Due Diligence Representatives shall be permitted to conduct any environmental testing or sampling without prior written consent of Seller.

Buyer hereby acknowledges that any access to the Transferred Assets utilized by Buyer or any Diligence Representative shall be at the sole risk, cost and expense of Buyer. Buyer shall comply with, and shall ensure that each Diligence Representative complies with, all safety and similar requirements customarily imposed by Seller on its properties; provided, that Seller has provided to Buyer a description of such safety and other requirements. Before and after the Closing, Buyer shall assume and indemnify, defend and hold harmless the Seller Indemnitees from and against any and all Claims for personal injury, death or property damage arising out of Buyer's or any Diligence Representative's entry upon or access to the Transferred Assets and all Losses incurred by the Seller Indemnitees with respect to each such Claim, IN EACH CASE REGARDLESS OF THE NEGLIGENCE OR OTHER FAULT (OTHER THAN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE SELLER INDEMNITEES OR ANY EMPLOYEE OF ANY SUCH PERSON) OF THE SELLER INDEMNITEES OR ANY EMPLOYEE OF ANY SUCH PERSON.

Section 5.6 Condition of Transferred Assets. In consummating the purchase and the sale of the Transferred Assets contemplated hereunder, Buyer acknowledges that it will become the owner of the Transferred Assets and Buyer accepts the Transferred Assets in their AS-IS, WHERE-IS CONDITION WITH ALL FAULTS, WITHOUT ANY EXPRESS OR IMPLIED COVENANT, WARRANTY AS TO TITLE, CONDITION (INCLUDING ANY ENVIRONMENTAL CONDITION), MERCHANTABILITY, PERFORMANCE, FITNESS (BOTH GENERALLY AND FOR ANY PARTICULAR PURPOSE) OR OTHERWISE (WHICH WARRANTIES SELLER HEREBY EXPRESSLY DISCLAIMS), OR RECOURSE, OTHER THAN AS EXPRESSLY SET FORTH HEREIN.

Section 5.7 Independent Investigation. Buyer acknowledges and affirms that (i) it has had full access to the extent it deems useful or necessary to all information and materials made available by Seller and its representatives during the course of Buyer's due diligence investigation of Seller, and (ii) it has had access to the personnel, officers, professional advisors, operations and records of Seller. As of the Closing, Buyer will have completed its independent investigation, verification, analysis, review and evaluation of this Agreement, the Other Agreements, the Transferred Assets and Seller, as Buyer has deemed necessary or appropriate. EXCEPT FOR THE REPRESENTATIONS EXPRESSLY MADE BY SELLER HEREIN , IN Article III, OR IN ANY CERTIFICATE, AGREEMENT OR INSTRUMENT TO BE DELIVERED PURSUANT HERETO, BUYER ACKNOWLEDGES AND AGREES THAT (a) THERE ARE NO REPRESENTATIONS, WARRANTIES, STATEMENTS, ASSURANCES OR GUARANTEES MADE BY SELLER, EXPRESS OR IMPLIED, AS TO (i) THE TRANSFERRED ASSETS, OR (ii) THE OBLIGATIONS, BUSINESS, RESULTS OF OPERATIONS, CONDITION (FINANCIAL, ENVIRONMENTAL OR OTHERWISE) OR PROSPECTS RELATING TO THE BUSINESS, AND THAT IN MAKING ITS DECISION TO ENTER INTO THIS AGREEMENT AND TO CONSUMMATE THE PURCHASE OF THE TRANSFERRED ASSETS AND THE ASSUMPTION OF THE ASSUMED OBLIGATIONS, BUYER HAS RELIED AND WILL RELY SOLELY UPON ITS OWN INDEPENDENT INVESTIGATION, VERIFICATION, ANALYSIS AND EVALUATION;
(b) SELLER DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION,

WARRANTY, STATEMENT OR INFORMATION ORALLY OR IN WRITING MADE OR COMMUNICATED TO BUYER INCLUDING ANY OPINION, INFORMATION OR ADVICE WHICH MAY HAVE BEEN PROVIDED TO BUYER BY SELLER OR ANY OF ITS AFFILIATES (INCLUDING ANY BACKCAST DATA OR MODELS PROVIDED BY SELLER, WHICH HAVE BEEN PROVIDED FOR ILLUSTRATION PURPOSES ONLY, ANY OTHER INFORMATION PROVIDED IN THE CONFIDENTIAL INFORMATION MEMORANDUM DATED WINTER 2007, AS SUPPLEMENTED TO THE DATE OF THIS AGREEMENT, ANY CORRESPONDENCE FROM SELLER OR ANY OF ITS AFFILIATES OR FROM UBS SECURITIES LLC AS SELLER'S ADVISOR, ANY PRESENTATION BY THE MANAGEMENT OF SELLER OR ANY OF ITS AFFILIATES AND ANY INFORMATION, DOCUMENT OR MATERIAL PROVIDED OR MADE AVAILABLE TO BUYER, OR STATEMENTS MADE TO BUYER DURING SITE OR OFFICE VISITS, IN ANY DATAROOMS OR MANAGEMENT PRESENTATIONS); (c) NEITHER SELLER NOR ANY OF ITS AFFILIATES HAVE MADE, AND SELLER HEREBY EXPRESSLY DISCLAIMS AND NEGATES, ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, FITNESS (BOTH GENERALLY AND FOR A PARTICULAR PURPOSE), OR CONFORMITY TO MODELS OR SAMPLES AND ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, RELATING TO THE TRANSFERRED ASSETS OR THE BUSINESS; AND (d) SELLER MAKES NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE USE OR CONDITION (INCLUDING ENVIRONMENTAL USE OR CONDITION), THE PRESENCE OR ABSENCE OF HAZARDOUS MATERIALS AT, ON OR UNDER ANY PORTION OF THE TRANSFERRED ASSETS, COMPLIANCE WITH APPLICABLE LAWS AND AUTHORIZATIONS.

Section 5.8 Supplement to Seller Disclosure Schedule. Seller may, from time to time prior to the Closing, and as promptly as reasonably practicable after its obtaining Knowledge thereof (but not later than three (3) days prior to the Closing except for matters that arise within three (3) days prior to the Closing), by written notice to Buyer, supplement or amend the Seller Disclosure Schedule to correct any matter that would constitute a breach of any representation or warranty of Seller in ARTICLE III, but only to the extent the necessity of such correction comes to the Knowledge of Seller after the date of this Agreement. For purposes of determining whether Buyer's conditions set forth in Section 8.3(a) have been fulfilled, the Seller Disclosure Schedule shall be deemed to include only that information contained therein on the Execution Date and shall be deemed to exclude all information contained in any supplement or amendment thereto, but if the Closing shall occur, then any matters disclosed to Buyer pursuant to any such supplement or amendment after the Execution Date and prior to the Closing shall be deemed to be subject to ARTICLE X.

Section 5.9 NSR Consent Decree.

(a) Buyer hereby acknowledges receipt of written notice of, and a copy of, the NSR Consent Decree.

(b) No later than thirty (30) days prior to Closing, Seller shall provide written notices of the transaction contemplated by this Agreement to the United States, the State of New Jersey, and the State of Georgia as required by Paragraph 6 of the NSR Consent Decree.

(c) Buyer shall assume those responsibilities of the NSR Consent Decree that are required after the Effective Time that concern the Paulsboro Refinery or the Savannah Refinery, including, without limitation, installation of the qualifying NO_x controls as required by Paragraph 54 of such decree. Prior to Closing, Seller and Buyer each shall cooperate and work together to reach agreement on a motion to the Court having jurisdiction over the NSR Consent Decree to modify the NSR Consent Decree (the "NSR CD Modification") as contemplated under Paragraph 7 of such decree and seek approval of such modification by such Court. The NSR CD Modification shall be in substantially the form provided in Exhibit K.

(d) If the parties hereto fail to receive the requested NSR CD Modification from the Court, then Buyer shall perform on Seller's behalf Seller's NSR Consent Decree obligations as such obligations concern the Paulsboro Refinery or the Savannah Refinery. If Buyer fails to perform hereunder, Seller shall have the right, upon written notice to Buyer, to undertake such actions as it deems necessary or appropriate to remedy Buyer's failure to perform and Buyer shall reimburse Seller for all Seller's reasonable costs and expenses in undertaking such remedy.

Section 5.10 ISRA.

(a) Seller shall comply with all obligations imposed by ISRA prior to Closing. Such obligations shall include, without limitation, preparation and submission, within the timeframes established by ISRA and the regulations promulgated pursuant to ISRA, any and all filings required by the NJDEP to allow the transaction to proceed under ISRA, including a General Information Notice as defined in ISRA but excluding the ISRA-related documents to be prepared and submitted to NJDEP by Buyer pursuant to Section 5.10(b). Seller shall provide Buyer drafts of such documents three (3) Business Days prior to submitting such documents to NJDEP. Seller and Buyer shall each work together to reach agreement on such documents prior to submittal of such documents to NJDEP by Seller.

(b) Notwithstanding the provisions of Section 5.10(a) above, Buyer shall make timely application for a Remediation Agreement, or if there is an existing Remediation Agreement applicable to the Paulsboro Refinery, an Amendment to that Remediation Agreement designating Buyer as the responsible party under the Remediation Agreement and which, once executed, allows the parties hereto to complete the transactions contemplated by this Agreement pursuant to the requirements of ISRA. Buyer shall provide Seller drafts of such documents ten (10) days prior to submitting such documents to NJDEP and Seller and Buyer shall each work together to reach agreement on such documents prior to submittal of such documents to NJDEP by Buyer. Buyer shall submit the Remediation Agreement to NJDEP for approval at least fifteen (15) Business Days prior to the Closing. Except for Buyer's costs to prepare and submit such documents to the NJDEP, Buyer's costs and expenses that relate to the Remediation Agreement or any remediation activity conducted pursuant to ISRA and this Agreement shall be considered costs and expenses for conditions that existed at the Transferred Assets prior to the Effective Time and shall apply to Buyer's rights of indemnification pursuant to Section 10.2(b).

(c) Buyer shall be responsible for and shall establish and maintain a Remediation Funding Source as NJDEP may require in accordance with N.J.A.C. 7:26C-7.

(d) Seller shall assist and fully cooperate with, in a prompt and timely manner, Buyer's reasonable requests in connection with satisfying the terms of any such Remediation Agreement and performing any obligations under or complying with all other directives, orders or requirements of ISRA relating to the Transferred Assets.

(e) As the designated responsible party in the Remediation Agreement, Buyer shall perform all necessary work in order to satisfy the terms of the Remediation Agreement. If NJDEP fails to designate Buyer as the responsible party in the Remediation Agreement and Seller remains the person responsible for ISRA compliance, Buyer shall assume all of Seller's obligations and responsibilities as if designated the responsible party in the Remediation Agreement. Buyer shall cooperate fully with Seller regarding Seller's performance of said ISRA obligations Upon request, Buyer shall supply Seller with copies of all reports or other documentation related to the Remediation Agreement or other environmental obligations of Seller related to ISRA. If Buyer fails to perform hereunder, Seller shall have the right, upon written notice to Buyer, to undertake such actions that are necessary or appropriate to comply with ISRA and Buyer shall reimburse Seller for all Seller's costs and expenses in undertaking such remedy, including, without limitation, Seller's costs and expenses associated with Buyer's failure to promptly fulfill its obligations under this Section 5.10 including Buyer's obligations to comply with all ISRA requirements related thereto. If related to this Section 5.10 ISRA and Buyer's failure to perform hereunder, Seller's costs shall include, without limitation, any fines and penalties imposed by Governmental Authority on Seller and Seller's attorney and consultant costs to defend against allegations of such non-compliance.

Section 5.11 Exclusivity. From and after the Execution Date through and including the earlier to occur of (a) a termination of this Agreement and (b) the Effective Time, Seller shall (a) terminate all discussions and negotiations with others regarding a sale or other transaction involving any of the Transferred Assets, the equity interests (whether newly issued or currently outstanding) of Seller or CITERCO, any merger, business combination or recapitalization involving Seller or CITERCO, the liquidation, dissolution or reorganization of Seller or CITERCO, or any similar transaction (each, a "Possible Alternative"); and (b) Seller shall not, directly or indirectly, nor shall it authorize any of its Affiliates, officers, directors or employees, or any investment banker, financial advisor, attorney, accountant or other representative retained by it, and shall advise each of such persons not, (i) to solicit, initiate, encourage (including by way of furnishing information or assistance), conduct discussions regarding or engage in negotiations regarding or take any other action to facilitate, the making of any proposal which constitutes or may reasonably be expected to lead to a Possible Alternative, (ii) to enter into an agreement (including any confidentiality agreement, letter of intent or similar document) with any person, other than Buyer, providing for or relating to a Possible Alternative or (iii) to make or authorize any statement, recommendation or solicitation in support of any Possible Alternative by any Person, other than by Buyer. If any such inquiries or proposals are received by, any such information is requested from, or any such negotiations or discussions are sought to be initiated or continued with, Seller or any of its representatives, then Seller shall promptly notify Buyer of the nature and terms of any of the foregoing and the identity of the parties involved.

ARTICLE VI
EMPLOYEE MATTERS

Section 6.1 Employees.

(a) Schedule 6.1 contains a list of all employees of Seller (collectively, the "Employees"), including employees who are receiving disability benefits or are on family, medical, administrative, military, or any other type of leave that entitles the employee to reinstatement upon completion of the leave under the applicable leave policies of Seller (collectively, "Leave"), and each such Employee's date of hire, position, base salary or wages, and status as active or on Leave. For each Employee on Leave, Schedule 6.1 specifies the type or reason for the Leave and the date such Employee is expected to return to work. Schedule 6.1 sets forth both Employees represented by the United Steelworkers of America, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, United Steel Workers Local 2-911 and United Steel Workers Local 3-673 (collectively, the "Union," and the Employee membership of the Union, "Union Employees") and Employees not represented by the Union ("Non-Union Employees"). Seller shall provide Buyer with an updated Schedule 6.1 as necessary at any time prior to Closing to reflect any and all employment changes.

(b) Nothing herein shall be deemed to prevent or preclude Seller, with Buyer's prior written consent, from granting salary, bonus, or benefit increases in accordance with its normal business practices prior to the Effective Time.

Section 6.2 Employment Offers. Prior to the Effective Time, Buyer or its Affiliate shall offer employment, effective as of the Employee Transfer Time, to substantially all of those Non-Union Employees and Union Employees set forth on Schedule 6.2(a) with salaries and benefits that are substantially the same as those enjoyed by current Buyer employees with similar duties and responsibilities. Also prior to the Effective Time, Buyer or its Affiliate may interview the Employees set forth on Schedule 6.2(b) for the purpose of determining whether, in Buyer's sole discretion, Buyer or its Affiliate desires to offer employment to such Employees. Buyer shall have no obligation to offer employment to any Employee set forth on Schedule 6.2(a) or Schedule 6.2(b) that is on Leave at the Effective Time, other than as required by Law. The consummation of any offer shall be subject to compliance with Buyer's applicable policies, procedures and requirements relating to drug testing and criminal background checks. All Employees who accept employment with and become employees of Buyer as of the Employee Transfer Time pursuant to the offers described in this Section 6.2 are referred to herein as "Transferred Employees." Transferred Employees who are Union Employees are also referred to herein as "Union Transferred Employees," and Transferred Employees who are Non-Union Employees are referred to herein as "Non-Union Transferred Employees." Nothing in this Agreement shall affect Buyer's right to change the terms of employment or terminate the employment of any Transferred Employee on or after the date he or she becomes Buyer's employee, with or without cause. Buyer will give each Non-Union Employee and each Union Employee no less than seven (7) days in which to accept or reject Buyer's employment offer.

Section 6.3 Transfer Time. All Transferred Employees shall become employees of Buyer as of the time (the "Employee Transfer Time") that is the later of (x) 12:01 a.m. on

March 31, 2008, and (y) the Effective Time, and except as otherwise provided herein, at such time, Buyer shall assume and be responsible for payment of all salaries and benefits, and all other costs and liabilities, relating to the period from and after the Employee Transfer Time relating to the Transferred Employees, except that with regard to an Employee on Leave to whom Buyer makes an employment offer, such obligations shall not attach unless and until the Employee on Leave commences employment with Buyer.

Section 6.4 Level of Employee Benefits Provided by Buyer.

(a) From and after the Employee Transfer Time until December 31, 2008, Buyer shall provide to all Transferred Employees employee benefits that are substantially similar to the employee benefits Buyer provides to its similarly situated employees.

(b) Transferred Employees shall be credited with all years of service for which each such Employee was credited before the Employee Transfer Time under all Buyer Plans applicable to such Employee, but in no event shall Buyer have any obligation to recognize such years of service for benefit accrual in any Buyer Plans.

(c) A Transferred Employee's unused vacation and short-term leave entitlement immediately prior to the Employee Transfer Time under the vacation or short term leave policy applicable to such Transferred Employee immediately prior to the Employee Transfer Time shall be recognized by Buyer following the Employee Transfer Time. At the Employee Transfer Time, Seller shall pay to Buyer an amount in cash equal to the aggregate amount, determined in accordance with GAAP, of the Transferred Employees' unused vacation and short-term leave entitlement immediately prior to the Employee Transfer Time (after giving effect to the Assumed Vacation).

Section 6.5 Buyer's Adoption of the Collective Bargaining Agreements. Buyer will recognize the Union as the exclusive representative of the Union Transferred Employees and will adopt the CBAs provided, however, that Buyer will not adopt the provisions of the CBAs as they relate to employee benefits including health and welfare, sickness and disability, and pension benefits. Pursuant to Article XXVI of the Paulsboro CBA listed in Schedule 1.1(b), Seller acknowledges its obligation to and shall, upon the Closing Date, satisfy or otherwise settle its obligations required by Article XXVI of the Paulsboro CBA.

Section 6.6 WARN Act.

(a) Seller shall be solely responsible for and subject to any and all liabilities in connection with the performance and discharge of all obligations or requirements under the WARN Act and under applicable state and local Laws and regulations that may arise on or prior to the Closing Date.

(b) Buyer shall not engage within sixty (60) days following the Closing Date in a "plant closing" or "mass layoff" as such terms are defined in the WARN Act. Buyer shall pay all severance payments, damages for wrongful dismissal and related costs with respect to the termination of any Transferred Employee after the Effective Time, including any severance payments under Buyer Plans regarding severance.

Section 6.7 No Employee Rights. Nothing contained herein shall (i) confer upon any former, current or future employee of Seller or Buyer or any legal representative or beneficiary thereof any rights or remedies, including any right to employment or continued employment of any nature, for any specified period, or (ii) cause the at-will employment status of any former, present or future employee of Buyer or Seller to be other than terminable at will.

ARTICLE VII
POST-CLOSING COVENANTS

Section 7.1 Insurance. Buyer acknowledges and agrees that as of and after the Effective Time, Buyer shall be responsible for all insurance coverage for the Transferred Assets and the Business, and that Seller shall not be responsible for providing insurance coverage for the Transferred Assets or the Business, and that all such coverage, including coverage under any owner controlled insurance programs, shall be canceled at the Closing. As of the Effective Time and thereafter, Buyer shall obtain and maintain workers compensation insurance, commercial general liability insurance and excess umbrella insurance with such limits and endorsements sufficient to satisfy Buyer’s Obligations to supply insurance for any contractor as part of the owner controlled insurance programs contained in those third party vendor Contracts assumed by Buyer containing such a program.

Section 7.2 Further Assurances. Seller and Buyer each agree that from time to time after the Effective Time they will execute and deliver, and will cause their respective Affiliates to execute and deliver, such further instruments, and take, and cause their respective Affiliates to take, such other actions as may be reasonably necessary to carry out the purposes and intents of this Agreement and the Other Agreements.

Section 7.3 Use of Name. Buyer acknowledges and agrees that after the Closing it shall use neither Seller nor CITGO’s name nor any similar name in the conduct of its business, and, within sixty (60) days after the Closing Date, Buyer shall remove, obliterate, cover or replace, Seller’s name from the Transferred Assets, including removing any signage with Seller’s name or logo from the Transferred Assets.

Section 7.4 Prorations, Deposits and Taxes. Taxes and other charges with respect to the transactions contemplated by this Agreement shall be paid or prorated by the parties as follows:

(a) Except as expressly set forth in this Agreement, all income and expenses attributable to the Transferred Assets for the period before the Effective Time are for the account of Seller, and all income and expenses attributable to the Transferred Assets thereafter are for the account of Buyer.

(b) Seller and Buyer agree that all state and local sales and use Taxes or other similar Taxes relating to the sale and conveyance of the Transferred Assets shall be the liability of Buyer, and shall be borne by Buyer. At Closing, Seller shall collect from Buyer any state and local sales and use Taxes. Seller shall remit such Taxes directly to the appropriate Governmental Authorities.

(c) Prior to Closing, Buyer shall provide Seller with an appropriate exemption certificate to establish the right to any exemption from state and local sales and use Taxes and for any exemptions from any other applicable state Tax. Buyer shall thereafter provide Seller with any additional exemption certificates and other documentation as may be required by the Governmental Authorities for such purpose. Seller shall reasonably cooperate with Buyer, including providing Buyer with such data as Buyer may reasonably request in order to support all applicable sales Tax exemptions, subject to the Confidentiality Agreement.

(d) If any state and local sales and use Taxes or other similar Taxes relating to the sale and conveyance of the Transferred Assets, are subsequently assessed by any Governmental Authority, and as a result of such subsequent assessment Seller is assessed additional Taxes, then Buyer shall reimburse Seller, or its assignees, for such assessed Taxes, including interest and penalty.

(e) All real or personal property transfer Taxes or other similar Taxes shall be borne by and paid directly to the Governmental Authorities by Buyer.

(f) All real property, personal property, *ad valorem* and other similar Taxes, including payments in-lieu-of property Taxes, as well as all rents, utilities, maintenance charges and similar expenses, assessed on or associated with the Business or any of the Transferred Assets in the Tax period in which the Closing date occurs, shall be prorated between Buyer and Seller as of the Effective Time. After the Closing, the party receiving each property Tax or other such bill or notice applicable to the Transferred Assets for the period before or after the Closing Date occurred shall promptly notify the other party and shall pay each such bill prior to the last day the same may be paid without penalty or interest. The party responsible or liable under this Agreement with respect to such amount shall promptly on receipt of a written request (accompanied by appropriate supporting documentation) reimburse the responsible party’s share of such amount so paid as provided under this Agreement. Seller and Buyer shall reasonably cooperate with each other after Closing with respect to any property Tax assessment or valuation (or protest in connection therewith) by any Governmental Authority with respect to the Tax periods in which the Closing Date occurs. If either party receives a refund of any property Taxes for which the other is liable or responsible under this Agreement including any final judgments in the Paulsboro Property Tax Dispute, the party receiving such refund, whether received in cash, or as a credit against another state and/or local Tax, shall, within thirty (30) days after the receipt of such refund, remit it to the party who is liable. Furthermore, Buyer and Seller agree that should a refund be due to Seller for overpaid Taxes from the Paulsboro Property Tax Dispute, and should either municipal entity (i.e., the Township of West Deptford and/or the Borough of Paulsboro) apply a portion of that refund to Taxes unpaid by Buyer, then Buyer agrees that it will pay to Seller the amount so credited by the municipal entity for the benefit of Buyer within thirty (30) days after being notified of such credit.

(g) Except as provided otherwise in this Agreement: (A) for any Tax period or portion of any Tax period on or prior to the Closing Date, Seller shall be responsible for timely filing of all income, excise, franchise, privilege, sales, use and similar Tax returns required by applicable Law to be filed, and payment of all Taxes levied or imposed, in connection with the Transferred Assets, the Business, or employees and independent contractors engaged in operating or maintaining the Transferred Assets or marketing products produced by the

Transferred Assets; (B) for any Tax period or portion of any Tax period after the Closing Date, Buyer shall be responsible for the timely filing of all income, excise, franchise, privilege, sales, use and similar Tax returns required by applicable Law to be filed, and payment (subject to the provisions of Section 7.4(f)) of all such Taxes levied or imposed, in connection with the Transferred Assets, the Business, or employees and independent contractors engaged in operating or maintaining the Transferred Assets or marketing the products produced by the Transferred Assets; and (C) control of any legal or administrative proceedings concerning any such Taxes with respect to the Transferred Assets, and entitlement to any refunds or awards concerning any such Taxes with respect to the Transferred Assets, shall rest with the party responsible for payment therefor under this Section 7.4(g). If, however, any Claim for property Taxes is asserted against the Transferred Assets or the Business for any Tax period or Tax periods prior to the Closing Date, Seller shall not have the right to agree to a settlement or compromise that would materially prejudice Buyer. Buyer shall also be afforded a reasonable opportunity (but not a duty) to participate in the defense of any such Claim for property Taxes at its own expense. However, with respect to the conduct of the Paulsboro Property Tax Dispute, Seller shall have the right to agree to a settlement or compromise in its sole discretion and Buyer shall not participate in the conduct of such dispute provided that such settlement or compromise does not materially prejudice Buyer; provided, however, that changes in property tax rates as a result of any such settlement or compromise shall not be deemed to materially prejudice Buyer so long as such changes apply generally to properties in the relevant taxing jurisdiction, and provided, further, that changes in the appraised value of the Transferred Assets as a result of the transactions contemplated by this Agreement shall not be deemed to materially prejudice Buyer.

(h) In the event of a Tax audit or an examination of Seller or Buyer involving the Transferred Assets, CITERCO or the Business for any Tax period prior to the Closing Date, Buyer and Seller shall cooperate with each other in connection with such Tax audit or examination. Seller shall promptly reimburse Buyer for all reasonable out-of-pocket costs and expenses (other than compensation to employees) incurred in connection with such cooperation.

Section 7.5 Third-Party Consents or Authorizations Not Obtained as of Closing. Subject to and without limiting the provisions of Section 8.3(g), this Agreement shall not constitute an agreement to assign or assume any Contract or Authorization if an attempted assignment thereof, without a required Third-Party Consent or Authorization that has not been obtained as of the Closing, would constitute a breach or other contravention of the rights of such third party, would be ineffective with respect to any party to an agreement concerning such Contract or Authorization, or would violate or otherwise is not permitted by applicable Law. If any transfer or assignment by Seller to, or any assumption by Buyer of, any interest in, or Assumed Obligations under, any Contract or Authorization requires any Third-Party Consent or Authorization, then no such assignment or assumption shall be made without such Third-Party Consent or Authorization being obtained. Notwithstanding the foregoing, upon the receipt of any such Third-Party Consent or Authorization after the Effective Time, any such Contract or Authorization shall be assigned to Buyer and Buyer shall assume same as and to the extent provided herein.

(a) If any such Third-Party Consent or Authorization is not obtained prior to the Closing Date, then: (i) after Closing, Seller and Buyer shall cooperate to procure the transfer of any Contracts or Authorizations not transferred to Buyer at Closing (including cooperating in

obtaining required Third-Party Consents or Authorizations and sharing equally the economic cost required to obtain the pertinent consent, provided that to the extent any costs or obligations required by third parties to obtain any such Third Party Consents or Authorizations are attributable to the acts or omissions of Seller or any of its Affiliates prior to the Closing (other than as a result of the act of soliciting such Third Party Consent or Authorization), Seller shall solely pay or satisfy such costs or obligations, as the case may be)), (ii) Seller and Buyer shall cooperate (each at its own expense) in any lawful and reasonable arrangement reasonably proposed by Buyer or Seller under which Buyer shall obtain to the extent practicable the economic Claims, rights and benefits under the Contract or Authorization with respect to which the Third-Party Consent or Authorization has not been obtained in accordance with this Agreement, and (iii) Seller shall indemnify Buyer to the extent Buyer is unable to conduct the Business in all material respects in the manner in which it was conducted immediately prior to the Closing Date.

Section 7.6 Collection of Amounts Owed to a Party. Except as otherwise provided in Article II, it is the intention of the parties that, as between the parties, Seller shall be entitled to all income attributable to the Business conducted prior to the Effective Time and Buyer shall be entitled to all income attributable to the Business conducted on and after the Effective Time. Except as otherwise provided in Article II, each party shall pay to the other party, promptly after receipt thereof, any amount received by said party from any third party with respect to (i) rentals, fees or other revenues relating to the Business and attributable to the ownership period of the other party; and (ii) products delivered, services performed or other obligations performed by the other party and attributable to the ownership period of such other party.

Section 7.7 Access; Records. From and after the Effective Time, both Buyer and Seller will afford to the other party and its authorized representatives reasonable access during normal business hours to any financial books, records or accounts related to the Transferred Assets in the possession of such party, and, if requested, will furnish to such other party such additional information and cooperate with such other party in such other respects, including the making of employees available to such other party at such other party's expense as witnesses or deponents, as such other party may reasonably request for (a) financial reporting, (b) tax or similar purposes, (c) purposes of investigating Claims or conducting Litigation, (d) in the case of Buyer, in connection with any Assumed Obligation, or (e) in the case of Seller, in connection with the Retained Obligations; it being understood that this Section 7.7 shall not apply to information that is subject to attorney-client privilege except to the extent reasonably necessary to allow Buyer to defend any Assumed Obligation. Buyer and Seller shall not destroy or dispose of any such books, records and accounts related to the Transferred Assets for a period of at least seven years, or such longer period as may be required by Law, after the Closing Date without first offering to surrender to the other party such books, records and accounts which such party may intend to destroy or dispose of.

Section 7.8 Foreign Trade Subzones. With respect to any foreign trade subzone agreements to which the Transferred Assets are subject, Seller shall reasonably cooperate with Buyer in obtaining either the assignment of such agreements from Seller to Buyer or a new replacement agreement. Each party shall keep the other reasonably informed of the status of such assignments or applications for new agreements.

Section 7.9 Savannah Project. Seller agrees to complete, at Seller's expense, the Savannah Project as has been previously described to Buyer in a timely manner and in accordance with good industry practice. Buyer shall provide Seller, its employees, contractors, and representatives with such access to the Savannah Refinery as Seller may request in order to complete the Savannah Project. Seller hereby acknowledges that any access to the Savannah Refinery utilized by Seller or any of its representatives, contractors, subcontractors or other Persons acting on Seller's behalf shall be at the sole risk, cost and expense of Seller. Seller shall comply with, and shall ensure that each such representative, contractor, subcontractor or other Person complies with, all safety and similar requirements customarily imposed by Buyer on its properties; provided, that Buyer has provided to Seller a description of such safety and other requirements. Seller shall assume and indemnify, defend and hold harmless the Buyer Indemnitees from and against any and all Claims for personal injury, death or property damage arising out of the entry upon or access to the Savannah Refinery by Seller or any such representative, contractor, subcontractor or other Person and all Losses incurred by the Buyer Indemnitees with respect to each such Claim, IN EACH CASE REGARDLESS OF THE NEGLIGENCE OR OTHER FAULT (OTHER THAN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE BUYER INDEMNITEES OR ANY EMPLOYEE OF ANY SUCH PERSON) OF THE BUYER INDEMNITEES OR ANY EMPLOYEE OF ANY SUCH PERSON.

Section 7.10 Audit Rights. Seller agrees to make available to Buyer prior to and for a period of eighteen (18) months following Closing any and all existing information and documents in the possession of Seller or any of its Affiliates that Buyer may reasonably require to comply with Buyer's financial reporting requirements and audits, including, but not limited to the information and documents necessary to comply with the requirement, if any, to file with the United States Securities and Exchange Commission (the "SEC") audited financial statements for the periods required under Regulation S-X with respect to the purchase of the Transferred Assets within seventy-one (71) days after the due date for the filing of the Form 8-K with respect to the closing of the purchase of the Transferred Assets. Without limiting the generality of the foregoing, Seller will use its commercially reasonable efforts after execution of this Agreement and for eighteen (18) months following Closing to cooperate with the independent auditors chosen by Buyer ("Buyer's Auditor") in connection with their audit of any annual financial statements with respect to the Transferred Assets or the Business that Buyer or any of its Affiliates requires to comply with their financial reporting requirements, and their review of any interim financial statements of the Transferred Assets that Buyer requires to comply with such reporting requirements. Buyer's cooperation will include (i) such reasonable access to Seller's employees who were responsible for preparing the work papers and other supporting documents used in the preparation of such financial statements as may be required by Buyer's Auditor to perform an audit in accordance with generally accepted auditing standards, and (ii) delivery of one or more customary representation letters from Seller to Buyer's Auditor that are reasonable requested by Buyer to allow such auditors to complete an audit (or review of any interim quarterly financial statements), and to issue an opinion as required by the SEC with respect to an audit or review of those financial statements required pursuant to this Section 7.10. Buyer will reimburse Seller, within three (3) Business Days after demand therefor, for any reasonable out-of-pocket costs with respect to any costs incurred by Seller, including the hiring of temporary employees, in complying with the provisions of this Section 7.10.

ARTICLE VIII
CLOSING CONDITIONS

Section 8.1 Conditions to Obligations of Each Party Under this Agreement.

The respective obligations of Buyer and Seller to consummate the transactions contemplated hereby shall be subject to the satisfaction at or prior to the Closing of the following conditions, any or all of which may be waived by Buyer and Seller, as the case may be in whole or in part, to the extent permitted by applicable Law:

(a) No temporary restraining order, preliminary or permanent injunction or other judgment or order issued by any court of competent jurisdiction or other statute, rule or legal restraint of a Governmental Authority shall be in effect preventing the consummation of the transactions contemplated hereby.

(b) No provision of any applicable Law shall prohibit the consummation of the Closing.

Section 8.2 Additional Conditions to Seller's Obligations. The obligations of Seller to effect the transactions contemplated hereby shall be subject to the satisfaction at or prior to the Closing of the following conditions, any or all of which may be waived by Seller, in whole or in part, to the extent permitted by applicable Law:

(a) Each of the representations and warranties of Buyer set forth in this Agreement shall be true and correct in all material respects (it being understood that for purposes of determining the accuracy of such representations and warranties, all "Buyer Material Adverse Effect" qualifications and other materiality qualifications contained in such representations and warranties shall be disregarded) as of the Execution Date and as of the Closing Date as though made on and as of the Closing Date (except that, in each case, representations and warranties that speak as of a specified date shall have been true and correct (or true and correct in all material respects, as appropriate) only on such date), and Seller shall have received a certificate of an executive officer of Buyer, dated the Closing Date, to such effect.

(b) Buyer shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date, and Seller shall have received a certificate of an executive officer of Buyer, dated the Closing Date, to such effect.

(c) The applicable waiting period under the HSR Act and any extension thereof shall have terminated or expired, and neither the FTC nor the DOJ shall have imposed any material conditions upon Seller's ability to dispose of the Transferred Assets.

(d) Buyer shall have duly executed and delivered each of the Other Agreements simultaneously with the Closing.

Section 8.3 Additional Conditions to Buyer's Obligations. The obligations of Buyer to effect the transactions contemplated hereby shall be subject to the satisfaction at or prior to the Closing of the following conditions, any or all of which may be waived by Buyer, in whole or in part, to the extent permitted by applicable Law:

(a) Each of the representations and warranties of Seller set forth in this Agreement shall be true and correct in all material respects (it being understood that for purposes of determining the accuracy of such representations and warranties, all "Material Adverse Effect" qualifications and other materiality qualifications contained in such representations and warranties shall be disregarded) as of the Execution Date and as of the Closing Date as though made on and as of the Closing Date (except that, in each case, representations and warranties that speak as of a specified date shall have been true and correct (or true and correct in all material respects, as appropriate) only on such date), except for inaccuracies of representations or warranties the circumstances giving rise to which, individually or in the aggregate, do not constitute a Material Adverse Effect, and Buyer shall have received a certificate of an officer of Seller, dated the Closing Date, to such effect; provided, however, that for purposes of this Section 8.3(a), a Material Adverse Effect shall be deemed to have occurred if and only if effects of the circumstances giving rise to any such inaccuracies of representations or warranties have caused, will cause, or may reasonably be expected to cause any Loss or Losses, individually or in the aggregate, in excess of $3,400,000.

(b) Seller shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to Closing Date, and Buyer shall have received a certificate of an officer of Seller, dated the Closing Date, to such effect.

(c) The applicable waiting period under the HSR Act and any extension thereof shall have terminated or expired, and neither the FTC nor the DOJ shall have imposed any material conditions upon Buyer's ability to acquire, own or operate the Transferred Assets or require Buyer to dispose of, hold separate or take any other action with respect to the Transferred Assets.

(d) Seller shall have, or shall have caused to be, duly executed and delivered, each of the Other Agreements simultaneously with the Closing.

(e) CITGO shall have, or shall have caused to be, duly executed and delivered a Noncompetition Agreement in the form attached hereto as Exhibit L simultaneously with the Closing.

(f) Each of the Partners shall have, or shall have caused to be, duly executed and delivered a Guarantee Agreement in the form attached hereto as Exhibit J simultaneously with the Closing.

(g) All Third-Party Consents and all Authorizations listed on Schedule 8.3(g) shall have been obtained in a form reasonably satisfactory to Buyer and, to the extent relating to Real Property, recordable in the applicable real property records.

(h) No Material Adverse Effect shall have occurred and be continuing.

(i) To the extent required by the Title Company, Buyer shall have received all documents it may reasonably request relating to the existence of Seller and CITERCO and the authority of Seller for this Agreement and the transactions contemplated hereby.

(j) Seller shall have, or shall have caused to be, duly executed and delivered the Subcharter Agreement in the form attached hereto as Exhibit G.

(k) Buyer shall have received an Affidavit of Non-Foreign Status of Seller in the form of Exhibit M attached to this Agreement.

Section 8.4 Casualty; Condemnation.

(a) Seller shall give Buyer prompt notice of (i) any damage or destruction (including by reason of any collision, fire, explosion, hurricane, tornado, earthquake, flood or terrorist act) of all or any portion of the Transferred Assets after the date hereof and prior to the Closing (a "Pre-Closing Adverse Effect") and (ii) any actual, pending or proposed Taking of all or any portion of Seller's or CITERCO's assets, or any planned or pending Taking as to which Seller or CITERCO has received written notice from the condemning authority, after the date hereof and prior to the Closing. Subject to this Section 8.4, Seller shall retain the risk of loss or damage with respect to the Transferred Assets until title passes at the Effective Time.

(b) If the cost to repair (or replace, to the extent not reasonably subject to repair) the damage or destruction to the Transferred Assets resulting from all Pre-Closing Adverse Effects (the "Repair Estimate") is expected to be $25,000,000 or less and the damage resulting from such Pre-Closing Adverse Effect is commercially reasonably capable of being repaired within 120 days after the date of such Pre-Closing Adverse Effect, then Seller may, by notice to Buyer, elect to extend the Termination Date to a date no more than 120 days after the original Termination Date (i.e. before any extension pursuant to this Section 8.4) and repair the damage resulting from such Pre-Closing Adverse Effect and proceed with Closing (upon and subject to the remaining terms and conditions of this Agreement) upon and subject to completion of repairs of such damage to the Transferred Assets in all material respects at any time prior to the Termination Date (as extended pursuant to this Section 8.4, if applicable). Alternatively, if the parties mutually agree, the parties may elect to proceed with the Closing (upon and subject to the remaining terms and conditions of this Agreement) without repairing such damage (or such portion of such damage as the parties may mutually designate), and Seller shall pay to Buyer at the Closing an amount in cash equal to the amount of the Repair Estimate.

(c) Upon the occurrence of the Pre-Closing Adverse Effect, the parties hereto shall cooperate in reaching mutual agreement on the amount of the Repair Estimate and the expected time to repair such Pre-Closing Adverse Effect (the "Time Estimate") as soon as practicable and, in any event, within at least sixty (60) days of the Pre-Closing Adverse Effect. If the parties hereto are unable to reach mutual agreement, after using their good faith reasonable best efforts to reach mutual agreement, on the amount of the Repair Estimate and the Time Estimate, either party may initiate the procedures set forth in Schedule 8.4 for the purpose of utilizing such mechanisms as may be reasonably appropriate and available to them to determine in all due haste such matters prior to the Termination Date (as extended pursuant to this Section 8.4, if applicable).

(d) If, prior to the Termination Date (as extended pursuant to this Section 8.4, if applicable), Buyer and Seller (or their independent experts, if applicable) have mutually agreed upon the amount of the Repair Estimate and the Time Estimate (or the Repair Estimate and/or the Time Estimate have been determined pursuant to the procedures set forth in Schedule 8.4) and either the Repair Estimate is more than $25,000,000 or the Time Estimate is more than 120 days (measured from the date of the Pre-Closing Adverse Effect), Buyer shall not be obligated to effect the transactions contemplated by this Agreement.

(e) If, prior to the Termination Date (as extended pursuant to this Section 8.4, if applicable), Buyer and Seller (or their independent experts, if applicable) have not mutually agreed on the Repair Estimate or the Time Estimate, Seller or Buyer may elect to extend the Termination Date by an additional thirty (30) days and the parties shall implement the procedure for determining the Repair Estimate and Time Estimate, and if applicable, proceed with the Closing (upon and subject to the remaining terms and conditions of this Agreement), as set forth in Section 8.4.

(f) If the value of the assets of Seller and/or CITERCO subject to any actual, pending or proposed Taking of all or any portion of Seller's or CITERCO's assets, or any planned or pending Taking as to which Seller or CITERCO has received written notice from the condemning authority, after the date hereof and prior to the Closing, when aggregated with all other such Takings, equals:

(i) less than $10,000,000 the Closing shall take place as provided herein (upon and subject to the remaining terms and conditions of this Agreement) without abatement of the Purchase Price, and there shall be assigned to Buyer at the Closing all interest of Seller in any award which may be payable to Seller on account of such Taking(s); or

(ii) $10,000,000 or more, Buyer shall have the option to terminate this Agreement without any further obligation of any of the parties or their Affiliates pursuant hereto; provided that if Buyer elects to proceed with the Closing, the Closing shall take place as provided herein (upon and subject to the remaining terms and conditions of this Agreement) without abatement of the Purchase Price, and there shall be assigned to Buyer at the Closing all interest of Seller in any award which may be payable to Seller on account of such Taking(s).

In the event condemnation proceedings for a Taking are commenced prior to the Closing Date, then, prior to the Closing, the parties shall cooperate in connection with such proceedings and Buyer shall be allowed to participate therein, but Seller shall have sole control of such proceedings; provided, however, that Seller shall use commercially reasonable efforts to maximize the value obtained for the property subject to the condemnation proceedings and shall consult with Buyer prior to reaching a settlement or compromise. After the Closing, Buyer shall have sole control over any such proceedings.

ARTICLE IX
TERMINATION

Section 9.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written consent of Seller and Buyer;

(b) by Seller upon notice to Buyer, if any of the conditions in Section 8.1 or Section 8.2 shall not have been fulfilled by the time required or shall have become incapable of fulfillment on or prior to the Termination Date; provided, that Seller has fulfilled, or has caused its appropriate Affiliate to fulfill, its obligations, if any, under such condition;

(c) by Buyer upon notice to Seller, if any of the conditions in Section 8.1 or Section 8.3 shall not have been fulfilled by the time required or shall have become incapable of fulfillment on or prior to the Termination Date; provided, that Buyer has fulfilled, or has caused its appropriate Affiliate to fulfill, its obligations, if any, under such condition;

(d) by Seller upon notice to Buyer, if the Closing contemplated hereby shall not have occurred on or before April 30, 2008 (subject to the extension of such date pursuant to Section 8.4) (the "Termination Date"); provided, however, that, in the event that all conditions of Section 8.1 and Section 8.3 other than termination or expiration of the waiting period under the HSR Act are satisfied, then Seller may not terminate under this clause (d) before an additional ninety (90) days after the Termination Date;

(e) by Buyer upon notice to Seller, if the Closing contemplated hereby shall not have occurred on or before the Termination Date (subject to the extension of such date pursuant to Section 8.4); provided, however, that, in the event that all conditions of Section 8.1 and Section 8.2 other than termination or expiration of the waiting period under the HSR Act are satisfied, then Buyer may not terminate under this clause (e) before an additional ninety (90) days after the Termination Date; or

(f) by Buyer in accordance with Section 5.4 or Section 8.4.

Section 9.2 Effect of Termination. Except for this Section 9.2, Section 10.8, Section 10.9, Section 10.10, Section 11.4 and Section 11.5, this Agreement shall, upon termination hereof pursuant to Section 9.1, forthwith become of no further force or effect and (a) there shall be no liability on the part of Seller or Buyer or any of their respective officers or directors to any other party and (b) all rights and obligations of any party hereto shall cease; provided, however, that any such termination shall not relieve Seller or Buyer from liability for any willful and material breach of this Agreement occurring prior to such termination.

ARTICLE X
INDEMNIFICATION AND REMEDIES

Section 10.1 Survival. Subject to the limitations and other provisions of this Agreement: (a) the representations and warranties of the parties hereto contained in this Agreement and the covenants and agreements of the parties hereto contained in this Agreement

which by their terms are contemplated to be performed on or before the Closing shall survive the Closing and shall remain in full force and effect for a period of twelve months after the Closing Date, except that the representations and warranties set forth in Section 3.1, Section 3.2, Section 4.1, Section 4.2, Section 3.7(a) and Section 3.7(d) shall each survive until expiration of the statute of limitations applicable to the matters covered thereby (giving effect to any waiver, mitigation or extension thereof), if later, (b) each covenant and agreement of the parties hereto contained in this Agreement which by its terms are contemplated to be performed after the Closing Date shall survive the Closing and shall remain in full force and effect until such covenant or agreement is fully performed (which, in the case of the provisions of Section 10.2(a)(iii)-(viii), Section 10.3(a)(iii), and Section 10.3(b) shall be deemed to extend indefinitely after the Closing), and (c) Seller's indemnity obligation pursuant to Section 10.2(b) shall survive until the date that is seven (7) years after the Closing Date.

Section 10.2 Indemnification Provisions for Benefit of Buyer.

(a) If the Closing occurs, Seller agrees from and after the Closing to indemnify Buyer Indemnitees from and against any Losses actually suffered or incurred by them, or any of them, arising out of or related to:

(i) any breach of, or any inaccuracy in, any representation or warranty of Seller contained in this Agreement or any agreement, certificate or instrument delivered pursuant hereto or in connection herewith;

(ii) any breach of, or failure to perform or comply with, any covenant or obligation of Seller contained in this Agreement or any Seller Transaction Document;

(iii) any of the Excluded Assets;

(iv) any of the Retained Obligations;

(v) any actual or asserted right on the part of any third-party to occupy or use any portion of the Transferred Assets (or any portion of the premises or other assets covered by any lease or other agreement constituting part of the Transferred Assets);

(vi) any Taxes of Seller, CITERCO or any of their respective Affiliates, other than Taxes of CITERCO accruing after the Effective Time;

(vii) any Obligations of CITERCO as of the Effective Time, other than those accruing after the Effective Time under the CITERCO Agreements; and/or

(viii) notwithstanding that such matters have been disclosed to Buyer, any item disclosed in Section 3.12 of the Seller Disclosure Schedule.

No Claim may be asserted or commenced against Seller pursuant to this Section 10.2(a) unless written notice of such Claim is received by Seller describing in reasonable detail the facts and circumstances then known with respect to the subject matter of such Claim on

or prior to the date on which the representation, warranty, covenant or obligation (as applicable) on which such Claim is based ceases to survive as set forth in Section 10.1, and any Claim with respect to which such notice shall have been timely made may be continued after the time at which the representation, warranty, covenant or obligation (as applicable) on which such Claim is based so ceases to survive and shall not be affected thereby.

(b) In addition to the indemnification provisions set forth in Section 10.2(a), if the Closing occurs, Seller agrees from and after the Closing to indemnify Buyer Indemnitees from and against fifty percent (50%) of the aggregate amount of any Losses actually suffered or incurred by them, or any of them, arising out of or related to any Corrective Action of any Environmental Condition to the extent the same relate to, result from or arise out of any Environmental Condition that existed prior to the Effective Time, but only to the extent such Losses, in the aggregate, exceed the difference of (x) $7,000,000 minus (y) the aggregate amount of cash amounts paid by Buyer in connection with its obligations under Section 5.10 or ISRA. No Claim may be asserted or commenced against Seller pursuant to this Section 10.2(b) unless written notice of such Claim is received by Seller describing in reasonable detail the facts and circumstances then known with respect to the subject matter of such Claim on or prior to the date that is seven (7) years after the Closing Date, and any Claim with respect to which such notice shall have been timely made may be continued after such seventh (7th) anniversary of the Closing Date. Further, if Buyer at any time after the Closing conveys any portion of the Real Property to any Person other than an Affiliate of Buyer, Buyer shall not be permitted to assign its rights under this Section 10.2(b) with respect to such portion of the Real Property to such transferee.

(c) Subject to the provisions of paragraph (d) below, the obligations of Seller to indemnify the Buyer Indemnitees pursuant to this Section 10.2 are subject to the following limitations:

(i) The Buyer Indemnitees shall not be entitled to indemnification pursuant to Section 10.2(a)(i) unless and until the aggregate amount of Losses for which the Buyer Indemnitees are entitled to be indemnified for all Claims pursuant to Section 10.2(a)(i) of this Agreement exceeds the difference of (x) the Buyer Indemnification Deductible minus (y) the aggregate amount of Losses (other than Permitted Schedule Update Losses) that Buyer actually suffers or incurs as a result of any matters disclosed in any supplement(s) or amendment(s) to the Seller Disclosure Schedule made by Seller in accordance with Section 5.8 (and then only to the extent such aggregate Losses exceed such amount). Further, the Buyer Indemnitees shall not submit any new Claims for indemnification pursuant to Section 10.2(a)(i) until the date that is eleven months after the Closing Date unless and until the aggregate amount of Losses for which the Buyer Indemnitees are seeking indemnification under all such Claims (whether or not related) are at least $50,000 (without regard to whether or not such Losses, together with all other Losses for which the Buyer Indemnitees are entitled to be indemnified for all Claims pursuant to Section 10.2(a)(i) of this Agreement exceed the difference of (x) the Buyer Indemnification Deductible minus (y) the aggregate amount of Losses (other than Permitted Schedule Update Losses) that Buyer actually suffers or incurs as a result of any matters disclosed in any supplement(s) or amendment(s) to the Seller Disclosure Schedule made by Seller in accordance with Section 5.8).

(ii) In no event shall Seller's aggregate obligation to indemnify the Buyer Indemnitees pursuant to Section 10.2(a)(i) and Section 10.2(b) of this Agreement exceed the Buyer Indemnification Ceiling.

(d) The provisions of Section 10.2(c) shall not apply (A) to any Claim arising with respect to Section 3.1, Section 3.2, Section 3.7(a) or Section 3.7(d), or (B) to any Claim for any breach of, or any inaccuracy in, any representation or warranty by Seller of which Seller had Knowledge at any time prior to the time at which such representation or warranty was made.

(e) Notwithstanding anything that may be to the contrary in this Agreement, the parties hereto agree that in no event shall the aggregate amount of cash that Seller shall be required to pay in respect of (i) the Other Retained Obligations and (ii) all Claims pursuant to Section 10.2(a)(i) of this Agreement (other than (A) Claims arising with respect to Section 3.1, Section 3.2, Section 3.7(a) or Section 3.7(d), or (B) any Claims for any breach of, or any inaccuracy in, any representation or warranty by Seller of which Seller had Knowledge at any time prior to the time at which such representation or warranty was made) exceed $40,000,000.

Section 10.3 Indemnification Provisions for Benefit of Seller.

(a) If the Closing occurs, Buyer agrees from and after the Closing to indemnify Seller Indemnitees from and against any Losses actually suffered or incurred by them, or any of them, arising out of or related to:

(i) any breach of, or any inaccuracy in, any representation or warranty of Buyer contained in this Agreement or any agreement, certificate or instrument delivered pursuant hereto or in connection herewith;

(ii) any breach of, or failure to perform or comply with, any covenant or obligation of Buyer contained in this Agreement or any agreement, certificate or instrument delivered pursuant hereto or in connection herewith, including Buyer's obligations under Section 5.9; and/or

(iii) any of the Assumed Obligations.

No Claim may be asserted nor may any action be commenced against Buyer pursuant to this Section 10.3 unless written notice of such Claim is received by Buyer describing in reasonable detail the facts and circumstances then known with respect to the subject matter of such Claim on or prior to the date on which the representation or warranty or covenant (as applicable) on which such Claim is based ceases to survive as set forth in Section 10.1, and any Claim with respect to which such notice shall have been timely made may be continued after the time at which the representation, warranty, covenant or obligation (as applicable) on which such Claim is based so ceases to survive and shall not be affected thereby.

(b) In addition to the indemnification provisions set forth in Section 10.3(a), if the Closing occurs, Buyer agrees to indemnify Seller Indemnitees for any and all cash amounts that

they, or any of them, are required to pay arising out of or related to the Other Retained Obligations, but only to the extent such payments, in the aggregate, exceed the difference of (x) $40,000,000 minus (y) the aggregate cash amount received by Buyer from Seller in respect of all Claims pursuant to Section 10.2(a)(i) of this Agreement (other than (A) Claims arising with respect to Section 3.1, Section 3.2, Section 3.7(a) or Section 3.7(d), or (B) any Claims for any breach of, or any inaccuracy in, any representation or warranty by Seller of which Seller had Knowledge at any time prior to the time at which such representation or warranty was made).

Section 10.4 Indemnification Procedures; Matters Involving Third Parties.

(a) Subject to the provisions of Section 10.2(c)(i), a Seller Indemnitee or Buyer Indemnitee, as the case may be (for purposes of this Section 10.4, an "Indemnified Party"), shall give the indemnifying party under Section 10.2 and Section 10.3, as applicable (for purposes of this Section 10.4, an "Indemnifying Party"), prompt written notice of any matter which it has determined has given or could give rise to a right of indemnification under this Agreement stating the amount of the Loss, if known, and method of computation thereof, containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises; provided, however, that the failure to provide such notice shall not relieve the Indemnifying Party from its obligations under this ARTICLE X except to the extent the Indemnifying Party is prejudiced by such failure.

(b) If any third party shall notify an Indemnified Party with respect to any matter (a "Third-Party Claim") that may give rise to a Claim for indemnification against the Indemnifying Party under this ARTICLE X, then the Indemnified Party shall promptly notify the Indemnifying Party thereof in writing; provided, however, that the failure to provide such notice shall not relieve the Indemnifying Party from its obligations under this ARTICLE X except to the extent the Indemnifying Party is prejudiced by such failure.

(c) If (i) in the judgment of the Indemnified Party a Third-Party Claim can properly be resolved by money damages alone and the Indemnifying Party has the financial resources to pay such damages and (ii) the Indemnifying Party admits that this indemnity fully covers the claim or litigation and agrees to be fully responsible for any Losses with respect thereto, the Indemnifying Party will have the right to assume and thereafter conduct the defense of the Third-Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party; provided, however, that (i) the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third-Party Claim without the prior written consent of the Indemnified Party (not to be unreasonably withheld), and (ii) the Indemnified Party shall be entitled to participate in the defense of such Third-Party Claim and to employ separate counsel of its choice for such purpose, the fees and expenses of such separate counsel shall be paid by the Indemnified Party.

(d) Unless and until the Indemnifying Party assumes the defense of the Third Party Claim as provided in Section 10.4(c), the Indemnified Party may defend against the Third-Party Claim in any manner it may reasonably deem appropriate.

(e) In no event will the Indemnified Party consent to the entry of any judgment or enter into any settlement with respect to the Third-Party Claim without the prior written consent of the Indemnifying Party (not to be unreasonably withheld).

Section 10.5 Determination of Losses.

(a) Subject to Section 10.5(b), the Losses giving rise to any indemnification obligation hereunder shall be limited to the actual loss suffered by the Indemnified Party (i.e., reduced by any insurance proceeds or other payment or recoupment received, realized or retained by the Indemnified Party as a result of the events giving rise to the claim for indemnification net of any expenses related to the receipt of such proceeds, payment or recoupment, including retrospective premium adjustments, if any, occasioned by such loss or damage). Upon the request of the Indemnifying Party, the Indemnified Party shall provide the Indemnifying Party with information sufficient to allow the Indemnifying Party to calculate the amount of the indemnity payment in accordance with this Section 10.5. An Indemnified Party shall take all commercially reasonable steps to mitigate damages in respect of any claim for which it is seeking indemnification and shall use commercially reasonable efforts to avoid any costs or expenses associated with such claim and, if such costs and expenses cannot reasonably be avoided, to minimize the amount thereof.

(b) Notwithstanding any other provision of this Agreement, for purposes of determining the amount of Losses for which the Buyer Indemnitees are entitled to be indemnified for Claims pursuant to Section 10.2(b), any insurance proceeds or other payment or recoupment received, realized or retained by the Buyer Indemnitees as a result of the events giving rise to the Claim for indemnification shall not serve to reduce the amount of Losses suffered or incurred by the Buyer Indemnitees with respect thereto (i.e. the Buyer Indemnitees will be deemed to have suffered or incurred at least $7,000,000.00 in Losses for purposes of Section 10.2(b) at such time as the Buyer Indemnitees, together with any insurer or other Person, have in the aggregate suffered or incurred at least $7,000,000.00 in Losses of the type described in Section 10.2(b)).

Section 10.6 Exclusion of Materiality. Solely for purposes of this ARTICLE X and notwithstanding any provision to the contrary in this Agreement, in determining the amount of any Loss resulting from a breach of a representation or warranty by either Party contained in this Agreement, the provisions of such representations and warranties that are qualified by “material,” “Material Adverse Effect” or any similar qualification shall be read and interpreted as if such qualification was not included therein.

Section 10.7 No Right of Contribution. After the Closing, neither Seller, the Partners nor any of their respective Affiliates shall be entitled to contribution or any other payments from CITERCO for any Losses that the Seller is obligated to pay.

Section 10.8 Limitations on Liability.

(a) BUYER ACKNOWLEDGES AND AGREES THAT THE REMEDIES SET FORTH IN ARTICLE IX AND THIS ARTICLE X, INCLUDING THE DEDUCTIBLES, LIABILITY LIMITS AND SURVIVAL PERIODS SET FORTH ABOVE AND THE

DISCLAIMERS SET FORTH IN SECTION 5.6 AND SECTION 5.7, ARE INTENDED TO BE, AND SHALL BE, THE EXCLUSIVE REMEDIES OF BUYER WITH RESPECT TO ANY ASPECT OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. BUYER HEREBY RELEASES, WAIVES AND DISCHARGES, AND COVENANTS NOT TO SUE OR OTHERWISE ASSERT ANY RIGHTS, REMEDIES OR RECOURSE WITH RESPECT TO, ANY CAUSE OF ACTION OR CLAIM NOT EXPRESSLY PROVIDED FOR IN THIS AGREEMENT TO THE MAXIMUM EXTENT PERMITTED BY LAW.

(b) SELLER ACKNOWLEDGES AND AGREES THAT THE REMEDIES SET FORTH IN Article IX AND THIS ARTICLE X, INCLUDING THE DEDUCTIBLES AND SURVIVAL PERIODS SET FORTH ABOVE, ARE INTENDED TO BE, AND SHALL BE, THE EXCLUSIVE REMEDIES OF SELLER WITH RESPECT TO ANY ASPECT OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. SELLER HEREBY RELEASES, WAIVES AND DISCHARGES, AND COVENANTS NOT TO SUE OR OTHERWISE ASSERT ANY RIGHTS, REMEDIES OR RECOURSE WITH RESPECT TO, ANY CAUSE OF ACTION OR CLAIM NOT EXPRESSLY PROVIDED FOR IN THIS AGREEMENT TO THE MAXIMUM EXTENT PERMITTED BY LAW.

(c) NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, NO PARTY HERETO SHALL BE ENTITLED TO RECOVER FROM ANY OTHER PARTY HERETO ANY AMOUNT IN RESPECT OF EXEMPLARY, PUNITIVE, SPECIAL, INDIRECT, CONSEQUENTIAL, REMOTE OR SPECULATIVE DAMAGES, INCLUDING LOST PROFITS; PROVIDED, HOWEVER, THE RIGHT TO RECOVER ANY SUCH DAMAGES THAT ARE PAYABLE BY ANY PARTY TO A THIRD PARTY IN RESPECT OF ANY CLAIM AGAINST WHICH A PARTY IS ENTITLED TO INDEMNIFICATION UNDER THIS AGREEMENT SHALL NOT BE EXCLUDED BY OPERATION OF THIS SECTION 10.8(C).

(d) ALL RELEASES, DISCLAIMERS, LIMITATIONS ON LIABILITY AND INDEMNITIES IN THIS AGREEMENT, INCLUDING THOSE IN THIS Article X, SHALL APPLY EVEN IN THE EVENT OF THE SOLE, JOINT, AND/OR CONCURRENT, ACTIVE OR PASSIVE NEGLIGENCE, STRICT LIABILITY OR FAULT OF THE PARTY WHOSE LIABILITY IS RELEASED, DISCLAIMED, LIMITED OR INDEMNIFIED (EXCLUDING GROSS NEGLIGENCE OR WILLFUL MISCONDUCT).

(e) EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, FROM AND AFTER THE CLOSING, THE BUYER INDEMNITEES SHALL HAVE NO RIGHTS TO RECOVERY OR INDEMNIFICATION, DIRECTLY OR INDIRECTLY, FOR ANY LIABILITIES ARISING IN RELATION TO ANY ENVIRONMENTAL MATTERS ASSUMED BY BUYER HEREUNDER AND ALL RIGHTS OR REMEDIES WHICH ANY BUYER INDEMNITEE MAY HAVE AGAINST SELLER AT OR UNDER LAW (INCLUDING ANY ENVIRONMENTAL LAW) WITH RESPECT TO ANY LIABILITIES ARISING IN RELATION TO ANY SUCH ENVIRONMENTAL MATTERS ARE, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, EXPRESSLY WAIVED. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, FROM AND AFTER THE CLOSING, BUYER AND ALL BUYER INDEMNITEES DO HEREBY AGREE, WARRANT AND COVENANT TO

RELEASE, ACQUIT AND FOREVER DISCHARGE SELLER AND ALL SELLER INDEMNITEES FROM ANY AND ALL CLAIMS, DEMANDS AND CAUSES OF ACTION OF WHATSOEVER NATURE, INCLUDING ALL CLAIMS, DEMANDS AND CAUSES OF ACTION FOR CONTRIBUTION AND INDEMNITY UNDER STATUTE, COMMON OR CIVIL LAW, WHICH COULD BE ASSERTED NOW OR IN THE FUTURE AND THAT RELATE TO OR IN ANY WAY ARISE OUT OF ANY ENVIRONMENTAL MATTERS ASSUMED BY BUYER HEREUNDER. FROM AND AFTER THE CLOSING BUYER AND ALL BUYER INDEMNITEES WARRANT, AGREE AND COVENANT NOT TO SUE OR INSTITUTE ARBITRATION AGAINST SELLER OR ANY SELLER INDEMNITEE UPON ANY CLAIM, DEMAND OR CAUSE OF ACTION FOR INDEMNITY AND CONTRIBUTION THAT HAVE BEEN ASSERTED OR COULD BE ASSERTED FOR ANY ENVIRONMENTAL MATTERS ASSUMED BY BUYER HEREUNDER.

Section 10.9 Governing Law. This Agreement shall be construed (both as to validity and performance), interpreted and enforced in accordance with, and governed by, the Laws of the State of Texas, without regard to the conflict of laws principles of Texas.

Section 10.10 Jurisdiction; Consent to Service of Process; Waiver. Each of the parties to this Agreement agrees that it shall bring any action or proceeding in respect of any Claim arising out of or related to this Agreement, whether in tort or contract or at law or in equity, exclusively in any Federal or state courts located in Harris County, Texas and solely in connection with Claims arising under such agreement or instrument or the transactions contained in or contemplated by such agreement or instrument, (i) irrevocably submits to the exclusive jurisdiction of such courts, (ii) waives any objection to laying venue in any such action or proceeding in such courts, (iii) waives any objection that such courts are an inconvenient forum or do not have jurisdiction over it and (iv) agrees that service of process upon it may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to it at its address specified in Section 11.3. The foregoing consents to jurisdiction and service of process shall not constitute general consents to service of process in the State of Texas for any purpose except as provided herein and shall not be deemed to confer rights on any Person other than the parties to this Agreement. Each of the parties hereto hereby knowingly and intentionally, irrevocably and unconditionally waives trial by jury in any legal action or proceeding relating to this Agreement and for any counterclaim therein.

ARTICLE XI
MISCELLANEOUS

Section 11.1 Amendment. This Agreement may not be amended except by an instrument in writing authorized by Seller and Buyer and signed by Seller and Buyer.

Section 11.2 Waiver. At any time prior to the Closing, either Seller or Buyer may (a) extend the time for the performance of any of the obligations or other acts of the other, (b) waive any inaccuracies in the representations and warranties of the other contained herein or in any document delivered pursuant hereto, and (c) waive compliance by the other with any of the agreements or conditions contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party hereto to be bound thereby.

Section 11.3 Notices. All notices and other communications that are required to be or may be given pursuant to this Agreement shall be in writing and shall be deemed to have been duly given if delivered in person or by courier or mailed by registered or certified mail (postage prepaid, return receipt requested) to the relevant party hereto at the following addresses or sent by facsimile to the following numbers:

If to Seller, to:

CITGO Asphalt Refining Company
c/o CITGO Petroleum Corporation
1293 Eldridge Parkway Houston, Texas 77077
Attention: Vice President, Finance
Telephone: (832) 486-5232
Facsimile: (832) 486-1819

with a copy to:

CITGO Petroleum Corporation
1293 Eldridge Parkway
Houston, Texas 77077
Attention: General Counsel
Telephone: (832) 486-5558
Facsimile: (832) 486-1817

If to Buyer, to:

NuStar Asphalt Refining, LLC
c/o NuStar Energy L.P.
2330 Loop 1604 W.
San Antonio, Texas 78248
Attn: Michael Hoeltzel
Phone: (210) 918-2959
Fax: (210) 918-3629

with a copy to:

NuStar Asphalt Refining, LLC
c/o NuStar Energy L.P.
2330 Loop 1604 W.
San Antonio, Texas 78248
Attn: Brad Barron, General Counsel
Phone: (210) 918-2106
Fax: (210) 918-5500

and

Cox Smith Matthews Incorporated
112 E. Pecan, Suite 1800
San Antonio, Texas 78205
Attn: Tobin E. Olson
Phone: (210) 554-5298
Fax: (210) 226-8395

or to such other address or facsimile number as Seller or Buyer may, from time to time, designate in a written notice given in accordance with this Section 11.3. Any such notice or communication shall be effective (a) if delivered in person or by courier, upon actual receipt by the intended recipient, (b) if sent by facsimile transmission, upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next Business Day after receipt if not received during recipient's normal business hours, or (c) if mailed, upon the earlier of five (5) days after deposit in the mail and the date of delivery as shown by the return receipt therefor.

Section 11.4 Public Announcements. Neither Seller nor Buyer will issue or make any press releases or similar public announcements concerning the transactions contemplated hereby or by the Other Agreements without the other party's prior written consent, which shall not be unreasonably withheld, except as may be required by Law.

Section 11.5 Expenses. Except as otherwise expressly provided herein, all costs and expenses incurred by Seller in connection with this Agreement and the transactions contemplated hereby shall be paid by Seller, and all costs and expenses incurred by Buyer in connection with this Agreement and the transactions contemplated hereby shall be paid by Buyer.

Section 11.6 Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 11.7 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

Section 11.8 Assignment. This Agreement shall not be assigned by either party hereto, except that (i) Buyer may assign its rights hereunder to purchase all or any portion of the Transferred Assets (and assume any related Assumed Obligations) to one or more of its Affiliates, provided that Buyer shall provide evidence reasonably acceptable to Seller that a financially responsible party shall remain liable for all Obligations of Buyer under this Agreement and (ii) after the Closing, Seller may assign its rights and obligations hereunder to CITGO connection with its winding up and dissolution. No such assignment shall release the assigning party from its obligations hereunder. Except as permitted in the first sentence of this Section 11.8, any purported assignment of this Agreement in violation of this Section 11.8 shall be null and void.

Section 11.9 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and its successors, and to the benefit of the Buyer Indemnitees and the Seller Indemnitees, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 11.10 Failure or Indulgence Not Waiver. No failure or delay on the part of any party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty, covenant or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right.

Section 11.11 Time of the Essence. Time is of the essence in this Agreement. If the date specified in this Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notice is required to be given or any action taken expires on a date which is not a Business Day), then the date for giving such notice or taking such action (and the expiration date of such period during which notice is required to be given or action taken) shall be the next day which is a Business Day.

Section 11.12 Counterparts. This Agreement may be executed in multiple counterparts and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

Section 11.13 Entire Agreement. This Agreement (together with the Exhibits, the Seller Disclosure Schedule and the Schedules) constitute the entire agreement of the parties hereto, and supersede all prior agreements and undertakings, both written and oral, among the parties hereto, with respect to the subject matter hereof (other than the Confidentiality Agreement, which shall continue in full force and effect).

Section 11.14 Certain Notices—Wilmington Assets. Seller and Buyer acknowledge that that certain Dock Use and Operating Agreement dated January 1, 1999 (the "Dock Agreement"), by and between Koch Petroleum Group, L.P. (collectively with its successors in interest, if any, under the Dock Agreement, "Koch") and CITGO Asphalt Refining Company provides for certain notices to Koch of Buyer's intended acquisition of the Wilmington Assets and that Koch may assert a right to acquire the Wilmington Assets pursuant to the Dock Agreement by reason of the transactions contemplated by this Agreement (though neither Seller nor Buyer acknowledge such a right arises by reason of the transactions contemplated by this Agreement). If (and only if) Seller is unable to transfer and convey the Wilmington Assets to Buyer at the Closing solely because Koch is in fact entitled to exercise, and does so exercise, a right to acquire the Wilmington Assets pursuant to the Dock Agreement by reason of the transactions contemplated by this Agreement, then the following provisions shall automatically become effective:

(a) Effective as of the date of this Agreement, (i) all references in this Agreement (and the attachments, schedules and exhibits hereto) to the Wilmington Assets (or any particular property, Contract, Authorization or other asset constituting part of the Wilmington Assets) and the Wilmington Obligations (or any particular Obligation, Claim or Litigation constituting part of the Wilmington Liabilities) shall be deemed redacted out of this Agreement in their entirety, (ii) all of the Wilmington Assets shall be deemed to be "Excluded Assets" for all purposes of this Agreement, and this Agreement shall be deemed to have been modified to provide as such, (iii) the term "Business" as used in this Agreement shall be deemed to have been modified to read in its entirety as follows: "`Business` means the business conducted as of the Execution Date by Seller and CITERCO, including the ownership and operation of the Transferred Assets, but excluding the business and operations conducted by Seller relating to the Wilmington Assets."; and (iv) all of the Wilmington Obligations shall be deemed to be "Specific Retained Obligations" for all purposes of this Agreement, and this Agreement shall be deemed to have been modified to provide as such.

(b) the Base Purchase Price shall automatically be reduced to $433,650,000.

[*Balance of page intentionally left blank*]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed as of the date first written above by its officer thereunto duly authorized.

CITGO ASPHALT REFINING COMPANY

By: CITGO PETROLEUM CORPORATION,
General Partner

By: /s/ Alejandro Grandado
Name: Alejandro Granado
Title: President and CEO

By: CITGO East Coast Oil Corporation,
General Partner

By: /s/ Dean M. Hasseman
Name: Dean M. Hasseman
Title: Assistant Secretary

NUSTAR ASPHALT REFINING, LLC

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

Exhibit 10.38

AIRCRAFT TIME SHARING AGREEMENT

This Aircraft Time Sharing Agreement (the “Agreement”) is entered into as of December 10, 2007 (the “Effective Date”), by and between NUSTAR LOGISTICS, L.P., a Delaware limited partnership (“NuStar”), and WILLIAM E. GREEHEY, an individual residing in the State of Texas (“Time Share Lessee”).

RECITALS

A. NuStar (“Owner”) is in legal possession of the Aircraft (as defined below).

B. NuStar employs (or contracts for the services of) a fully qualified flight crew to operate the Aircraft.

C. Time Share Lessee desires from time to time to sublease the Aircraft, with a flight crew, on a non-exclusive basis, from NuStar on a time sharing basis as defined in Section 91.501(c)(1) of the FAR (as defined below) and in accordance with Sections 91.501(b)(6), 91.501(c)(1) and 91.501(d) of the FAR.

D. NuStar is willing to sublease the Aircraft, with flight crew, on a non-exclusive basis, to Time Share Lessee on such a time sharing basis.

E. During the term of this Agreement, the Aircraft will be subject to use by NuStar and NuStar Related Persons (as defined in Section 6.3).

AGREEMENT

NOW, THEREFORE, NuStar and Time Share Lessee, in consideration of the promises of the other set forth herein, intending to be legally bound, hereby agree as follows:

1. Definitions.

1.1. Specific Terms. The following defined terms shall have the following meanings when used in this Agreement. The meanings assigned by this Agreement shall apply to the plural, singular, possessive or any other form of the term. Words of the masculine, feminine or neuter gender used in this Agreement include all other genders.

“Agreement” is defined in the preamble.

“Aircraft” means the Airframe, the Engines, and the Aircraft Documents. Such Engines shall be deemed part of the “Aircraft” whether or not from time to time attached to the Airframe or removed from the Aircraft.

“Aircraft Documents” means, as to the Aircraft, all flights, records, maintenance records, historical records, modification records, overhaul records, manuals, logbooks, authorizations, drawings and data relating to the Airframe, any Engine or any Part, that are required by Applicable Law to be created or maintained with respect to the maintenance and/or operation of the Aircraft.

“Airframe” means the Airframe described in Schedule 1 attached hereto and made a part hereof, as the same may be amended from time to time as set forth below, together with

any and all Parts (including, but not limited to, landing gear and auxiliary power units, but excluding Engines or engines) so long as such Parts shall be either incorporated or installed in or attached to the Airframe.

“Applicable Law” means, without limitation, all applicable laws, treaties, international agreements, decisions and orders of any court, arbitration or governmental agency or authority and rules, regulations, orders, directives, licenses and permits of any governmental body, instrumentality, agency or authority, including, without limitation, the FAR and 49 U.S.C. § 41101, et seq., as amended.

“Business Day” means Monday through Friday, exclusive of legal holidays under the laws of the United States or the State of Texas.

“Default Rate” means a per annum rate of interest equal to the Prime Rate from time to time announced by Bank of America, N.A. or its successor, plus one percent (1.0%), and should Bank of America, N.A. ever cease to do business without a successor, then the Prime Rate for purposes hereof shall be deemed to be the average Prime Rate then charged by the three largest (in terms of deposits) national banking associations then doing business in the United States of America.

“Effective Date” means the date so specified in the preamble of this Agreement.

“Engine(s)” means the engine(s) identified in Schedule 1 (or any replacement or loaner engines), as the same may be amended from time to time as set forth below, together with any and all Parts so long as the same shall be either incorporated or installed in or attached to such Engine.

“FAA” means the Federal Aviation Administration or any successor agency.

“FAR” means collectively the Aeronautics Regulations of the Federal Aviation Administration and the Department of Transportation, as codified at Title 14, Parts 1 to 399 of the United States Code of Federal Regulations.

“NuStar” is defined in the preamble.

“NuStar Related Person” is defined in Section 6.3.

“Operational Control” has the same meaning given the term in Section 1.1 of the FAR.

“Owner” is defined in Recital A.

“Parts” means all appliances, components, parts, instruments, appurtenances, accessories, furnishings or other equipment of whatever nature (other than complete Engines or engines) which may from time to time be incorporated or installed in or attached to the Airframe or any Engine and includes replacement parts.

“Pilot in Command” has the same meaning given the term in Section 1.1 of the FAR.

“Taxes” means all sales taxes, use taxes, retailer taxes, duties, fees, excise taxes (including, without limitation federal transportation excise taxes), or other taxes of any kind which may be assessed or levied by any Taxing Jurisdiction as a result of the

sublease of the Aircraft to Time Share Lessee, or the use of the Aircraft by Time Share Lessee, or the provision of a taxable transportation service to Time Share Lessee using the Aircraft.

"Taxing Jurisdiction" means any federal, state, county, local, airport, district, foreign, or other governmental authority that imposes Taxes.

"Term" means the term of this Agreement set forth in Section 3.

"Time Share Lessee" is defined in the preamble.

1.2. **Other Terms.** Unless otherwise specified, the following terms, whether or not capitalized, will have the following meanings as used in this Agreement. "Hereof," "herein," "hereunder," and similar terms refer to this Agreement as a whole, and are not limited to the section or subdivision of this Agreement in which the term appears. "Includes," "including," and similar terms mean without limitation. "Person" includes any natural person, corporation, general or limited partnership, limited liability company, other incorporated or unincorporated association, trust, governmental body or other entity.

2. **Agreement to Sublease.**

2.1. **Agreement to Sublease.** NuStar agrees to sublease the Aircraft to Time Share Lessee on an "as needed and as available" basis, and to provide a fully qualified flight crew for all flights of Time Share Lessee, in accordance with the terms and conditions of this Agreement.

2.2. **Intent and Interpretation.** The parties hereto intend that this Agreement shall constitute, and this Agreement shall be interpreted as, a *Time Sharing Agreement* as defined in Section 91.501(c)(1) of the FAR.

2.3. **Non-Exclusivity.** Time Share Lessee acknowledges that the Aircraft is leased to Time Share Lessee hereunder on a non-exclusive basis, and that the Aircraft will also be subject to use by NuStar and NuStar's Related Persons.

3. **Term.** The initial term (the "Initial Term") of this Agreement begins on the Effective Date, and ends on the second anniversary of the Effective Date (subject to earlier termination as provided below). At the end of the Initial Term, this Agreement shall automatically be renewed for successive one-year terms until terminated as provided below. Notwithstanding the foregoing, Time Share Lessee shall have the right to terminate this agreement with or without cause on 30 days written notice to Owner. After the Initial Term, Owner shall have the right to terminate this Agreement with or without cause on 60 days written notice to Time Share Lessee; provided, however, this Agreement may be terminated on such shorter notice as may be required to comply with Applicable Law, the requirements of any financial institution, or insurance requirements.

4. **Payments.**

4.1. **Flight Charges.** Time Share Lessee shall pay NuStar for each flight conducted for Time Share Lessee under this Agreement an amount equal to the maximum amount of expense reimbursement permitted in accordance with Section 91.501(d) of the FAR, which expenses include and are limited to:

4.1.1. fuel oil, lubricants, and other additives;

4.1.2. travel expenses of the crew, including food, lodging and ground transportation;

4.1.3. hangar and tie down costs away from the Aircraft's base of operation;

4.1.4. insurance obtained for the specific flight;

4.1.5. landing fees, airport taxes and similar assessments;

4.1.6. customs, foreign permit, and similar fees directly related to the flight;

4.1.7. in-flight food and beverages;

4.1.8. passenger ground transportation;

4.1.9. flight planning and weather contract services; and

4.1.10. an additional charge equal to 100% of the expenses listed in Section 4.1.1.

4.2. Invoices and Payment. NuStar will initially pay all expenses related to the operation of the Aircraft in the ordinary course, provided that as soon as practicable after the last day of any calendar month during which any flight for the account of Time Share Lessee has been conducted, NuStar shall provide an invoice to Time Share Lessee for an amount determined in accordance with Section 4.1 above. Time Share Lessee shall remit the full amount of any such invoice, together with any applicable Taxes under Section 5, to NuStar promptly within thirty (30) days of receipt of the invoice. In the event NuStar has not received a supplier invoice for reimbursable charges relating to any such flight prior to such invoicing, NuStar shall re-compute the amount determined in accordance with Section 4.1 above and if an additional amount is due from Time Share Lessee to NuStar, issue a supplemental invoice for such charges to Time Share Lessee as soon as practicable after the date of receipt of such supplier invoice, and Time Share Lessee shall pay such supplemental invoice amount upon receipt thereof. Delinquent payments, defined as payments received more than thirty (30) days after receipt of invoice, to NuStar by Time Share Lessee hereunder shall bear interest at the Default Rate from the due date until the date of payment. Time Share Lessee shall further pay all costs incurred by NuStar in collecting any amounts due from Time Share Lessee pursuant to the provisions of this Section 4.2 after delinquency, including court costs and reasonable attorneys' fees.

5. Taxes. None of the payments to be made by Time Share Lessee under Section 4 of this Agreement includes, and Time Share Lessee shall be responsible for, shall indemnify and hold harmless NuStar against, any Taxes which may be assessed or levied by any Taxing Jurisdiction as a result of the sublease of the Aircraft to Time Share Lessee, or the use of the Aircraft by Time Share Lessee, or the provision of a taxable transportation service to that Time Share Lessee using the Aircraft. Without limiting the generality of the foregoing, Time Share Lessee and NuStar specifically acknowledge that all Time Share Lessee's flights will be subject to commercial air transportation excise taxes pursuant to Section 4261 of the Internal Revenue Code of 1986, as amended, regardless of whether any such flight is considered "noncommercial" under the FAR. Time Share Lessee shall remit to NuStar all such Taxes together with each payment made pursuant to Section 4.2.

6. Scheduling Flights.

6.1. Submitting Flight Requests. Time Share Lessee shall submit requests for flights and proposed flight schedules to NuStar as far in advance of any given flight as possible, preferably at least twenty (20) Business Days prior to Time Share Lessee's desired departure date. Requests for flights and proposed flight schedules shall be in a form, whether written or oral, mutually convenient to, and agreed upon by, NuStar and Time Share Lessee. In addition to requests for flights and proposed flight schedules, Time Share Lessee shall provide NuStar at least the following information for each proposed flight as soon as possible prior to scheduled departure:

6.1.1. departure airport;

6.1.2. destination airport;

6.1.3. date and time of outbound departure (including any multiple leg destinations);

6.1.4. the number of anticipated passengers and their names;

6.1.5. the nature and extent of luggage and/or cargo to be carried;

6.1.6. the date and time of return flight (including any multiple leg destinations), if any;

6.1.7. for international trips, passport information and Customs-required information for all passengers; and

6.1.8. any other information concerning the proposed flight that may be pertinent or required by NuStar's flight crew.

Until such time as NuStar notifies Time Share Lessee otherwise, all flight requests hereunder shall be submitted to the following representative of NuStar:

Jim Stokes
NuStar Aviation Department
2330 North Loop 1604 West
San Antonio, Texas 78248
Phone: (210) 918-2320
Fax: (210) 918-5690
Email: jim.stokes@nustarenergy.com

6.2. Coordination of Flight Requests. Each use of the Aircraft by Time Share Lessee shall be subject to NuStar's prior approval. NuStar will use reasonable efforts to accommodate Time Share Lessee's needs and avoid conflicts in scheduling; provided however, that NuStar shall not be liable to Time Share Lessee or any other person for loss, injury, or damage occasioned by any delay or failure to furnish the Aircraft, with a flight crew, pursuant to this Agreement for any reason. NuStar shall not be obligated to retain or contract for additional flight crew or maintenance personnel or equipment in order to accommodate a flight request submitted by Time Share Lessee.

6.3. Subordinated Use of Aircraft. Time Share Lessee's rights to schedule the use of the Aircraft shall at all times be subordinate to the Aircraft use requirements of Owner, and any parent corporation, subsidiary or affiliate of Owner.

7. Title and Operation.

7.1. Title and Registration. Owner has lawful possession of the Aircraft and is the beneficiary/Trustor under a Trust Agreement with the registered Owner, Wells Fargo Bank, N.A., which holds title as Owner Trustee. Time Share Lessee acknowledges that

title to the Aircraft shall remain vested in Owner, and Time Share Lessee undertakes, to the extent permitted by Applicable Law to do all such further acts, deeds, assurances, or things as may, in the reasonable opinion of the Owner, be necessary or desirable in order to protect or preserve Owner's title to the Aircraft. To the extent requested by Owner, its respective successors or assigns, Time Share Lessee shall take all action necessary to continue all right and interest of Owner and/or NuStar, their respective successors or assigns in the Aircraft under Applicable Law against any claims of Time Share Lessee and any persons claiming by, through, or under Time Share Lessee.

7.2. **Aircraft Maintenance.** NuStar shall be solely responsible for maintenance, preventative maintenance, and required or otherwise necessary inspections of the Aircraft, and shall take such requirements into account in scheduling the Aircraft. No period of maintenance, preventative maintenance, or inspection shall be delayed or postponed for the purpose of scheduling the Aircraft, unless said maintenance or inspection can be safely conducted at a later time in compliance with all Applicable Law, and with the sound discretion of the Pilot in Command.

7.3. **Flight Crews.** NuStar shall provide to Time Share Lessee a qualified flight crew for each flight conducted in accordance with this Agreement. NuStar may, if it so chooses, elect not to hire its own pilots for any given flight hereunder, but to contract instead for pilot services from a third party. Whether or not the flight crew is supplied by a third party, the flight crew is under the exclusive command and control of NuStar in all phases of all flights conducted hereunder.

7.4. **OPERATOINAL CONTROL.** THE PARTIES EXPRESSLY AGREE THAT NUSTAR SHALL HAVE AND MAINTAIN OPERATIONAL CONTROL OF THE AIRCRAFT FOR ALL FLIGHTS OPERATED UNDER THIS AGREEMENT, AND THAT THE INTENT OF THE PARTIES IS THAT THIS AGREEMENT CONSTITUTE A "TIME SHARING AGREEMENT" AS SUCH TERM IS DEFINED IN SECTION 91.501(C)(1) OF THE FAR. NUSTAR SHALL EXERCISE EXCLUSIVE AUTHORITY OVER INITIATING, CONDUCTING, OR TERMINATING ANY FLIGHT CONDUCTED ON BEHALF OF TIME SHARE LESSEE PURSUANT TO THIS AGREEMENT.

7.5. **Authority of Pilot in Command.** Notwithstanding that NuStar shall have Operational Control of the Aircraft during any flight conducted pursuant to this Agreement, NuStar and Time Share Lessee expressly agree that the Pilot in Command, in his or her sole discretion, may terminate any flight, refuse to commence any flight, or take any other flight-related action which in the judgment of the Pilot in Command is necessitated by considerations of safety. The Pilot in Command shall have final and complete authority to postpone or cancel any flight for any reason or condition which in his or her judgment would compromise the safety of the flight. No such action of the Pilot in Command shall create or support any liability of NuStar to Time Share Lessee for loss, injury, damage, or delay.

7.6. **Base of Operation.** For purposes of this Agreement, the base of operation is San Antonio International Airport, San Antonio, Texas, U.S.A.; provided, however, that the base of operation for purposes of this Agreement may be changed temporarily or permanently by NuStar without notice. NuStar will make reasonable efforts to notify Time Share Lessee of changes in the base of operations at least forty-eight (48) hours prior to Time Share Lessee's scheduled flights.

7.7. **Force Majeure.** Owner shall not be liable for delay or failure to furnish the Aircraft and flight crew pursuant to this Agreement when such failure is caused by government regulation or authority, mechanical difficulty, war, civil commotion, strikes or labor disputes, weather conditions, acts of God, or other unforeseen or unanticipated circumstances.

8. **Insurance and Limitation of Liability.** Lessor represents that the flight operations for the Aircraft as contemplated in this Agreement will be covered by the Lessor's aircraft all-risk physical damage insurance (hull Coverage), aircraft bodily injury and property damage liability insurance. Lessor will retain all rights and benefits with respect to the proceeds payable under policies of hull insurance maintained by Lessor that may be payable as a result of any incident or occurrence while an Aircraft is being operated on behalf of Lessee under this Agreement.

8.1. **Additional policy requirements**: Any policies of insurance carried in accordance with this Agreement and any policies taken out in substitution or replacement of any such policies shall:

8.1.1. name Time Share Lessee as an additional insured;

8.1.2. include a severability of interest clause providing that such policy shall operate in the same manner as if there were a separate policy covering each insured;

8.1.3. shall be primary, without right of contribution from any other insurance maintained by Time Share Lessee; and

8.1.4. as respects hull physical damage, waive any right of set off or subrogation against Time Share Lessee.

8.2. **Limitation of Liability**. Time Share Lessee agrees that the insurance specified in this Section 8 provides its sole recourse for all claims, losses, liabilities, obligations, demands, suits, judgments or causes of action, penalties, fines, costs and expenses of any nature whatsoever, including attorneys' fees and expenses for or on account of or arising out of, or in any way connected with the use of the Aircraft by Time Share Lessee or its guests, including injury to or death of any persons, including Time Share Lessee and its guests which may result from or arise out of the use or operation of the Aircraft during the term of this Agreement ("Claims"), **regardless of whether such Claims arise out of or are caused by, in whole or in part, the negligence, gross negligence, or strict liability of Lessor.**

8.3. In no event shall Lessor be liable to Time Share Lessee or his employees, agents, representatives, guests, or invitees for any claims or liabilities, including property damage or injury and death, and expenses, including attorney's fees, in excess of the amount paid by Lessor's insurance carrier in the event of such loss.

8.4. Upon request, the Lessor shall deliver to Time Share Lessee a certificate of insurance evidencing the insurance required to be maintained by Lessor under this Article.

8.5. This Section shall survive termination of this Agreement.

9. Representations and Warranties. Time Share Lessee represents and warrants that Time Share Lessee shall:

9.1. use the Aircraft solely for and on account of his own business or personal use only, and will not use the Aircraft for the purpose of providing transportation of passengers or cargo for compensation or hire, for or in connection with any illegal purpose, in violation of any Applicable Law, or in violation of any insurance policy with respect to Aircraft;

9.2. refrain from incurring any mechanic's or other lien in connection with inspection, preventative maintenance, maintenance, or storage of the Aircraft, whether permissible or impermissible under this Agreement;

9.3. not attempt to convey, mortgage, assign, lease, sublease, or in any way alienate the Aircraft or create any kind of lien or security interest involving the Aircraft, or do anything or take any action that might mature into such a lien; and

9.4. abide by and conform, during the Term, to all Applicable Laws, governmental and airport orders, rules and regulations, as shall from time to time be in effect relating in any way to the operation and use of the Aircraft by Time Share Lessee.

10. Miscellaneous.

10.1. Notices. All notices hereunder (except for notices made purely for flight scheduling, which are governed by the provisions of Section 6) shall be delivered by hand, sent by reputable guaranteed overnight delivery service, or sent by first-class United States mail, certified, postage prepaid, return receipt requested to the addresses of the parties set forth below:

If to NuStar:

NuStar Logistics, L.P.
2330 North Loop 1604 West
San Antonio, Texas 78248
Attention: General Counsel

With a copy to:

NuStar Aviation Department
2330 North Loop 1604 West
San Antonio, Texas 78248
Attention: Director of Aviation

If to Time Share Lessee:

William E. Greehey
2330 North Loop 1604 West
San Antonio, Texas 78248

Notice shall be deemed given when delivered or sent in the manner provided herein. At any time, either party may change its address for purposes of notices under this Agreement by giving notice to the other party in accordance herewith.

10.2. **No Waiver.** No purported waiver by either party of any default by the other party of any term or provision contained herein shall be deemed to be a waiver of such term or provision unless the waiver is in writing and signed by the waiving party. No such waiver shall in any event be deemed a waiver or any subsequent default under the same or any other term or provision contained herein.

10.3. **Entire Agreement.** This Agreement sets forth the entire understanding between the parties concerning the subject matter of this Agreement and incorporates all prior negotiations and understandings. There are no covenants, promises, agreements, conditions or understandings, either oral or written, between them relating to the subject matter of this Agreement other than those set forth herein. No representation or warranty has been made by or on behalf of any party (or any officer, director, employee, or agent thereof) to induce any other party to enter into this Agreement or to abide by or consummate any transaction contemplated by any timers of this Agreement, except representations and warranties, if any, expressly set forth herein. No alteration, amendment, change, or addition to this Agreement shall be binding upon either party unless in writing and signed by the party to be charged.

10.4. **No Agency or Partnership.** Nothing contained in this Agreement shall be deemed or construed by the parties hereto or by any third person to create the relationship of principal and agent or of partnership or of joint venture.

10.5. **Successors and Assigns.** Each and all of the provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto, and except as otherwise specifically provided in this Agreement, their respective successors and assigns, provided, however, that neither this Agreement, nor any rights herein granted may be assigned, transferred, or encumbered by Time Share Lessee, and any purported or attempted transfer or assignment by Time Share Lessee without the prior express written consent of NuStar shall be void and of no effect.

10.6. **Third Parties.** Nothing herein expressed or implied is intended or shall be construed to confer upon or give any person other than the parties hereto and their successors and assigns any rights or remedies under or by reason of this Agreement.

10.7. **Captions; Recitals.** The captions and section numbers appearing in this Agreement are inserted only as a matter of convenience. The do not define, limit, construe, or describe the scope or intent of the provisions of this Agreement. The Recitals at the beginning of this Agreement are intended to give an understanding of the factual background that led the parties to enter into this Agreement. The Recitals are not intended to be warranties, representations, covenants, or otherwise contractually binding.

10.8. **Prohibited or Unenforceable Provisions.** Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. To the extent permitted by Applicable Law, each of NuStar and Time Share Lessee hereby waives any provision of Applicable Law which renders any provision hereof prohibited or unenforceable in any respect.

10.9. Governing Law. The Agreement shall be governed and construed by the provisions hereof and in accordance with the laws of the State of Texas applicable to agreements to be performed in the State of Texas, without giving effect to its conflict of laws provisions. Any disputes arising out of this Agreement will be subject to the exclusive jurisdiction of the U.S. District Court located in Bexar County, Texas if federal jurisdiction is available and to the courts of the State of Texas located in Bexar County, Texas if federal jurisdiction is not available.

10.10. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original and part of one and the same document.

11. Required Filings. Time Share Lessee authorizes NuStar at any time, and from time to time, to file any such document with the FAA and/or such other governmental agencies or offices as NuStar shall judge to be necessary or desirable in the name of, and on behalf of, Time Share Lessee, which authorization and power is coupled with an interest and shall be irrevocable.

12. Disclaimer. The Aircraft is being subleased by NuStar to Time Share Lessee hereunder on a completely “as is, where is” basis, which is acknowledged and agreed to by Time Share Lessee. The warranties and representations set forth in this Agreement are exclusive and in lieu of all other representations or warranties whatsoever, express or implied, and NuStar has not made and shall not be construed or deemed to have made (whether by virtue of having subleased the Aircraft under this Agreement, having leased the Aircraft from Owner, having done or failed to do any act, or having acquired or failed to acquire any status under or in relation to this Agreement or otherwise) any other representation or warranty whatsoever, express or implied, with respect to the Aircraft or to any Part thereof, and specifically, without limitation, in this respect disclaims all representations and warranties concerning the title, airworthiness, value, condition, design, merchantability, compliance with specifications, construction and condition of the Aircraft, or fitness for a particular use of the Aircraft, and as to the absence of latent and other defects, whether or not discoverable, and as to the absence of any infringement or the like hereunder of any patent, trademark, or copyright, and as to the absence of obligations based on strict liability in tort, or as to the quality of the material or workmanship of the Aircraft or any part thereof, or any other representation or warranty whatsoever, express or implied (including any implied warranty arising from a course of performance, dealing, or usage of trade), with respect to the Aircraft or any Part thereof.

Time Share Lessee hereby waives, releases, disclaims and renounces all expectation of or reliance upon any such and other warranties, obligations, and liabilities of NuStar and rights, claims, and remedies of Time Share Lessee against NuStar, express or implied, arising by law or otherwise, including but not limited to: (i) any implied warranty of merchantability or fitness for any particular use; (ii) any implied warranty arising from course of performance, course of dealing, or usage of trade; (iii) any obligation, liability, right, claim, or remedy in tort, whether or not arising from the negligence of NuStar, actual or imputed; and (iv) any obligation, liability, right, claim, or remedy for loss of or damage to the Aircraft, for loss of use, revenue, or profit with respect to the Aircraft, or for any other direct, indirect, incidental, or consequential damages.

13. Truth in Leasing Disclosures.

13.1. The parties hereto certify that a true copy of this Agreement shall be carried on the Aircraft at all times and shall be made available for inspection upon request by an appropriately constituted and identified representative of the Administrator of the FAA.

13.2. NuStar shall, for and on behalf of NuStar and Time Share Lessee, mail a copy of this Agreement by certified mail, return receipt requested, to: Federal Aviation Administration, Aircraft Registration Branch, Attn: Technical Section, P.O. Box 25724, Oklahoma City, Oklahoma 73125, within twenty-four (24) hours after execution of this Agreement.

13.3. At least forty-eight (48) hours before the first flight under this Agreement, NuStar shall, for and on behalf of NuStar and Time Share Lessee, comply with the notification requirements of Section 91.23(c)(3) of the FAR by notifying by telephone or in person the FAA Flight Standards District Office nearest the airport where such first flight will originate of the following: (i) the location of the airport of departure, (ii) the departure time, and (iii) the registration number of the Aircraft.

13.4. WITHIN THE TWELVE (12) MONTH PERIOD PRECEDING THE EFFECTIVE DATE, EXCEPT TO THE EXTENT THE AIRCRAFT IS LESS THAN TWELVE (12) MONTHS OLD, THE AIRCRAFT HAVE BEEN INSPECTED AND MAINTAINED IN ACCORDANCE WITH THE FOLLOWING PROVISIONS OF FAR: FAR 91.409(F)(3) – A CURRENT INSPECTION PROGRAM RECOMMENDED BY THE MANUFACTURER.

13.5. THE PARTIES HERETO CERTIFY THAT, DURING THE TERM OF THIS AGREEMENT AND FOR ALL OPERATIONS CONDUCTED HEREUNDER, THE AIRCRAFT WILL BE MAINTAINED AND INSPECTED IN ACCORDANCE WITH THE PROVISIONS OF FAR 91.409(F)(3).

13.6. NUSTAR, WHOSE ADDRESS APPEARS IN SECTION 10.1 ABOVE AND WHOSE AUTHORIZED SIGNATURE APPEARS BELOW, SHALL HAVE AND RETAIN OPERATIONAL CONTROL OF THE AIRCRAFT DURING ALL OPERATIONS CONDUCTED PURSUANT TO THIS AGREEMENT. EACH PARTY HERETO CERTIFIES THAT IT UNDERSTANDS THE EXTENT OF ITS RESPONSIBILITIES SET FORTH HEREIN FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS. AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed effective as of the date first above written.

Time Share Lessee:	**NuStar:**
	NuStar Logistics, L.P. By: NuStar GP, Inc., its general partner
/s/ William E. Greehey	By: /s/ Curtis V. Anastasio
William E. Greehey	Name: Curtis V. Anastasio
	Title: President & CEO

SCHEDULE 1

Aircraft

Airframe:
Manufacturer’s Serial Number:
FAA Registration Number:
Engines:
Engine Serial Numbers:

Exhibit 12.01

NUSTAR ENERGY L.P.
STATEMENT OF COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Thousands of Dollars, Except Ratio)

	Year Ended December 31,				
	2007	2006	2005	2004	2003
Earnings:					
Income from continuing operations before provision for income taxes and income from equity investees	$154,913	$149,885	$110,069	$77,074	$67,177
Add:					
Fixed charges	91,594	75,829	46,211	21,625	16,443
Amortization of capitalized interest	255	126	80	60	55
Distributions from joint ventures	544	5,268	4,657	1,373	2,803
Less: Interest capitalized	(5,995)	(1,758)	(1,008)	(192)	(123)
Total earnings	$241,311	$229,350	$160,009	$99,940	$86,355
Fixed charges:					
Interest expense (1)	$ 77,584	$ 68,241	$ 41,616	$20,630	$15,291
Amortization of debt issuance costs	1,030	726	622	407	740
Interest capitalized	5,995	1,758	1,008	192	123
Rental expense interest factor (2)	6,985	5,104	2,965	396	289
Total fixed charges	$ 91,594	$ 75,829	$ 46,211	$21,625	$16,443
Ratio of earnings to fixed charges	2.6x	3.0x	3.5x	4.6x	5.3x

(1) The “interest expense, net” reported in our consolidated statements of income for the years ended December 31, 2007, 2006, and 2005 includes investment income of $2,098,000, $2,701,000, and $850,000 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 21.01

Subsidiaries of NuStar Energy L.P.

Name of Entity	State of Incorporation
Bicen Development Corporation N.V.	Netherlands Antilles
Cooperative NuStar Holdings U.A.	Netherlands
Diamond K Limited	Bermuda
Kaneb, Inc.	Delaware
Kaneb Investment, LLC	Delaware
Kaneb LLC	Delaware
Kaneb Management, LLC	Delaware
Kaneb Management Company LLC	Delaware
Kaneb Pipe Line Company LLC	Delaware
Kaneb Pipe Line Holding Company, LLC	Delaware
Kaneb Pipe Line Operating Partnership, L.P.	Delaware
Kaneb Pipe Line Partners, L.P.	Delaware
Kaneb Services LLC	Delaware
Kaneb Terminals B.V. (name changed to NuStar Terminals B.V. effective February 15, 2008)	Netherlands
Kaneb Terminals (Eastham) Limited	England
Kaneb Terminals Limited (name changed to NuStar Terminals Limited effective February 19, 2008)	England
NuStar Asphalt Refining, LLC	Delaware
NuStar Aviation, LLC (dissolved January 7, 2008)	Delaware
NuStar Burgos, LLC	Delaware

Name of Entity	State of Incorporation
NuStar Energy Services, Inc.	Delaware
NuStar GP, Inc.	Delaware
NuStar Holdings B.V.	Netherlands
NuStar Internacional, S.de R.L. de C.V.	Mexico
NuStar Logistics, L.P.	Delaware
NuStar Marketing LLC	Delaware
Petroburgos, S. de R.L. de C.V.	Mexico
Point Tupper Marine Services Co.	Nova Scotia
Ross Chemical & Storage Company Limited	England
Saba Company N.V.	Netherlands Antilles
Seven Seas Steamship Company (Saint Eustatius) N.V.	Netherlands Antilles
Shore Terminals LLC	Delaware
Skelly-Belvieu Pipeline Company, L.L.C.	Delaware
ST Linden Terminal, LLC (joint venture)	Delaware
StanTrans Holding, Inc.	Delaware
StanTrans, Inc.	Delaware
StanTrans Partners, L.P.	Delaware
Statia Marine, Inc.	Cayman Islands
Statia Technology, Inc.	Delaware
Statia Terminals Antilles N.V.	Netherlands Antilles
Statia Terminals Canada Co.	Nova Scotia
Statia Terminals Canada Holdings Co	Nova Scotia
Statia Terminals Canada Partnership	Nova Scotia
Statia Terminals Corporation N.V.	Curacao, NA

Name of Entity	State of Incorporation
Statia Terminals Delaware, Inc.	Delaware
Statia Terminals, Inc.	Delaware
Statia Terminals International N.V.	Curacao, NA
Statia Terminals Marine Services N.V.	Netherlands Antilles
Statia Terminals New Jersey, Inc.	Delaware
Statia Terminals N.V.	Netherlands Antilles
Support Terminal Operating Partnership, L.P.	Delaware
Support Terminals Services, Inc.	Delaware
Texas Energy Services LLC	Delaware

Exhibit 23.01

Consent of Independent Registered Public Accounting Firm

The Board of Directors of
NuStar GP, LLC:

We consent to the incorporation by reference in the registration statement on Form S-8 (Nos. 333-109541, 333-88264, 333-81806 and 333-138133), on Form S-4 (No. 333-120726) and on Form S-3 (No. 333-143095) of NuStar Energy L.P. and subsidiaries of our reports dated February 28, 2008, with respect to the consolidated balance sheets of NuStar Energy L.P. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, cash flows and partners' equity for each of the years in the three year period ended December 31, 2007, the effectiveness of internal control over financial reporting as of December 31, 2007 and the balance sheet of Riverwalk Logistics, L.P. as of December 31, 2007, which reports appear in the December 31, 2007, annual report on Form 10-K of NuStar Energy L.P. and subsidiaries.

San Antonio, Texas
February 28, 2008

Exhibit 31.01

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Curtis V. Anastasio, the principal executive officer of NuStar GP, LLC, certify that:

1. I have reviewed this annual report on Form 10-K of NuStar Energy 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 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 the registrant’s board of directors (or persons performing the equivalent functions):

(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: February 29, 2008

/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 NuStar GP, LLC, certify that:

1. I have reviewed this annual report on Form 10-K of NuStar Energy 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 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 the registrant’s board of directors (or persons performing the equivalent functions):

(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: February 29, 2008

/s/ Steven A. Blank

Steven A. Blank
Senior Vice President, Chief Financial
Officer and Treasurer

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 Annual Report of NuStar Energy L.P. (the Partnership) on Form 10-K for the year ended December 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Curtis V. Anastasio, President and Chief Executive Officer of NuStar 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 the Partnership.

/s/ Curtis V. Anastasio

Curtis V. Anastasio
President and Chief Executive Officer
February 29, 2008

A signed original of the written statement required by Section 906 has been provided to NuStar Energy L.P. and will be retained by NuStar Energy 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 Annual Report of NuStar Energy L.P. (the Partnership) on Form 10-K for the year ended December 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Steven A. Blank, Senior Vice President, Chief Financial Officer and Treasurer of NuStar 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 the Partnership.

/s/ Steven A. Blank

Steven A. Blank
Senior Vice President, Chief Financial Officer and Treasurer
February 29, 2008

A signed original of the written statement required by Section 906 has been provided to NuStar Energy L.P. and will be retained by NuStar Energy L.P. and furnished to the Securities and Exchange Commission or its staff upon request.

Audit Committee Pre-Approval Policy

I. Statement of Principles

Pursuant to Section 10A of the Securities Exchange Act of 1934, as amended by Section 202 of the Sarbanes-Oxley Act of 2002 ("SOX Act"), the Audit Committee of the board of directors (the "Audit Committee") of NuStar GP, LLC, the general partner of the general partner of NuStar Energy L.P. (the "Company"), is required to pre-approve the audit and non-audit services performed by the Company's independent auditor to assure that the provision of such services does not impair the auditor's independence. The SEC's rules establish two approaches for pre-approving services. The two approaches are not mutually exclusive:

- the Audit Committee may pre-approve each particular service on a case-by-case basis ("*separate pre-approval*"), and
- the Audit Committee may adopt a pre-approval policy that is detailed as to the particular types of services that may be provided by the independent auditor without consideration by the Audit Committee on a case-by-case basis ("*policy-based pre-approval*").

The Audit Committee believes that a combination of these approaches will provide an effective and efficient procedure to pre-approve services performed by the independent auditor. Therefore, unless a type of service has received policy-based pre-approval (as specifically identified in the appendices to this policy), it will require separate pre-approval by the Audit Committee.

The appendices to this policy contain lists of services that have received policy-based pre-approval of this Audit Committee in the following categories (categorized in accordance with the SEC's rules):

- Audit Services
- Audit-Related Services
- Tax Services
- All Other Services

II. Term of Pre-Approvals

The term of the policy-based pre-approvals stated in the appendices to this policy is the period from January 1, 2008 to January 31, 2009, unless the Audit Committee specifically provides for a different period. The Audit Committee will review and pre-approve, at least annually, the services that may be provided by the independent auditor. The Audit Committee will revise the list of policy-based pre-approved services from time to time as the Committee deems necessary or appropriate.

III. Services for which *Separate* Pre-Approval is Required

The terms and fees for the following services of the independent auditor require *separate* pre-approval by the Audit Committee:

- the annual financial statement audit, including all audits, reviews, procedures and other services required to be performed by the independent auditor to form an opinion on the Company's consolidated financial statements, and
- the annual audit of the Company's internal control over financial reporting, including all services required to be performed by the independent auditor to issue its report on the effectiveness of the Company's internal control over financial reporting.

The Audit Committee will monitor these engagements as it deems appropriate, and will approve, if necessary, any changes in terms, conditions and fees resulting from changes in engagement scope, changes in the Company's structure or other matters.

IV. Services for which *Policy-Based* Pre-Approval is Available

A. Audit Services

The Audit Committee may grant *policy-based* pre-approval for Audit Services other than the services described in Section III above. These Audit Services are generally services that only the Company's independent auditor reasonably can provide, and include:

- services associated with SEC registration statements (*e.g.*, comfort letters, consents), periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings,
- statutory audits or financial audits for subsidiaries or affiliates of the Company.

The Audit Committee has given policy-based pre-approval for the Audit Services listed in Appendix A. All other Audit Services must be separately pre-approved by the Audit Committee.

B. Audit-Related Services

Audit-Related Services are assurance and related services that are reasonably related to the performance of the annual audit or quarterly review of the Company's financial statements or that are traditionally performed by the independent auditor. The Audit Committee may grant policy-based pre-approval for Audit-Related Services. These services would include:

- employee benefit plan audits,
- due diligence services related to proposed mergers and acquisitions, and
- assistance with understanding and implementing new accounting and financial reporting guidance from rulemaking authorities.

The Audit Committee believes that the provision of the Audit-Related Services listed in Appendix B does not impair the independence of the auditor, and has given policy-based pre-approval for the Audit-Related Services listed in Appendix B. All other Audit-Related Services must be separately pre-approved by the Audit Committee.

C. Tax Services

The Audit Committee believes that the independent auditor can provide Tax Services to the Company such as tax compliance, tax planning and tax advice without impairing the auditor's independence. However, the Audit Committee will not permit the retention of the independent auditor in connection with a transaction initially recommended by the independent auditor, the purpose of which may be tax avoidance and the tax treatment of which may not be supported in the U.S. Internal Revenue Code and related regulations or in the tax laws and regulations of any jurisdiction in which the Company is subject to taxation. In addition, the independent auditor may not provide any tax services to the Company that are deemed to be incompatible with auditor independence per standards promulgated by the Public Company Accounting Oversight Board ("PCAOB").

The Audit Committee has given policy-based pre-approval for the Tax Services listed in Appendix C. All other Tax Services must be separately pre-approved by the Audit Committee, including Tax Services related to large and complex transactions and Tax Services proposed to be provided by the independent auditor to any executive officer or director of the Company, in his or her individual capacity, when such services are paid for by the Company.

D. All Other Services

The Audit Committee may grant policy-based pre-approval for those permissible non-audit services classified as All Other Services that it believes are routine, recurring services that would not impair the independence of the auditor. The Audit Committee has given policy-based pre-approval for the All Other Services listed in Appendix D. Any permissible All Other Services that are not listed in Appendix D must be separately pre-approved by the Audit Committee.

V. Prohibited Services

A list of the SEC's prohibited non-audit services is attached to this policy as Appendix E. The list sets forth the several services that the SOX Act and the SEC have specifically identified as services that may not be performed by the Company's independent auditor. The Audit Committee will consult the SEC's rules and relevant guidance, with the assistance of counsel when necessary or appropriate, to determine whether any proposed service by the independent auditor falls within any category of prohibited non-audit services.

In addition, the independent auditor may not provide any service or product to the Company for a *contingent fee* (as defined and interpreted by the SEC pursuant to Rule 2-01(c)(5) of Regulation S-X) or a commission, or pursuant to an agreement (written or otherwise) by the Company to pay a "value added" fee based on the results of the independent auditor's performance of a service.

VI. Pre-Approval Fee Levels and Budgeted Amounts

Pre-approval fee levels or budgeted amounts for all services to be provided by the independent auditor will be established at least annually by the Audit Committee. All services that have received policy-based pre-approval are subject to the pre-approval fee levels or budgeted amounts set forth in the appendices to this policy. Any proposed services exceeding these amounts will require separate pre-approval by the Audit Committee or by any person to whom pre-approval authority is granted under Section III above.

VII. Procedures

Requests or applications to provide services that require separate approval by the Audit Committee must be submitted to the Audit Committee by both the independent auditor and the Company's Chief Financial Officer (or his designee), and must include a joint statement as to whether, in their view, the request or application is consistent with the SEC's rules on auditor independence. In connection with the Audit Committee's consideration of any proposed service, the independent auditor, at the Committee's request, will provide to the Audit Committee detailed documentation regarding the specific services to be provided so that the Committee can make a well-reasoned assessment of the impact of the service on the auditor's independence.

The Audit Committee hereby designates the Company's Director of Internal Audit (the "Monitor") to monitor the performance of all services provided by the independent auditor and to determine whether such services are in compliance with this policy. The Monitor will report to the Audit Committee on a periodic basis the results of her monitoring.

Exhibit 99.01

Appendix A

Pre-Approved AUDIT SERVICES

Service
assistance with and review of documents filed with the SEC including registration statements, reports on Forms 10-K and 10-Q, and other documents
services associated with other documents issued in connection with securities offerings (*e.g.*, comfort letters, consents)
assistance in responding to SEC comment letters
statutory audits (*e.g.*, FERC audits) and financial audits for subsidiaries of the Company, including statutory audits required for insurance companies for purposes of state law
certificates, letters and opinions issued to regulators, agencies and other third-parties (*e.g.*, insurance, banking, environmental) regarding the Company’s assets and/or operations that only the Company’s independent auditors reasonably can provide
Pre-approval fee limit for Audit Services (other than services pertaining to registration statements or prospectuses in connection with securities offerings) $250,000
Pre-approval fee limit for Audit Services pertaining to registration statements or prospectuses in connection with securities offerings $250,000 per registration statement or prospectus

Appendix B

Pre-Approved AUDIT-RELATED SERVICES

Service
due diligence services pertaining to potential business acquisitions or dispositions
financial statement audits of employee benefit plans
accounting consultations and audits in connection with acquisitions
consultations concerning principles of accounting and/or financial reporting treatment under standards or interpretations by the SEC, PCAOB, FASB or other regulatory or standard-setting bodies (outside those consultations necessary to perform an audit or review of the Company’s financial statements in accordance with GAAS)
agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters
Pre-approval fee limit for Audit-Related Services $250,000

Appendix C

Pre-Approved TAX SERVICES

Service *Note*: The following are subject to the terms of subsection C. of Section V. of this policy.
U.S. federal, state and local tax compliance, including the preparation of original and amended tax returns and claims for refunds
U.S. federal, state and local tax planning and advice, including assistance with tax audits and appeals (but expressly excluding advocacy or litigation services), tax advice related to mergers and acquisitions, tax advice relating to employee benefit plans, and requests for rulings or technical advice from taxing authorities
review of federal, state, local and international income, franchise, and other tax returns
Pre-approval fee limit for Tax Services $100,000

Pre-Approved ALL OTHER SERVICES

Service
none
Pre-approval fee limit for All Other Services
$ 0

Prohibited Non-Audit Services

- Bookkeeping or other services related to the accounting records or financial statements of the audit client*
- Financial information systems design and implementation*
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports*
- Actuarial services*
- Internal audit outsourcing services*
- Management functions
- Human resources
- Broker-dealer, investment adviser or investment banking services
- Legal services
- Expert services unrelated to the audit

---

* Provision of these non-audit services may be permitted if it is reasonable to conclude that the results of these services will not be subject to audit procedures. Materiality is not an appropriate basis upon which to overcome the rebuttable presumption that prohibited services will be subject to audit procedures.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors of
NuStar GP, LLC and Unitholders of Nustar Energy L.P.:

We have audited the accompanying balance sheet of Riverwalk Logistics, L.P. (a Delaware limited partnership) (the Partnership) as of December 31, 2007. This financial statement is the responsibility of the Partnership's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit of a balance sheet also includes examining, on a test basis, evidence supporting the amounts and disclosures in that balance sheet, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Riverwalk Logistics, L.P. as of December 31, 2007, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

February 28, 2008

RIVERWALK LOGISTICS, L.P.
BALANCE SHEET
DECEMBER 31, 2007
(Thousands of Dollars)

Assets	
Cash	$ 1
Investment in NuStar Energy L.P.	68,248
Total assets	$68,249
Liabilities and Partners' Equity	
Notes payable to affiliates	$13,902
Commitments and contingencies (Note 7)	
Partners' equity:	
Limited partner equity held by Riverwalk Holdings, LLC	53,773
General partner equity held by NuStar GP, LLC	53
Accumulated other comprehensive income	521
Total partners' equity	54,347
Total liabilities and partners' equity	$68,249

See Notes to Balance Sheet.

RIVERWALK LOGISTICS, L.P.
NOTES TO BALANCE SHEET
December 31, 2007

1. Organization and Basis of Presentation

Riverwalk Logistics, L.P. (Riverwalk Logistics) is a Delaware limited partnership and the general partner of NuStar Energy L.P. The general partner of Riverwalk Logistics is NuStar GP, LLC with a 0.1% general partner interest and the limited partner is Riverwalk Holdings, LLC with a 99.9% limited partner interest. NuStar GP, LLC and Riverwalk Holdings, LLC are wholly owned subsidiaries of NuStar GP Holdings, LLC (NYSE: NSH).

As used in this report, references to “we,” “us,” or “our” collectively refer, to Riverwalk Logistics.

NuStar GP Holdings, LLC was formed in June 2000 as UDS Logistics, LLC. Valero Energy Corporation (Valero Energy) (NYSE: VLO), acquired UDS Logistics in connection with its December 31, 2001 acquisition of Ultramar Diamond Shamrock Corporation (UDS). UDS Logistics changed its name to Valero GP Holdings, LLC in January 2006 and then to NuStar GP Holdings, LLC in April 2007.

In two separate public offerings in 2006, Valero Energy sold their ownership interest in NuStar GP Holdings, LLC. We did not receive any proceeds from either public offering, and Valero Energy’s ownership interest in NuStar GP Holdings, LLC was reduced to zero.

NuStar Energy L.P. (NYSE: NS) is a publicly traded Delaware limited partnership engaged in the crude oil and refined product transportation, terminalling and storage business in the United States, the Netherland Antilles, Canada, Mexico, the Netherlands and the United Kingdom and purchases certain petroleum products for resale to third parties. NuStar Energy conducts substantially all of its business through its operating partnerships and wholly owned subsidiaries, NuStar Logistics, L.P. and Kaneb Pipe Line Operating Partnership, L.P. As of December 31, 2007, the common units held by the public represent 77.7% of NuStar Energy L.P.’s outstanding partnership equity with the balance owned by Riverwalk Holdings, LLC and NuStar GP, LLC (common units representing 20.3%) and Riverwalk Logistics (2% general partner interest and 100% of the incentive distribution rights).

2. Significant Accounting Policies

Use of Estimates

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

Investment in NuStar Energy L.P.

We account for our investment in NuStar Energy L.P. using the equity method. We evaluate our investment in NuStar Energy L.P. for impairment if and when there is evidence that we may not be able to recover the carrying amount of our investment or that NuStar Energy L.P. is unable to sustain an earnings capacity that justifies the carrying amount. A loss in the value of our investment that is other than a temporary decline is recognized currently in earnings based on the difference between the estimated current fair value of the investment and our carrying amount. In order to determine fair value, our management must make certain estimates and assumptions regarding NuStar Energy L.P.’s operations, including, among other things, an assessment of market conditions, projected cash flows, interest rates and growth rates that could significantly impact the fair value of our investment. Due to the significant subjectivity of the assumptions used to determine fair value, changes in market conditions and/or changes

in assumptions could result in significant impairment charges in the future, thus affecting our earnings. Any such unfavorable changes in market conditions could also significantly affect cash distributions we receive from NuStar Energy L.P. and thus cash distributions we pay. We believe that the carrying amount of our investment in NuStar Energy L.P., as of December 31, 2007, is recoverable.

Income Taxes

Riverwalk Logistics is a limited partnership and is not subject to federal income taxes. Accordingly, the taxable income or loss, which may vary substantially from income or loss reported for financial reporting purposes, is generally includable in the federal income tax returns of the individual partners.

Accounting for Sales of Units by NuStar Energy L.P.

Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 51, “Accounting for Sales of Stock by a Subsidiary” (SAB 51), provides guidance on accounting for the effect of issuances of a subsidiary’s stock on the parent’s investment in that subsidiary. SAB 51 allows registrants to elect an accounting policy of recording such increases or decreases in a parent’s investment (SAB 51 credits or charges, respectively) either in income or in equity. We record such SAB 51 credits or charges directly to members’ equity.

3. Accounting Pronouncement

FASB Statement No. 157

In September 2006, the FASB issued Statement No. 157, as amended, “Fair Value Measurements.” Statement No. 157, as amended, defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measures. Statement No. 157 is effective for fiscal years beginning after November 15, 2007, with early adoption encouraged. The provisions of Statement No. 157 are to be applied on a prospective basis, with the exception of certain financial instruments for which retrospective application is required. The FASB deferred the effective date for one year for all nonfinancial assets and liabilities, except for those items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We will still need to apply the recognition and disclosure provisions of Statement No. 157 for financial assets and liabilities and for nonfinancial assets and liabilities that are re-measured at least annually. The adoption of Statement No. 157 effective January 1, 2008 has not materially affected our financial position.

FASB Statement No. 159

In February 2007, the FASB issued Statement No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities.” Statement No. 159 creates a fair value option under which an entity may irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and financial liabilities on an instrument-by-instrument basis, with changes in fair value recognized in earnings as those changes occur. The adoption of Statement No. 159 effective January 1, 2008 has not affected our financial position.

FASB Statement No. 141R

In December 2007, the FASB issued FASB Statement No. 141 (Revised 2007), Business Combinations. Statement 141R will significantly change the accounting for business combinations. Under Statement 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. Statement 141R will change the accounting treatment for certain specific items, such as acquisition costs, acquired contingent liabilities, restructuring costs, changes in deferred tax asset valuation allowances and other items. Statement 141R also includes a substantial number of new disclosure requirements. Statement 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. Accordingly, we will not adopt the provisions of Statement 141R until January 1, 2009.

4. Investment in NuStar Energy L.P.

Summary Financial Information

The following presents summarized balance sheet information related to NuStar Energy L.P. and its subsidiaries as of December 31, 2007 (in thousands):

Assets	
Current assets	$ 347,134
Property and equipment, net	2,492,086
Goodwill	785,019
Investment in joint ventures	80,366
Other noncurrent assets, net	78,482
Total assets	$ 3,783,087

Liabilities and Partners' Equity	
Current liabilities	$ 242,485
Long-term debt, less current portion	1,445,626
Other long-term liabilities	100,144
Limited partners (49,409,749 common units outstanding as of December 31, 2007)	1,926,126
General partner	41,819
Accumulated other comprehensive income	26,887
Total liabilities and partners' equity	$ 3,783,087

Reconciliation of Investment in NuStar Energy L.P.

The following is a reconciliation of NuStar Energy L.P.'s general partner's equity to Riverwalk Logistics' investment in NuStar Energy L.P. as of December 31, 2007 (in thousands):

NuStar Energy L.P.'s general partner's equity	$41,819
SAB 51 Gain	13,957
Step-up in basis related to NuStar Energy L.P.'s assets and liabilities, including equity method goodwill, and other	11,934
NuStar Energy L.P.'s other comprehensive income	538
Riverwalk Logistics' investment in NuStar Energy L.P.	$68,248

Transactions between NuStar Energy L.P. and Riverwalk Logistics typically relate to capital contributions and redemptions, equity in earnings, and receipt of quarterly cash distributions. The cash distributions received by Riverwalk Logistics are further distributed to its partners, Riverwalk Holdings, LLC and NuStar GP, LLC.

NuStar Energy L.P.'s Allocations of Net Income

NuStar Energy L.P.'s partnership agreement, as amended, sets forth the calculation to be used to determine the amount and priority of cash distributions that the common unitholders and Riverwalk Logistics will receive. NuStar Energy L.P.'s partnership agreement also contains provisions for the allocation of net income and loss to the unitholders and Riverwalk Logistics. For purposes of maintaining partner capital accounts, the partnership agreement

specifies that items of income and loss shall be allocated among the partners in accordance with their respective percentage interests. Normal allocations according to percentage interests are done after giving effect, if any, to priority income allocations in an amount equal to incentive cash distributions allocated 100% to Riverwalk Logistics.

NuStar Energy L.P.'s Cash Distributions

NuStar Energy L.P. makes quarterly distributions of all of its available cash, generally defined as cash receipts less cash disbursements and cash reserves established by Riverwalk Logistics in its sole discretion. These quarterly distributions are declared and paid within 45 days following the end of each quarter based on the partnership interest outstanding as of a record date.

Riverwalk Logistics is entitled to incentive distributions if the amount NuStar Energy L.P. distributes with respect to any quarter exceeds specified target levels shown below:

	Percentage of Distribution	
Quarterly Distribution Amount per Unit	NuStar Energy L.P. Unitholders	Riverwalk Logistics
Up to $0.60	98%	2%
Above $0.60 up to $0.66	90%	10%
Above $0.66	75%	25%

On November 19, 2007 NuStar Energy L.P. issued 2,600,000 common units representing limited partner interests at a price of $57.20 per unit resulting in total proceeds of $143.1 million, net of issuance costs. In order to maintain our 2% general partner interest, we contributed $3.0 million to NuStar Energy L.P. The issuance price per unit exceeded our carrying amount per unit at the time of issuance which resulted in a SAB 51 credit of approximately $0.4 million.

5. Notes Payable to Affiliates

On December 31, 2007, Riverwalk Logistics, NuStar GP, LLC and Riverwalk Holdings, LLC executed two revolving promissory notes. The revolving promissory note with NuStar GP, LLC has a maximum limit of $20.0 thousand and had an outstanding balance of $13.9 thousand as of December 31, 2007. The revolving promissory note with Riverwalk Holdings, LLC has a maximum limit of $20.0 million and had an outstanding balance of $13.9 million as of December 31, 2007. Interest on the revolving promissory notes varied based on NuStar Energy L.P.'s weighted average cost of all borrowed funds, including interest expense, amortization of debt issuance expense, commitment fees, costs of maintaining compensating balances, if any, penalties, if any, and all other out-of-pocket costs, fees and expenses incurred in connection with the borrowed funds. Interest is payable monthly; however, it may be added to the principal balance in lieu of payment. For the year ended December 31, 2007, the weighted-average interest rate was 6.1%. Principal is due on demand, but if no demand is made, the outstanding principal is due on December 31, 2008.

6. Commitments and Contingencies

We are not currently a party to any material legal proceedings. However, NuStar Energy L.P. is subject to certain loss contingencies, the outcome of which could have an effect on NuStar Energy L.P's results of operations and ability to pay distributions, which would impact our results of operations and ability to pay distributions. NuStar Energy L.P.'s operations are subject to extensive federal, state and local environmental and safety laws and regulations. Although NuStar Energy L.P. believes its operations are in substantial compliance with applicable environmental and safety laws and regulations, risks of additional costs and liabilities are inherent in pipeline, terminalling and storage operations, and there can be no assurance that significant costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly stringent environmental and safety laws and regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from the operations, could result in substantial costs and liabilities. Accordingly, NuStar Energy L.P. has adopted policies, practices and procedures in the areas of pollution control, pipeline integrity, operator qualifications, public relations, product safety, occupational health and the handling, storage, use and disposal of hazardous materials that are designed to prevent material environmental or other damage, and to limit the financial liability which could result from such events. However, some risk of environmental or other damage is inherent in pipeline, terminalling and storage operations, as it is with other entities engaged in similar businesses.