SUNOCO INC (SUN)

10-Q

Quarterly report pursuant to sections 13 or 15(d) Filed on 05/05/2011 Filed Period 03/31/2011





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

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FORM 10-0	Į
(Mark One)	
■ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d	OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended I	March 31, 2011
OR	
$\hfill\Box$ 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	1-6841
SUNOCO, II (Exact name of registrant as specif	
Pennsylvania (State or other jurisdiction of incorporation or organization) 1818 Market Street, Suite 1500, Philadelphia, PA (Address of principal executive offices)	23-1743282 (I.R.S. Employer Identification No.) 19103 (Zip Code)
Registrant's telephone number, including	area code: (215) 977-3000
(Former name, former address and former fiscal year, if c	hanged since last report): Not Applicable
Indicate by check mark whether the registrant (1) has filed all reports required to be filed during the preceding 12 months (or for such shorter period that the registrant was require requirements for the past 90 days.	
YES ⊠ NO □	
Indicate by check mark whether the registrant has submitted electronically and posted or be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 submit and post such files).	
YES ⊠ NO □	
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated definitions of "large accelerated filer," "accelerated filer," and "smaller reporting comparate."	
Large accelerated filer Non-accelerated filer □ (do not check if a smaller reporting company)	Accelerated filer □ Smaller reporting company □
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12th	2-2 of the Exchange Act).
YES □ NO ⊠	
At March 31, 2011, there were 121,106,529 shares of Common Stock, \$1 par value outst	anding.

SUNOCO, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

SUNOCO, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Millions of Dollars and Shares, Except Per-Share Amounts)

(For the Three Months Ended March 31,			Ended	
Revenues \$ 10,000 \$ 8,106 Sales and other operating revenue (including consumer excise taxes) \$ 10,000 \$ 8,106 Interest income 4 — Other (income, net) 10,608 \$ 8,102 Costs and Expense 5,816 \$ 5,30 Costs and Expenses 548 \$ 530 Cost groducts sold and operating expenses 548 \$ 530 Selling, general and administrative expenses 115 \$ 145 Consumer excise taxes 37 \$ 134 Appropriation depletion and amortization 13 \$ 12 Provision for asset write-downs and other matters (Note 3) 6 \$ 45 Retirect excise and debt expense 43 \$ 33 Interest capitalized 6 \$ 45 Loss from continuing operations before income tax expense (benefit) 6 \$ 45 Loss from continuing operations before income taxe (Note 2) 10,00 6 \$ 45 Loss from continuing operations, net of income taxes (Note 2) 2 \$ 20 6 \$ 32 Net loss 10,00 10,00 10,00 10,00 Loss from continuing operations 2 \$ 10,00 10,00 10,00 10,00 10,00 10,00 10,00 1		2011		2010		
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Diluted 120.9 118.8			120.9		118.8	
120.9						
	Cash dividends paid per share of common stock	\$	0.15	\$	0.15	

(See Accompanying Notes)

SUNOCO, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (Millions of Dollars)

		At March 31, 2011		December 31, 2010
	(UNA	UDITED)		
Assets				
Cash and cash equivalents	\$	1,480	\$	1,485
Accounts and notes receivable, net		2,875		2,679
Note receivable from sale of Toledo refinery (Note 3)		285		_
Inventories:				
Crude oil		822		98
Petroleum and chemical products		151		126
Coal and coke		89		83
Materials, supplies and other		103		97
Deferred income taxes		74		129
Toledo refinery and related assets held for sale (Note 3)				1,029
Total current assets		5,879		5,726
Investments and long term receivables		163		160
Note receivable from sale of Toledo refinery (Note 3)		200		_
Properties, plants and equipment, cost		10,968		11,263
Less: accumulated depreciation, depletion and amortization		3,820		4,208
Properties, plants and equipment, net		7,148		7,055
Deferred charges and other assets		396		356
Total assets	\$	13,786	\$	13,297
Liabilities and Equity				
Accounts payable	\$	4,512	\$	3,912
Accrued liabilities (Note 6)		511		554
Short-term borrowings		115		115
Current portion of long-term debt		205		178
Taxes payable		317		170
Total current liabilities		5,660		4,929
Long-term debt		2,152		2,136
Retirement benefit liabilities (Note 7)		483		481
Deferred income taxes		1,226		1,390
Other deferred credits and liabilities (Note 6)		571		562
Commitments and contingent liabilities (Note 6)				
Total liabilities		10,092		9,498
Equity (Note 9)				
Sunoco, Inc. shareholders' equity		2,950		3,046
Noncontrolling interests		744		753
Total equity		3,694		3,799
Total liabilities and equity	\$	13,786	\$	13,297

(See Accompanying Notes)

SUNOCO, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Millions of Dollars)

	For the Three Months Ended March 31,		
	2011		2010
		(UNAUD	ITED)
Cash Flows from Operating Activities:			
Net loss	\$	(80)	\$ (38
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Loss on divestment of discontinued polypropylene operations		_	169
Provision for asset write-downs and other matters		6	45
Depreciation, depletion and amortization		112	117
Deferred income tax benefit		(133)	(48
Payments less than (in excess of) expense for retirement plans		3	(134
Changes in working capital pertaining to operating activities:			
Accounts and notes receivable		(200)	(1)
Inventories		(743)	(248
Accounts payable and accrued liabilities		559	34
Income tax refund receivable and taxes payable		149	319
Other		(41)	(1
Net cash provided by (used in) operating activities		(368)	50
Cash Flows from Investing Activities:			
Capital expenditures		(150)	(16)
Acquisitions		(36)	
Proceeds from divestments:		` '	
Toledo refinery and related inventory		546	_
Other divestments		6	8
Other		(6)	_
Net cash provided by (used in) investing activities		360	(153
Cash Flows from Financing Activities:			
Net repayments of short-term borrowings		_	(282
Net proceeds from issuance of long-term debt		70	57
Repayments of long-term debt		(23)	(303
Net proceeds from sale of Sunoco Logistics Partners L.P. limited partnership units		_	14:
Cash distributions to noncontrolling interests		(30)	(2)
Cash dividend payments		(18)	(18
Other		4	(2)
Net cash provided by financing activities		3	8
Net increase (decrease) in cash and cash equivalents		(5)	435
Cash and cash equivalents at beginning of period		1,485	37
Cash and cash equivalents at end of period	\$	1,480	\$ 812
Cash and cash equivalents at the or period	Φ	1,400	φ 612

(See Accompanying Notes)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. General.

The accompanying condensed consolidated financial statements are presented in accordance with the requirements of Form 10-Q and U.S. generally accepted accounting principles for interim financial reporting. They do not include all disclosures normally made in financial statements contained in Form 10-K. In management's opinion, all adjustments necessary for a fair presentation of the results of operations, financial position and cash flows for the periods shown have been made. All such adjustments are of a normal recurring nature, except for the gain on divestment of the Toledo refinery and related inventory, the gain resulting from the reduction of crude oil and refined product inventories at the Toledo refinery prior to its sale and the provision for asset write-downs and other matters (Notes 3 and 11). Results for the three months ended March 31, 2011 are not necessarily indicative of results for the full-year 2011.

2. Discontinued Polypropylene Operations.

On March 31, 2010, Sunoco completed the sale of the common stock of its polypropylene chemicals business to Braskem S.A. The assets sold as part of this transaction included the polypropylene manufacturing facilities in LaPorte, TX, Neal, WV, and Marcus Hook, PA, a propylene supply agreement and related inventory. Cash proceeds from this divestment of \$348 million were received in the second quarter of 2010. As a result of the sale of the polypropylene chemicals business, such operations have been classified as discontinued operations in the condensed consolidated statements of operations. Sunoco recognized a net loss of \$169 million (\$44 million after tax) related to the divestment which was reflected as a component of the loss from discontinued operations in the first quarter of 2010.

The following is a summary of the loss from discontinued operations for the three-month period ended March 31, 2010 (in millions of dollars):

Loss before income tax benefit	\$ (136)
Income tax benefit	 (113)
Loss from discontinued operations*	\$ (23)

^{*} Attributable to Sunoco, Inc. shareholders.

Sales and other operating revenue (including consumer excise taxes) from discontinued operations totaled \$313 million for the three months ended March 31, 2010.

3. Changes in Business and Other Matters.

Divestment

On March 1, 2011, Sunoco completed the previously announced sale of its Toledo refinery and related crude and refined product inventories to a wholly owned subsidiary of PBF Holding Company LLC. The Company received \$1,037 million in net proceeds consisting of \$546 million in cash, a \$285 million note receivable due in 90 days, a \$200 million two-year note receivable, and a \$6 million net receivable related to working capital adjustments subsequent to closing. In addition, the purchase agreement also includes a participation payment of up to \$125 million based on the future profitability of the refinery. Sunoco has not recorded any amount related to the contingent consideration in accordance with its accounting policy election on such amounts. In connection with this transaction, the Company recognized a \$15 million net pretax gain (\$4 million after tax) in the first quarter of 2011. This gain includes an estimated pretax gain of \$535 million attributable to the sale of crude and refined product inventories. The gain on this divestment was recognized in other income, net in the condensed consolidated statement of operations. The results of operations for the Toledo refinery have not been classified as discontinued operations due to Sunoco's continuing involvement with the Toledo refinery through a three-year agreement for the purchase of gasoline and distillate to supply Sunoco retail sites in this area.

Prior to the sale, Sunoco reduced crude oil and refined product inventories at the Toledo refinery which resulted in LIFO inventory profits of \$42 million (\$26 million after tax) during the first quarter of 2011.

Acquisitions

In January 2011, SunCoke Energy acquired Harold Keene Coal Co., Inc., based in Honaker, VA, for approximately \$51 million. The purchase price included a net cash payment of \$36 million and contingent consideration totaling \$15 million primarily related to the estimated fair value of contingent royalty payments to the seller if certain minimum production levels are met for a period of up to 20 years. The assets acquired, which are adjacent to SunCoke's existing mining operations, include two active underground mines and one active surface and highwall mine currently producing between 250 and 300 thousand tons of coal annually. Proven and probable coal reserve estimates for this acquisition total approximately 21 million tons. No pro forma information has been presented since the acquisition was not material in relation to Sunoco's consolidated results of operations.

Asset Write-Downs and Other Matters

The following table summarizes information regarding the provision for asset write-downs and other matters recognized during the three months ended March 31, 2011 and 2010 (in millions of dollars):

	P	Pretax		After-tax
<u>2011</u>				
Business improvement initiatives	\$	6	\$	4
<u>2010</u>				
Eagle Point Refinery	\$	33	\$	20
Business improvement initiatives		12		7
	\$	45	\$	27

In connection with ongoing business improvement initiatives to reduce costs and improve business processes, the Company recorded provisions of \$6 and \$12 million (\$4 and \$7 million after tax) in the first quarter of 2011 and 2010, respectively, primarily for pension settlement losses.

In the first quarter of 2010, Sunoco recorded a \$33 million accrual (\$20 million after tax) primarily for contract losses in connection with excess barge capacity resulting from the shutdown of the Eagle Point refining operations in December 2009.

The following table summarizes the changes in the liability for employee terminations and other exit costs (in millions of dollars):

	Three Months Ended		
	 March 31,		
	2011	2	2010
Balance at beginning of period	\$ 72	\$	68
Additional accruals	2		35
Payments charged against the accruals	(9)		(17)
Balance at end of period	\$ 65	\$	86

4. Income Taxes.

The following table summarizes the components of pretax income and income tax expense from continuing operations for the three months ended March 31, 2011 and 2010 (in millions of dollars):

	2011			2010		
	Pretax	Tax	After-Tax	Pretax	Tax	After-Tax
	Income	Expense	Income	Income	Expense	Income
	(Loss)	(Benefit)	(Loss)	(Loss)	(Benefit)	(Loss)
Income attributable to Sunoco, Inc. shareholders before discrete items	\$ (141)	\$ (24)	\$ (117)	\$ (3)	\$ (1)	\$ (2)
Discrete items:						
Sale of Toledo refinery	15	11	4	_	_	_
LIFO inventory gains	42	16	26	_	_	_
Provision for asset write-downs and other matters	(6)	(2)	(4)	(45)	(18)	(27)
State deferred income tax adjustment	_	5	(5)	_	9	(9)
Other	_	5	(5)	(1)	1	(2)
Income attributable to noncontrolling interests	24	3	21	25		25
	\$ (66)	\$ 14	\$ (80)	\$ (24)	\$ (9)	\$ (15)

The following table reconciles the U.S. statutory rate to the effective tax rates applicable to income attributable to Sunoco, Inc. shareholders before discrete items for the three months ended March 31, 2011 and 2010:

	2011	2010
U.S. statutory rate	35 %	35 %
Increase (reduction) resulting from:		
Nonconventional fuel credits	(9)%	(5)%
Depletion	(2)%	— %
Manufacturers' deduction	(4)%	(3)%
State income taxes (net of federal income tax effects)	1 %	4 %
Other	(4)%	%
	17 %	31 %

In the first quarter of 2011, Sunoco recorded a \$5 million increase to deferred income taxes in part due to apportionment changes as a result of the sale of the Toledo refinery. In the first quarter of 2010, Sunoco recorded a \$9 million increase in deferred state income taxes attributable to the transfer of assets related to its continuing phenol chemicals operations to a different legal entity subsequent to the sale of the stock of the discontinued polypropylene business.

The Company received a federal income tax refund totaling \$394 million in March 2010 for the carryback of its 2009 net operating loss.

5. Earnings Per Share Data.

The following table sets forth the reconciliation of the weighted-average number of common shares used to compute basic earnings per share ("EPS") to those used to compute diluted EPS (in millions):

	Three M	onths Ended
	Ma	rch 31,
	2011	2010
Weighted-average number of common shares outstanding-basic	120.9	118.8
Add effect of dilutive stock incentive awards*		
Weighted-average number of shares-diluted	120.9	118.8

^{*} Since the assumed issuance of common stock under stock incentive awards would not have been dilutive, the weighted-average number of shares used to compute diluted EPS is equal to the weighted-average number of shares used in the basic EPS computation.

6. Commitments and Contingent Liabilities.

Commitments

Over the years, Sunoco has sold thousands of retail gasoline outlets as well as refineries, terminals, coal mines, oil and gas properties and various other assets. In connection with these sales, the Company has indemnified the purchasers for potential environmental and other contingent liabilities related to the periods prior to the transaction dates. In most cases, the effect of these arrangements was to afford protection for the purchasers with respect to obligations for which the Company was already primarily liable. While some of these indemnities have spending thresholds which must be exceeded before they become operative, or limits on Sunoco's maximum exposure, they generally are not limited. The Company recognizes the fair value of the obligations undertaken for all guarantees entered into or modified after January 1, 2003. In addition, the Company accrues for any obligations under these agreements when a loss is probable and reasonably estimable. The Company cannot reasonably estimate the maximum potential amount of future payments under these agreements.

Sunoco is subject to extensive and frequently changing federal, state and local laws and regulations, including, but not limited to, those relating to the discharge of materials into the environment or that otherwise relate to the protection of the environment, waste management and the characteristics and composition of fuels. As with the industry generally, compliance with existing and anticipated laws and regulations increases the overall cost of operating Sunoco's businesses, including remediation, operating costs and capital costs to construct, maintain and upgrade equipment and facilities.

Existing laws and regulations result in liabilities and loss contingencies for remediation at Sunoco's facilities and at formerly owned or third-party sites. The accrued liability for environmental remediation is classified in the condensed consolidated balance sheets as follows (in millions of dollars):

	At March 31,		At December 31,		
		2011		2010	
Accrued liabilities	\$	29	\$	29	
Other deferred credits and liabilities		86		86	
	\$	115	\$	115	

The following table summarizes the changes in the accrued liability for environmental remediation activities by category (in millions of dollars):

					Pipelines			Hazardous			
			Re	tail	and	Chemicals		Waste			
	Refineri	es	Si	tes	 Terminals	 Facilities		Sites	0	ther	 'otal
Balance at January 1, 2010	\$	30	\$	66	\$ 12	\$ 4	\$	3	\$	1	\$ 116
Accruals		1		4	1	_		_		_	6
Payments		(2)		(4)	(1)	_		(1)		_	(8)
Other				2	 		_				2
Balance at March 31, 2010	\$	29	\$	68	\$ 12	\$ 4	\$	2	\$	1	\$ 116
Balance at January 1, 2011	\$	31	\$	65	\$ 12	\$ 3	\$	3	\$	1	\$ 115
Accruals		1		3	1	_		_		_	5
Payments		(2)		(4)	(1)	_		_		—	(7)
Other				2							2
Balance at March 31, 2011	\$	30	\$	66	\$ 12	\$ 3	\$	3	\$	1	\$ 115

Sunoco's accruals for environmental remediation activities reflect management's estimates of the most likely costs that will be incurred over an extended period to remediate identified conditions for which the costs are both probable and reasonably estimable. Engineering studies, historical experience and other factors are used to identify and evaluate remediation alternatives and their related costs in determining the estimated accruals for environmental remediation activities. Losses attributable to unasserted claims are also reflected in the accruals to the extent they are probable of occurrence and reasonably estimable.

Total future costs for the environmental remediation activities identified above will depend upon, among other things, the identification of any additional sites, the determination of the extent of the contamination at each site, the timing and nature of required remedial actions, the nature of operations at each site, the technology available and needed to meet the various existing legal requirements, the nature and terms of cost-sharing arrangements with other potentially responsible parties, the availability of insurance coverage, the nature and extent of future environmental laws and regulations, inflation rates, terms of consent agreements or remediation permits with regulatory agencies and the determination of Sunoco's liability at the sites, if any, in light of the number, participation level and financial viability of the other parties. Management believes it is reasonably possible (i.e., less than probable but greater than remote) that additional environmental remediation losses will be incurred. At March 31, 2011, the aggregate of the estimated maximum additional reasonably possible losses, which relate to numerous individual sites, totaled approximately \$90 million. However, the Company believes it is very unlikely that it will realize the maximum reasonably possible loss at every site. Furthermore, the recognition of additional losses, if and when they were to occur, would likely extend over many years and, therefore, likely would not have a material impact on the Company's financial position.

Under various environmental laws, including the Resource Conservation and Recovery Act ("RCRA") (which relates to solid and hazardous waste treatment, storage and disposal), Sunoco has initiated corrective remedial action at its facilities, formerly owned facilities and third-party sites. At the Company's major manufacturing facilities, Sunoco has consistently assumed continued industrial use and a containment/remediation strategy focused on eliminating unacceptable risks to human health or the environment. The remediation accruals for these sites reflect that strategy. Accruals include amounts to prevent off-site migration and to contain the impact on the facility property, as well as to address known, discrete areas

requiring remediation within the plants. Activities include closure of RCRA solid waste management units, recovery of hydrocarbons, handling of impacted soil, mitigation of surface water impacts and prevention of off-site migration.

Many of Sunoco's current terminals are being addressed with the above containment/remediation strategy. At some smaller or less impacted facilities and some previously divested terminals, the focus is on remediating discrete interior areas to attain regulatory closure.

Sunoco owns or operates certain retail gasoline outlets where releases of petroleum products have occurred. Federal and state laws and regulations require that contamination caused by such releases at these sites and at formerly owned sites be assessed and remediated to meet the applicable standards. The obligation for Sunoco to remediate this type of contamination varies, depending on the extent of the release and the applicable laws and regulations. A portion of the remediation costs may be recoverable from the reimbursement fund of the applicable state, after any deductible has been met.

The accrued liability for hazardous waste sites is attributable to potential obligations to remove or mitigate the environmental effects of the disposal or release of certain pollutants at third-party sites pursuant to the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA") (which relates to releases and remediation of hazardous substances) and similar state laws. Under CERCLA, Sunoco is potentially subject to joint and several liability for the costs of remediation at sites at which it has been identified as a "potentially responsible party" ("PRP"). As of March 31, 2011, Sunoco had been named as a PRP at 33 sites identified or potentially identifiable as "Superfund" sites under federal and state law. The Company is usually one of a number of companies identified as a PRP at a site. Sunoco has reviewed the nature and extent of its involvement at each site and other relevant circumstances and, based upon the other parties involved or Sunoco's level of participation therein, believes that its potential liability associated with such sites will not be significant.

Management believes that none of the current remediation locations, which are in various stages of ongoing remediation, are individually material to Sunoco as its largest accrual for any one Superfund site, operable unit or remediation area was less than \$12 million at March 31, 2011. As a result, Sunoco's exposure to adverse developments with respect to any individual site is not expected to be material. However, if changes in environmental laws or regulations occur, such changes could impact multiple Sunoco facilities, formerly owned facilities and third-party sites at the same time. As a result, from time to time, significant charges against income for environmental remediation may occur.

The Company maintains insurance programs that cover certain of its existing or potential environmental liabilities, which programs vary by year, type and extent of coverage. For underground storage tank remediations, the Company can also seek reimbursement through various state funds of certain remediation costs above a deductible amount. For certain acquired properties, the Company has entered into arrangements with the sellers or others that allocate environmental liabilities and provide indemnities to the Company for remediating contamination that occurred prior to the acquisition dates. Some of these environmental indemnifications are subject to caps and limits. No accruals have been recorded for any potential contingent liabilities that will be funded by the prior owners as management does not believe, based on current information, that it is likely that any of the former owners will not perform under any of these agreements. Other than the preceding arrangements, the Company has not entered into any arrangements with third parties to mitigate its exposure to loss from environmental contamination. Claims for recovery of environmental liabilities that are probable of realization totaled \$13 million at March 31, 2011 and are included principally in deferred charges and other assets in the condensed consolidated balance sheet.

Regulatory Matters

Under a 2005 Consent Decree which settled certain alleged violations under the Clean Air Act, Sunoco was required to make capital outlays totaling approximately \$150-\$200 million related to projects at the Marcus Hook refinery prior to June 30, 2013. During the first quarter of 2011, the Company reached an agreement with the U.S. Environmental Protection Agency ("EPA"), Pennsylvania Department of Environmental Protection, and Philadelphia Air Management Services regarding the terms of a two-year extension of the capital requirements at Marcus Hook. This extension will still require a public comment period and court approval.

Through the operation of its refining and chemical facilities, marketing facilities, coke plants and coal mines, Sunoco's operations emit greenhouse gases ("GHG"), including carbon dioxide. There are various legislative and regulatory measures to address GHG emissions which are in various stages of review, discussion or implementation. Current proposals being considered by Congress include cap and trade legislation and carbon taxation legislation. One current cap and trade bill proposes a system that would begin in 2012 which would require the Company to provide carbon emission allowances for emissions at its manufacturing facilities as well as emissions caused by the use of fuels it sells. The cap and trade program would require affected businesses to buy emission credits from the government, other businesses or through an auction

process. The exact amount of such costs, as well as those that could result from any carbon taxation would not be established until the future. However, the Company believes that these costs could be material, and there is no assurance that the Company would be able to recover them in the sale of its products. Other federal and state actions to develop programs for the reduction of GHG emissions are also being considered. In addition, during 2009, the EPA indicated that it intends to regulate carbon dioxide emissions. While it is currently not possible to predict the impact, if any, that these issues will have on the Company or the industry in general, they could result in increases in costs to operate and maintain the Company's facilities, as well as capital outlays for new emission control equipment at these facilities. In addition, regulations limiting GHG emissions or carbon content of products, which target specific industries such as petroleum refining or chemical or coke manufacturing could adversely affect the Company's ability to conduct its business and also may reduce demand for its products.

National Ambient Air Quality Standards ("NAAQS") for ozone and fine particles promulgated by the EPA have resulted in identification of non-attainment areas throughout the country, including Texas, Pennsylvania, and Ohio, where Sunoco operates facilities. Areas designated by the EPA as "moderate" non-attainment for ozone, including Philadelphia and the Houston/Galveston/Brazoria area, were required to meet the ozone requirements by 2010 before currently mandated federal control programs were to take effect. In January 2009, the EPA issued a finding that the Pennsylvania and Texas State Implementation Plans ("SIPs") failed to demonstrate attainment for the Philadelphia and Houston/ Galveston/Brazoria airsheds by the 2010 deadline. This finding is expected to result in more stringent offset requirements and could result in other negative consequences. Texas petitioned the EPA to redesignate the Houston area as "severe" non-attainment for ozone and in 2009 the EPA granted the petition. Under this designation, Houston's SIP was due in 2010 and attainment must be achieved by 2019. In September 2006, the EPA issued a final rule tightening the standard for fine particles. This standard is currently being challenged in federal court by various states and environmental groups. In March 2007, the EPA issued final rules to implement the 1997 fine particle matter (PM 2.5) standards. States had until April 2008 to submit plans to the EPA demonstrating attainment by 2010 or, at the latest, 2015. However, the March 2007 rule does not address attainment of the September 2006 standard. In March 2008, the EPA promulgated a new, more stringent ozone standard, which was challenged in a lawsuit in May 2008 by environmental organizations. Regulatory programs, when established to implement the EPA's air quality standards, could have an impact on Sunoco and its operations. However, the potential financial impact cannot be reasonably estimated until the lawsuit is resolved, the EPA promulgates regulatory programs to attain the standards, and the states, as necessary, develop and implement revised SIPs to respond to the new regulations.

MTBE Litigation

Sunoco, along with other refiners, manufacturers and sellers of gasoline, is a defendant in lawsuits alleging MTBE contamination of groundwater. The plaintiffs include water purveyors and municipalities responsible for supplying drinking water and governmental authorities. The plaintiffs are asserting primarily product liability claims and additional claims including nuisance, trespass, negligence, violation of environmental laws and deceptive business practices. Three actions commenced by governmental authorities assert natural resource damage claims. In addition, Sunoco recently received notice from another state that it intends to file an MTBE lawsuit in the near future asserting natural resource damages claims. The plaintiffs in all of the cases are seeking to recover compensatory damages, and in some cases, injunctive relief, punitive damages and attorneys' fees.

As of March 31, 2011, Sunoco was a defendant in approximately 11 lawsuits involving eight states and Puerto Rico. Nine of the cases are venued in a multidistrict proceeding in a New York federal court. The remaining lawsuits are pending in state courts. In one of the state cases, an appellate court recently ruled that in addition to pursuing damages for MTBE contamination to public water supplies, the state may also attempt to recover damages for MTBE contamination to private water supplies, but cautioned that the lower court must carefully consider whether it is appropriate for the state to recover damages in instances where MTBE contamination of private water supplies is below the state's MTBE maximum contaminant level and ambient groundwater quality standards.

In all of the cases, discovery is proceeding and there has been insufficient information developed about the plaintiffs' legal theories or the facts that would be relevant to an analysis of the ultimate liability of Sunoco in these matters. Accordingly, no accrual has been established for any potential damages at March 31, 2011. However, Sunoco does not believe that the cases will have a material adverse effect on its consolidated financial position.

Conclusion

Many other legal and administrative proceedings are pending or may be brought against Sunoco arising out of its current and past operations, including matters related to commercial and tax disputes, product liability, antitrust, employment claims, leaks from pipelines and underground storage tanks, natural resource damage claims, premises-liability claims,

allegations of exposures of third parties to toxic substances (such as benzene or asbestos) and general environmental claims. Although the ultimate outcome of these proceedings and other matters identified above cannot be ascertained at this time, it is reasonably possible that some of these matters could be resolved unfavorably to Sunoco. Management believes that these matters could have a significant impact on results of operations for any future period. However, management does not believe that any additional liabilities which may arise pertaining to such matters would be material in relation to the consolidated financial position of Sunoco at March 31, 2011.

7. Retirement Benefit Plans.

The following table sets forth the components of defined benefit plans and postretirement benefit plans expense (in millions of dollars):

	Defined					t		
		Benefit	Plans			Benefit	Plans	
		Three M	Months	s				
		End	led			End	led	
		Marc	h 31,			Marc	h 31,	
	20	11	2	010	2	011	20	010
Service cost (cost of benefits earned during the year)	\$	3	\$	11	\$	_	\$	1
Interest cost on benefit obligations		13		16		4		5
Expected return on plan assets		(18)		(19)		_		_
Amortization of:								
Actuarial losses		9		11		3		2
Prior service cost (benefit)						(5)		(4)
		7		19		2		4
Settlement losses*		9		13				_
Special termination benefits and curtailment losses (gains)*		7		3		(2)		(4)
Total expense	\$	23	\$	35	\$		\$	

^{*} Includes special termination benefits of \$7 million for the three months ended March 31, 2011 provided to represented plan participants of the Toledo refinery prior to its sale (Note 3). Includes settlement losses of \$4 million and net curtailment gains of \$1 million for the three months ended March 31, 2010 attributable to the discontinued polypropylene operations (Note 2).

In the first quarter of 2010, the Company contributed \$233 million to its funded defined benefit plans consisting of \$143 million of cash and 3.59 million shares of Sunoco common stock valued at \$90 million. There were no contributions in the first quarter of 2011.

8. Comprehensive Income (Loss).

The following table sets forth comprehensive income (loss) attributable to Sunoco, Inc. shareholders and the noncontrolling interests (in millions of dollars):

	Three Months				Three Months					
		I	Ended		I	Ended				
		Marc	h 31, 2011		Marc	h 31, 2010				
	Sun	oco, Inc.	Non-		Sunoco, Inc.	Non-				
	Shareholders'		controlling		Shareholders'	controlling				
	Equity Interests Total Equity Inte		Interests	Total						
Income (loss) from continuing operations	\$	(101)	\$ 21	\$(80)	\$ (40)	\$ 25	\$(15)			
Loss from discontinued operations					(23)		(23)			
Net income (loss)		(101)	21	(80)	(63)	25	(38)			
Other comprehensive income (loss), net of related income taxes:										
Reclassification to earnings of settlement and curtailment losses and prior service credit and actuarial loss amortization		9	_	9	12	_	12			
Retirement benefit plans funded status adjustment		_	_	_	6	_	6			
Net hedging losses		(15)	_	(15)	(2)	_	(2)			
Reclassification of net hedging losses to earnings		13	_	13	1	_	1			
Net increase in unrealized gain on available-for-sale securities					1		1			
Comprehensive income (loss)	\$	(94)	\$ 21	\$(73)	\$ (45)	\$ 25	\$(20)			

9. Equity.

	At March 201	′	Dec	At ember 31, 2010					
		(Millions of Dollars)							
Sunoco, Inc. shareholders equity:									
Common stock, par value \$1 per share	\$	282	\$	281					
Capital in excess of par value		1,715		1,699					
Retained earnings		5,583		5,702					
Accumulated other comprehensive loss		(242)		(249)					
Common stock held in treasury, at cost		(4,388)		(4,387)					
		2,950		3,046					
Noncontrolling interests		744		753					
Total equity	\$	3,694	\$	3,799					

Sunoco, Inc. Shareholders' Equity

As part of a \$233 million contribution to its funded defined benefit plans in the first quarter of 2010, the Company contributed 3.59 million shares of Sunoco common stock out of treasury valued at \$90 million. The other \$143 million of the contribution was in the form of cash. The shares contributed to the defined benefit plans were removed from treasury on a last-in, first-out basis resulting in a \$251 million reduction in treasury stock and a \$161 million charge to capital in excess of par value.

Noncontrolling Interests

Logistics Operations

In February 2010, Sunoco received \$201 million in cash from Sunoco Logistics Partners L.P. (the "Partnership") in connection with a modification of the incentive distribution rights and Sunoco sold 2.20 million of its limited partnership units to the public, generating approximately \$145 million of net proceeds, which reduced its interest in the Partnership to 33 percent. In August 2010, the Partnership issued 2.01 million limited partnership units in a public offering, generating \$144 million of net proceeds. Upon

completion of this transaction, Sunoco's interest in the Partnership decreased to 31 percent. As a result of these transactions, Sunoco's share of Partnership distributions is expected to be approximately 47 percent at the Partnership's current quarterly cash distribution rate.

Since the issuance/sale of the limited partnership units and the modification of the incentive distribution rights discussed above did not result in a loss of control of the Partnership, they have been accounted for as equity transactions. The modification of the incentive distribution rights resulted in a \$121 million decrease in noncontrolling interests and a \$75 million increase in capital in excess of par value, net of income taxes. Cash proceeds from the offerings in February and August 2010 were reflected as increases in noncontrolling interests (\$48 and \$114 million, respectively) and capital in excess of par value (\$58 and \$18 million, respectively, net of income taxes).

Cokemaking Operations

Third-party investors in Sunoco's Indiana Harbor cokemaking operations are entitled to a noncontrolling interest amounting to 34 percent of the partnership's net income, which declines to 10 percent by 2038.

The Company indemnifies the third-party investors for certain tax benefits that were available to them during a preferential return period in the event the Internal Revenue Service ("IRS") disallows the tax deductions and benefits allocated to the third parties. This preferential return period continued until the investors had achieved a cumulative preferential return of approximately 10 percent. The tax indemnifications are in effect until the applicable tax returns are no longer subject to IRS review. Although the Company believes the possibility is remote that it will be required to do so, at March 31, 2011, the maximum potential payment under these tax indemnifications would have been approximately \$20 million.

The following table sets forth the noncontrolling interest balances and the changes to these balances (in millions of dollars):

	Log	istics	Cokemaking		
	Oper	ations	Operations	_	Total
Balance at December 31, 2009	\$	488	\$ 74	\$	562
Noncontrolling interests share of income		22	3		25
Cash distributions		(23)	(4)	(27)
Distribution to Sunoco in connection with modification of incentive distribution rights		(121)	_		(121)
Reduction in Sunoco ownership attributable to the sale of limited partner units to the public		48	_		48
Balance at March 31, 2010	\$	414	\$ 73	\$	487
Balance at December 31, 2010	\$	692	\$ 61	\$	753
Noncontrolling interests share of income (loss)		29	(8)	21
Cash distributions		(29)	(1)	(30)
Balance at March 31, 2011	\$	692	\$ 52	\$	744

10. Fair Value Measurements.

The Company's cash equivalents, which amounted to \$1,457 and \$1,469 million at March 31, 2011 and December 31, 2010, respectively, were measured at fair value based on quoted prices in active markets for identical assets. The additional assets and liabilities that were measured at fair value on a recurring basis were not material to the Company's condensed consolidated balance sheets.

Sunoco's other current assets (other than inventories, deferred income taxes and Toledo refinery and related assets held for sale) and current liabilities (other than the current portion of retirement benefit liabilities) are financial instruments and most of these items are recorded at cost in the condensed consolidated balance sheets. The estimated fair values of these financial instruments approximate their carrying amounts. At March 31, 2011 and December 31, 2010, the estimated fair value of Sunoco's long term debt was \$2,368 and \$2,379 million, respectively, compared to carrying amounts of \$2,152 and \$2,136 million, respectively. Long-term debt that is publicly traded was valued based on quoted market prices while the fair value of other debt issues was estimated by management based upon current interest rates available at the respective balance

sheet dates for similar issues. Sunoco also has a long term note receivable from the sale of the Toledo refinery which bears interest at LIBOR plus 8 percent with a maximum interest rate of 10 percent (see Note 3). The note may be repaid at any time without penalty. The estimated fair value of this financial instrument approximates its carrying value at March 31, 2011.

From time to time, Sunoco uses swaps, options, futures, forwards and other derivative instruments to hedge a variety of price risks. Such derivative instruments are used to achieve ratable pricing of crude oil purchases, to convert certain expected refined product sales to fixed or floating prices, to lock in what Sunoco considers to be acceptable margins for various refined products and to lock in the price of a portion of the Company's electricity and natural gas purchases or sales and transportation costs. Sunoco also uses interest rate swaps from time to time to manage interest costs and minimize the effects of interest rate fluctuation on cash flows associated with its credit facilities.

While all of these derivative instruments represent economic hedges, certain of these derivatives are not designated as hedges for accounting purposes. Such derivatives include certain contracts that were entered into and closed during the same accounting period and contracts for which there is not sufficient correlation to the related items being economically hedged.

All of these derivatives are recognized in the condensed consolidated balance sheets at their fair value. Changes in fair value of derivative instruments that have not been designated as hedges for accounting purposes are recognized in income as they occur. If the derivative instruments are designated as hedges for accounting purposes, depending on their nature, the effective portions of changes in their fair values are either offset in net income against the changes in the fair values of the items being hedged or reflected initially as a separate component of shareholders' equity and subsequently recognized in net income when the hedged items are recognized in net income. The ineffective portions of changes in the fair values of derivative instruments designated as hedges, if any, are immediately recognized in net income. The amount of hedge ineffectiveness on derivative contracts during the first three months of 2011 and 2010 was not material. Sunoco does not hold or issue derivative instruments for speculative purposes.

Sunoco is exposed to credit risk in the event of nonperformance by counterparties on its derivative instruments. Management believes this risk is not significant as the Company has established credit limits with such counterparties which require the settlement of net positions when these credit limits are reached.

The Company had open derivative contracts pertaining to 4.1 million barrels of crude oil and refined products and 5.4 million pounds of soy beans at March 31, 2011, which vary in duration but generally do not extend beyond March 31, 2012.

The following table sets forth the impact of derivatives on the Company's financial performance for the three months ended March 31, 2011 and 2010 (in millions of dollars):

	Pre	tax Gains (Losses)			
	Re	cognized in Other		Pretax	Gains (Losses)
Three Months Ended	(Comprehensive	Location of Gains (Losses)	Rec	ognized in
March 31, 2011:		Income (Loss)	Recognized in Earnings	E	arnings
Derivatives designated as cash flow hedging instruments:					
Commodity contracts	\$	(25)	Sales and other operating revenue	\$	(40)
Commodity contracts			Cost of products sold and operating expenses		18
	\$	(25)		\$	(22)
Derivatives not designated as hedging instruments:					
Commodity contracts			Sales and other operating revenue	\$	(6)
Commodity contracts			Cost of products sold and operating expenses		
				\$	(6)
Three Months Ended					
March 31, 2010:					
Derivatives designated as cash flow hedging instruments:	_				
Commodity contracts	\$	(4)	Sales and other operating revenue	\$	(2)
	\$	(4)		\$	(2)
Derivatives not designated as hedging instruments:					
Commodity contracts			Sales and other operating revenue	\$	(1)
			·	\$	(1)

11. Business Segment Information.

The following tables set forth certain statement of operations information concerning Sunoco's business segments (in millions of dollars):

	Refining and Supply		Retail arketing	L	ogistics	Che	micals_	Coke	á	porate and ther	Con	solidated
Three Months Ended March 31, 2011:												
Sales and other operating revenue (including consumer excise taxes):												
Unaffiliated customers	\$ 4,180	\$	3,843	\$	1,955	\$	301	\$330	\$	_	\$	10,609
Intersegment	\$ 3,279	\$	_	\$	303	\$	_	\$ 3	\$	_	\$	_
Pretax income (loss) attributable to Sunoco, Inc. shareholders	\$ (138)	\$	12	\$	31	\$	(9)	\$ 9	\$	5*	\$	(90)
Income tax expense attributable to Sunoco, Inc. shareholders	,						Ì					11
Net loss attributable to Sunoco, Inc. shareholders											\$	(101)
	Refining and		Retail							porate and		
	Supply	M	arketing	L	ogistics	Chen	nicals**	Coke	_0	ther	Con	solidated
Three Months Ended March 31, 2010:												
Sales and other operating revenue (including consumer excise taxes):												
Unaffiliated customers	\$ 3,094		2,988	\$	1,508	\$	249	\$327	\$	_	\$	8,166
Intersegment	\$ 2,523	\$	_	\$	172	\$	_	\$ 2	\$	_	\$	_
Pretax income (loss) from continuing operations attributable to Sunoco, Inc. shareholders	\$ (70)	\$	34	\$	27	\$	5	\$ 51	\$	(96)***	\$	(49)
Income tax benefit attributable to Sunoco, Inc. shareholders												(9)
Loss from continuing operations attributable to Sunoco, Inc. shareholders												(40)
Loss from discontinued operations, net of income taxes												(23)
Net loss attributable to Sunoco, Inc. shareholders											\$	(63)

^{*} Consists of \$22 million of corporate expenses, \$24 million of net financing expenses and other, a \$15 million gain on the divestment of the Toledo refinery and related inventory, \$42 million of LIFO inventory profits and a \$6 million provision for asset write-downs and other matters (Note 3).

^{**} Excludes amounts attributable to discontinued polypropylene operations (Note 2).

^{***} Consists of \$23 million of corporate expenses, \$28 million of net financing expenses and other and a \$45 million provision for asset write-downs and other matters (Note 3).

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

STRATEGY UPDATE

During the second quarter of 2010, Sunoco's Board of Directors authorized a plan to separate its metallurgical cokemaking business, which is managed by its wholly owned subsidiary SunCoke Energy, from the remainder of Sunoco. Sunoco's Board and management believe that a separation should enable Sunoco to pursue a more focused strategic plan, invest in growth opportunities with an emphasis on retail marketing and logistics and further strengthen its balance sheet. This should permit the Company to enhance its competitive profile while becoming the premier provider of transportation fuels in its markets. Through a separation from Sunoco, SunCoke Energy will be better positioned to serve its customers, the world's leading steel manufacturers, while also focusing on achieving its global growth potential. As a leading independent coke producer in North America, SunCoke Energy's customer relationships, modern cokemaking assets and a leading proprietary technology should enable it to pursue these opportunities. The separation will also provide SunCoke Energy independent access to capital markets to finance new domestic and international projects.

In March 2011, Sunoco took another step towards this separation with the filing of a registration statement with the Securities and Exchange Commission for a proposed initial public offering of SunCoke Energy's common stock. The number of shares to be offered and the price range for the offering have not yet been determined. An initial public offering is anticipated to be completed during 2011. At the completion of the proposed offering, Sunoco will continue to own more than 80 percent of the outstanding common stock of SunCoke Energy. Subsequent to the completion of the proposed offering, Sunoco intends to distribute the balance of its SunCoke Energy shares to Sunoco shareholders by means of a spin-off that is intended to qualify as a tax-free transaction.

RESULTS OF OPERATIONS

Earnings Profile of Sunoco Businesses

	Three Months Ended March 31,				
	2	2011	2	2010	Variance
		((Millions	of Dollars)	
Refining and Supply	\$	(138)	\$	(70)	\$ (68)
Retail Marketing		12		34	(22)
Logistics		31		27	4
Chemicals:					
Continuing operations		(9)		5	(14)
Discontinued polypropylene operations		_		33	(33)
Coke		9		51	(42)
Corporate and Other:					
Corporate expenses		(22)		(23)	1
Net financing expenses and other		(24)		(28)	4
Asset write-downs and other matters		(6)		(45)	39
Sale of Toledo refinery		15		_	15
LIFO inventory profits		42		_	42
Loss on sale of discontinued polypropylene operations				(169)	169
Pretax loss attributable to Sunoco, Inc. shareholders		(90)		(185)	95
Income tax expense (benefit) attributable to Sunoco, Inc. shareholders*		11		(122)	133
Net loss attributable to Sunoco, Inc. shareholders	\$	(101)	\$	(63)	\$ (38)

^{*} Includes a \$113 million tax benefit attributable to discontinued polypropylene operations for the three months ended March 31, 2010.

Analysis of Earnings Profile of Sunoco Businesses

In the three-month period ended March 31, 2011, the net loss attributable to Sunoco, Inc. shareholders was \$101 million, or \$.84 per share of common stock on a diluted basis versus a net loss attributable to Sunoco, Inc. shareholders of \$63 million, or \$.53 per share, in the first quarter of 2010.

The \$95 million improvement in pretax results attributable to Sunoco, Inc. shareholders in the first quarter of 2011 was primarily due to the absence of the 2010 loss related to discontinued polypropylene operations (\$136 million), LIFO gains in the 2011 period from the liquidation of crude oil and refined product inventories (\$42 million) and lower provisions for asset write-downs and other matters (\$39 million). Partially offsetting these positive factors were lower refined product and chemical margins (\$61 million), lower results attributable to Sunoco's Coke business (\$42 million) and lower average retail gasoline margins (\$21 million). The increase in income tax expense was largely due to the absence of a \$125 million tax benefit attributable to the loss on the sale of the discontinued polypropylene operations and a lower effective tax rate on the 2011 pretax loss.

Refining and Supply

		Three Months Ended					
		March	31,				
	2	011		2010			
Pretax loss (millions of dollars)	\$	(138)	\$	(70)			
Wholesale margin* (per barrel)	\$	3.14	\$	4.08			
Crude inputs as percent of crude unit rated capacity**		74%		79%			
Throughputs (thousands of barrels daily)							
Crude oil		459.7		533.3			
Other feedstocks		54.9		58.9			
Total throughputs		514.6		592.2			
Products manufactured (thousands of barrels daily):							
Gasoline		265.4		306.3			
Middle distillates		183.6		202.4			
Residual fuel		23.7		34.8			
Petrochemicals		16.3		23.7			
Other		47.8		51.8			
Total Production		536.8		619.0			
Less: Production used as fuel in refinery operations		24.4		28.5			
Total production available for sale		512.4		590.5			

^{*} Wholesale sales revenue less related cost of crude oil, other feedstocks, product purchases and terminalling and transportation divided by production available for sale.

Refining and Supply had a pretax loss totaling \$138 million in the current quarter versus a loss of \$70 million in the first quarter of 2010. The \$68 million decrease in results was primarily due to lower realized margins (\$50 million) and lower refined products production volumes (\$22 million). The overall crude utilization rate was 74 percent for the quarter, down from the utilization rate of 79 percent in the first quarter of 2010. Production volumes were negatively affected by significant unplanned maintenance activities at the Philadelphia and Marcus Hook refineries during the first quarter of 2011.

On March 1, 2011, Sunoco completed the previously announced sale of its Toledo refinery and related crude and refined product inventories to a wholly owned subsidiary of PBF Holding Company LLC. The Company received \$1,037 million in net proceeds consisting of \$546 million in cash, a \$285 million note receivable due in 90 days, a \$200 million two-year note receivable, and a \$6 million net receivable related to working capital adjustments subsequent to closing. In addition, the purchase agreement also includes a participation payment of up to \$125 million based on the future profitability of the refinery. Sunoco has not recorded any amount related to the contingent consideration in accordance with its accounting policy election on such amounts. In connection with this transaction, the Company recognized a \$15 million net pretax gain (\$4 million after tax) in the first quarter of 2011, which is reported separately in Corporate and Other in the Earnings Profile of Sunoco Businesses. This gain includes an estimated pretax gain of \$535 million attributable to the sale of crude and refined product inventories. The results of operations for the Toledo refinery have not been classified as discontinued operations due to Sunoco's continuing involvement with the Toledo refinery through a three-year agreement for the purchase of gasoline and distillate to supply Sunoco retail sites in this area.

^{**} Reflects the impact of a 170 thousand barrels-per-day reduction in crude unit capacity resulting from the sale of the Toledo refinery on March 1, 2011.

Retail Marketing

	Three Months Ended							
	 Marc	h 31,						
	 2011		2010					
Pretax income (millions of dollars)	\$ 12	\$	34					
Retail margin* (per barrel):								
Gasoline	\$ 2.90	\$	3.74					
Middle distillates	\$ 2.97	\$	3.35					
Sales (thousands of barrels daily)								
Gasoline	287.2		271.4					
Middle distillates	 25.8		24.2					
	 313.0		295.6					
Retail gasoline outlets	 4,926		4,713					

^{*} Retail sales price less related wholesale price, terminalling and transportation costs and consumer excise taxes per barrel.
The retail sales price is the weighted-average price received through the various branded marketing distribution channels.

Retail Marketing had pretax income of \$12 million in the current quarter versus \$34 million in the first quarter of 2010. The decrease in earnings was primarily due to lower average retail gasoline margins (\$21 million) largely driven by the inability to fully pass-through wholesale price increases caused by the run up in crude prices.

Logistics

		Three Months Ended March 31,				
		2011				
Pretax income (millions of dollars)	\$	31	\$	27		
Pipeline and terminal throughputs (thousands of barrels daily)*						
Unaffiliated Customers		2,291		1,738		
Affiliated Customer		1,175		1,238		
		3,466		2,976		
Affiliated Customer	<u> </u>		_			

^{*} Excludes joint-venture operations which are not consolidated.

Logistics earned \$31 million pretax in the first quarter of 2011 versus \$27 million in the first quarter of 2010. The \$4 million increase in earnings was primarily due to higher lease acquisition results and earnings attributable to recent acquisitions and organic growth projects.

Chemicals - Continuing Operations*

	Three Months Ended							
_	March 31,							
	2011		2010)				
Pretax income (loss) (millions of dollars)	\$	(9)	\$	5				
Margin** (cents per pound):		7.4		9.9				
Sales (millions of pounds)		470		449				

^{*} Consists of the phenol and related products operations but excludes amounts attributable to the polypropylene business, which was sold to Braskem S.A. on March 31, 2010.

Continuing chemical operations had a pretax loss of \$9 million in the first quarter of 2011 versus income of \$5 million in the first quarter of 2010. The \$14 million decrease in results was primarily attributable to the unplanned refinery downtime at the Company's Philadelphia refinery which limited supply of cumene to the Frankford phenol facility, raising feedstock costs and reducing production.

The Company is currently considering its strategic options for its phenol chemical operations. The carrying amount of the two phenol facilities at March 31, 2011 was approximately \$420 million. It is expected that if Sunoco divests these assets, a significant impairment loss would be recognized.

^{**} Wholesale sales revenue less cost of feedstocks, product purchases and related terminalling and transportation divided by sales volumes.

Chemicals - Discontinued Polypropylene Operations

Discontinued polypropylene operations which were sold on March 31, 2010 had pretax income of \$33 million in the first quarter of 2010.

Coke

		Three Months Ended			
		March 31,			
	201	1	2	2010	
Pretax income (millions of dollars)	\$	9	\$	51	
Coke production (thousands of tons):					
United States		861		841	
Brazil		331		413	

Coke earned \$9 million pretax in the first quarter of 2011 versus \$51 million in the first quarter of 2010. The decrease in earnings was attributable to lower coke sales revenues as a result of the Jewell contract restructuring with ArcelorMittal in January 2011 and a \$25 million decline in results at the Indiana Harbor cokemaking facility due to lower coal-to-coke yields, higher maintenance expenses and the recognition of a \$13 million contract loss in connection with agreements to purchase coke from third-parties to cover the projected 2011 production shortfall.

In January 2011, SunCoke Energy acquired Harold Keene Coal Co., Inc., based in Honaker, VA, for approximately \$51 million, consisting of a net cash payment of \$36 million and contingent consideration totaling \$15 million. For additional information concerning this acquisition, see Note 3 to the condensed consolidated financial statements.

In March 2008, SunCoke Energy entered into a coke purchase agreement and related energy sales agreement with AK Steel under which SunCoke Energy will build, own and operate a cokemaking facility and associated cogeneration power plant adjacent to AK Steel's Middletown, OH steelmaking facility. In February 2010, SunCoke Energy obtained the necessary permits to build and operate the plant, although some of them have been appealed. These facilities are expected to cost in aggregate approximately \$415 million and be completed in the second half of 2011. The plant is expected to produce 550 thousand tons of coke per year and provide, on average, 44 megawatts of power. In connection with this agreement, AK Steel has agreed to purchase, over a 20-year period, all of the coke and available electrical power from these facilities. Expenditures through March 31, 2011 totaled \$310 million.

Some ovens and associated equipment at the Indiana Harbor facility are heaving and settling differentially as a result of the instability of the ground on which it was constructed. This differential movement has reduced production and required corrective action to certain ovens, ancillary equipment and structures. A preliminary engineering assessment has determined that a total investment of approximately \$50-\$100 million may be required in the 2012 and 2013 timeframe to refurbish the facility. Spending to complete this refurbishment will be contingent on reaching commercially agreeable terms with SunCoke Energy's customer ArcelorMittal and the third-party investors in the Indiana Harbor operations. In the interim, an oven repair and maintenance program has been implemented to limit further deterioration of the ovens and higher maintenance costs are forecasted to continue until the facility refurbishment commences. The carrying amount of the Indiana Harbor coke facility was \$117 million at March 31, 2011.

SunCoke Energy is currently discussing other opportunities for developing new heat recovery cokemaking facilities with domestic and international steel companies. Such cokemaking facilities could be either wholly owned or developed through other business structures. As applicable, the steel company customers would be expected to purchase coke production under long-term contracts. The facilities would also generate steam, which would typically be sold to the steel customer, or electrical power, which could be sold to the steel customer or into the local power market. SunCoke Energy's ability to enter into additional arrangements is dependent upon market conditions in the steel industry. One such potential project is a facility with up to 200 ovens and 1.1 million tons of capacity which could serve multiple customers and may have a portion of its capacity reserved for coke sales in the spot market. SunCoke Energy is in the early stages of permitting for this potential facility in Kentucky, but is also assessing alternative sites in other states.

Corporate and Other

Corporate Expenses - Corporate administrative expenses were \$22 million pretax in the first quarter of 2011 versus \$23 million in the first quarter of 2010.

Net Financing Expenses and Other – Net financing expenses and other were \$24 million pretax in the first quarter of 2011 versus \$28 million in the first quarter of 2010. The \$4 million decrease was primarily driven by higher interest income and capitalized interest, partially offset by higher interest expense. The increased interest income was primarily attributable to notes receivable balances resulting from the sale of the Toledo refinery and related inventory (see below). The capitalized interest is largely attributable to construction of the Middletown cokemaking facility. The increase in interest expense was largely driven by Sunoco's share of interest incurred by Sunoco Logistics Partners L.P.

Asset Write-Downs and Other Matters – During the first quarter of 2011, Sunoco recorded a \$6 million provision (\$4 million after tax) primarily for pension settlement losses in connection with business improvement initiatives. During the first quarter of 2010, Sunoco recorded a \$33 million provision (\$20 million after tax) primarily related to contract losses in connection with excess barge capacity resulting from the permanent shut down of the Eagle Point refinery during 2009 and recorded a \$12 million provision (\$7 million after tax) primarily for pension settlement losses in connection with business improvement initiatives.

Sale of Toledo Refinery – During the first quarter of 2011, Sunoco recognized a \$15 million gain (\$4 million after tax) related to the divestment of its Toledo refinery and related inventory (see Note 3 to the condensed consolidated financial statements).

LIFO Inventory Profits – During the first quarter of 2011, Sunoco recognized a \$42 million gain (\$26 million after tax) resulting from the reduction of crude oil and refined product inventories at the Toledo refinery prior to its divestment on March 1, 2011 (see Note 3 to the condensed consolidated financial statements).

Sale of Discontinued Polypropylene Operations – During the first quarter of 2010, Sunoco recognized a \$169 million loss (\$44 million after tax) related to the divestment of the discontinued polypropylene operations (see Note 2 to the condensed consolidated financial statements).

Income Taxes – Income tax expense attributable to Sunoco, Inc. shareholders was \$11 million in the first quarter of 2011 compared to a benefit of \$122 million in the first quarter of 2010. The increase in income tax expense was largely due to the absence of a \$125 million tax benefit attributable to the loss on the sale of the discontinued polypropylene operations and a lower effective tax rate on the 2011 pretax loss as adjusted to exclude separately reported items. The effective tax rates for each quarter were determined based upon the expected full year tax rates at the end of each quarter. The reduction in the effective rate in 2011 is largely attributable to the estimated impact of nonconventional fuel tax credits and higher coal depletion deductions combined with lower expected pretax earnings. Also contributing to the increase in income tax expense was the tax expense attributable to the sale of the Toledo Refinery and related inventory and the LIFO inventory profits.

Analysis of Condensed Consolidated Statements of Operations

Revenues – Total revenues were \$10.64 billion in the first quarter of 2011 compared to \$8.19 billion in the first quarter of 2010. The 30 percent increase was primarily due to higher refined product prices and sales volumes and higher crude oil sales in connection with the crude oil gathering and marketing activities of the Company's Logistics business.

Costs and Expenses – Total costs and expenses were \$10.70 billion in the current three-month period compared to \$8.22 billion in the first quarter of 2010. The 30 percent increase was primarily due to higher crude oil and refined product acquisition costs resulting from price increases, higher refined product acquisition volumes and higher crude oil costs in connection with the crude oil gathering and marketing activities of the Company's Logistics business. Partially offsetting these negative factors were lower crude oil acquisition volumes.

FINANCIAL CONDITION

Cash and Working Capital

At March 31, 2011, Sunoco had cash and cash equivalents of \$1,480 million compared to \$1,485 million at December 31, 2010 and had a working capital surplus of \$219 million compared to \$797 million at December 31, 2010. The \$5 million decrease in cash and cash equivalents was primarily due to \$368 million of net cash used in operating activities, partially offset by \$360 million of net cash provided by investing activities. Management believes that the current levels of cash and working capital are adequate to support Sunoco's ongoing operations. Sunoco's working capital position is considerably stronger than indicated because of the relatively low historical costs assigned under the LIFO method of accounting for Sunoco's crude oil, petroleum and chemical product inventories reflected in the condensed consolidated balance sheets. The

current replacement cost of all such inventories exceeded their carrying value at March 31, 2011 by approximately \$3.27 billion. Inventories valued at LIFO are readily marketable at their current replacement values.

Certain pending legislative and regulatory proposals effectively could limit, or even eliminate, use of the LIFO inventory method for financial and income tax purposes. Although the final outcome of these proposals cannot be ascertained at this time, the ultimate impact to Sunoco of the transition from LIFO to another inventory method could be material.

Cash Flows from Operating Activities

In the first quarter of 2011, Sunoco's cash used in operating activities was \$368 million compared to cash provided by operations of \$501 million in the first quarter of 2010. This \$869 million decrease in cash flow from operations was primarily due to a \$235 million increase in working capital levels pertaining to operating activities during 2011 and the absence of a federal income tax refund of \$394 million received in the first quarter of 2010. The increased working capital was largely attributable to increases in crude oil inventories as a result of unplanned maintenance activities at Sunoco's refineries and contango inventory storage activities of the Partnership.

Other Cash Flow Information

In February 2010, Sunoco received \$201 million in cash from the Partnership in connection with a modification of the incentive distribution rights and sold 2.20 million of its limited partnership units to the public, generating approximately \$145 million of net proceeds, which reduced its interest in the Partnership from 40 to 33 percent. In August 2010, the Partnership issued 2.01 million limited partnership units in a public offering, generating \$144 million of net proceeds. Upon completion of this transaction, Sunoco's interest in the Partnership decreased to 31 percent. As a result of these transactions, Sunoco's share of Partnership distributions is expected to be approximately 47 percent at the Partnership's current quarterly cash distribution rate.

Sunoco received proceeds of \$546 million in the first quarter of 2011 from the sale of its Toledo refinery and related inventory.

Financial Capacity

Management currently believes that future cash generation is expected to be sufficient to satisfy Sunoco's ongoing capital requirements, to fund its pension obligations (see "Retirement Benefit Plans" below) and to pay cash dividends on Sunoco's common stock. However, from time to time, the Company's short-term cash requirements may exceed its cash generation due to various factors including reductions in margins for products sold and increases in the levels of capital spending (including acquisitions) and working capital. During those periods, the Company may supplement its cash generation with proceeds from financing activities.

The Company has a \$1.3 billion revolving credit facility with a syndicate of 18 participating banks (the "Facility"), of which \$1.2 billion matures in August 2012 with the balance to mature in August 2011. The Facility provides the Company with access to short-term financing and is intended to support the issuance of commercial paper, letters of credit and other debt. The Company also can borrow directly from the participating banks under the Facility. The Facility is subject to commitment fees, which are not material. Under the terms of the Facility, Sunoco is required to maintain tangible net worth (as defined in the Facility) in an amount greater than or equal to targeted tangible net worth (targeted tangible net worth being determined by adding \$1.1 billion and 50 percent of the excess of net income attributable to Sunoco, Inc. shareholders over share repurchases (as defined in the Facility) for each quarter ended after March 31, 2004). At March 31, 2011, the Company's tangible net worth was \$3.5 billion and its targeted tangible net worth was \$2.2 billion. The Facility also requires that Sunoco's ratio of consolidated net indebtedness, including borrowings of Sunoco Logistics Partners L.P., to consolidated capitalization (as those terms are defined in the Facility) not to exceed .60 to 1. At March 31, 2011, this ratio was .22 to 1. At March 31, 2011, the Facility was being used to support \$115 million of floating-rate notes due in 2034. The Company remarkets the floating-rate notes on a weekly basis. However, any inability to remarket the floating-rate notes would have no impact on the Company's liquidity as they currently represent a reduction in funds under the Facility which would be available for future borrowings if the notes were repaid.

Sunoco Logistics Partners L.P. has a \$395 million revolving credit facility with a syndicate of 10 participating banks, which expires in November 2012. This facility is available to fund the Partnership's working capital requirements, to finance acquisitions, and for general partnership purposes. Amounts outstanding under this facility totaled \$51 and \$— million at March 31, 2011 and December 31, 2010, respectively. The Partnership also has a \$63 million revolving credit facility with two participating banks, which expires in September 2011. There was \$31 million outstanding

under this facility at March 31, 2011 and December 31, 2010, which has been classified as long-term debt as the Partnership has the ability and intent to refinance it on a long-term basis. The \$395 million facility contains a covenant requiring the Partnership to maintain a ratio not to exceed 4.75 to 1 of its consolidated total debt (including letters of credit) to its consolidated EBITDA (each as defined in the facility). The \$63 million facility contains a similar covenant, but the ratio in this covenant may not exceed 4.5 to 1. At March 31, 2011, the Partnership's ratio of its consolidated debt to its consolidated EBITDA was 3.1 to 1.

A wholly owned subsidiary of the Company, Sunoco Receivables Corporation, Inc. ("SRC"), has an agreement with two participating banks which permits borrowings and supports the issuance of letters of credit by SRC up to a total of \$275 million. Under the receivables facility, certain subsidiaries of the Company will sell their accounts receivable from time to time to SRC. In turn, SRC may sell undivided ownership interests in such receivables to commercial paper conduits in exchange for cash or letters of credit. The Company has agreed to continue servicing the receivables for SRC. Upon the sale of the interests in the accounts receivable by SRC, the conduits have a first priority perfected security interest in such receivables and, as a result, the receivables will not be available to the creditors of the Company or its other subsidiaries. At March 31, 2011, there was approximately \$410 million of accounts receivable eligible to support this facility; however, there were no borrowings outstanding under the facility as of that date.

The following table sets forth Sunoco's outstanding debt (in millions of dollars):

	At March 31, 2011		At December 31, 2010	
Short-term debt	\$	115	\$	115
Current portion of long-term debt		205		178
Long-term debt		2,152		2,136
Total debt*	\$	2,472	\$	2,429

^{*} Includes \$1,180 and \$1,129 million at March 31, 2011 and December 31, 2010, respectively, attributable to Sunoco Logistics Partners L.P.

Management believes the Company can access the capital markets to pursue strategic opportunities as they arise. In addition, the Company has the option of selling an additional portion of its Sunoco Logistics Partners L.P. interests, and Sunoco Logistics Partners L.P. has the option of issuing additional common units.

RETIREMENT BENEFIT PLANS

The following table sets forth the components of the change in market value of the investments in Sunoco's defined benefit pension plans (in millions of dollars):

Three Months				
	Ended	Year Ended		
Mar	ch 31, 2011		December 31, 2010	
\$	1,008	\$	804	
	32		149	
	_		234	
	(37)		(168)	
			(11)	
\$	1,003	\$	1,008	
		Ended March 31, 2011 \$ 1,008 32 (37)	Ended March 31, 2011 \$ 1,008 \$ 32 (37)	

As a result of the workforce reduction, divestments and the permanent shutdown of the Eagle Point refinery, the Company incurred noncash settlement, special termination and curtailment losses in these plans during the year ended December 31, 2010 and the first three months of 2011 totaling approximately \$30 and \$10 million after tax, respectively. In 2010, the Company contributed \$234 million to its funded defined benefit plans consisting of \$144 million of cash and 3.59 million shares of Sunoco common stock valued at \$90 million. The Company may make contributions to its funded defined benefit plans in 2011 with available cash.

DIVIDENDS AND SHARE REPURCHASES

The Company's management believes that Sunoco's current dividend level of \$.15 per share (\$.60 per year) is sustainable under current conditions. In addition, the Company did not repurchase any of its common stock in the open market during the first quarter of 2011 and has no intention to do so at this time during the remainder of 2011.

FORWARD-LOOKING STATEMENTS

Some of the information included in this report contains "forward-looking statements" (as defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). These forward-looking statements discuss estimates, goals, intentions and expectations as to future trends, plans, events, results of operations or financial condition, or state other information relating to the Company, based on current beliefs of management as well as assumptions made by, and information currently available to, Sunoco. Forward-looking statements generally will be accompanied by words such as "anticipate," "believe," "budget," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "possible," "potential," "predict," "project," "scheduled," "should," or other similar words, phrases or expressions that convey the uncertainty of future events or outcomes. Although management believes these forward-looking statements are reasonable, they are based upon a number of assumptions concerning future conditions, any or all of which may ultimately prove to be inaccurate. Forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those discussed in this report. In addition, statements in this report concerning future dividend declarations are subject to approval by the Company's Board of Directors and will be based on circumstances then existing. Such risks and uncertainties include, without limitation:

- · General economic, financial and business conditions which could affect Sunoco's financial condition and results of operations;
- Changes in refining, marketing and chemical margins;
- · Changes in coal and coke prices;
- Variation in crude oil and petroleum-based commodity prices and availability of crude oil and feedstock supply or transportation;
- · Effects of transportation disruptions;
- Changes in the price differentials between light-sweet and heavy-sour crude oils;
- Changes in the marketplace which may affect supply and demand for Sunoco's products;
- · Changes in competition and competitive practices, including the impact of foreign imports;
- · Effects of weather conditions and natural disasters on the Company's operating facilities and on product supply and demand;
- · Age of, and changes in the reliability, efficiency and capacity of, the Company's operating facilities or those of third parties;
- Changes in the expected operating level of Company assets;
- Changes in the level of capital expenditures or operating expenses;
- Effects of adverse events relating to the operation of the Company's facilities and to the transportation and storage of hazardous materials (including equipment malfunction, explosions, fires, spills, and the effects of severe weather conditions);
- Changes in the level of environmental capital, operating or remediation expenditures;
- Delays and/or costs related to construction, improvements and/or repairs of facilities (including shortages of skilled labor, the issuance of applicable permits and inflation);

- Changes in product specifications;
- Availability and pricing of ethanol and related RINs (Renewable Identification Numbers) used to demonstrate compliance with the renewable fuels standard for credits and trading;
- Political and economic conditions in the markets in which the Company, its suppliers or customers operate, including the impact of potential terrorist acts and international hostilities;
- Military conflicts between, or internal instability in, one or more oil producing countries, governmental actions and other disruptions in the ability to obtain crude oil;
- Ability to conduct business effectively in the event of an information systems failure;
- Ability to identify acquisitions, execute them under favorable terms and integrate them into the Company's existing businesses;
- Ability to effect divestitures, including the planned separation of SunCoke Energy, under favorable terms;
- Ability to enter into joint ventures and other similar arrangements under favorable terms;
- · Changes in the availability and cost of equity and debt financing, including amounts under the Company's revolving credit facilities;
- Performance of financial institutions impacting the Company's liquidity, including those supporting the Company's revolving credit and accounts receivable securitization facilities;
- Impact on the Company's liquidity and ability to raise capital as a result of changes in the credit ratings assigned to the Company's debt securities
 or credit facilities;
- Changes in credit terms required by suppliers;
- Changes in insurance markets impacting costs and the level and types of coverage available, and the financial ability of the Company's insurers to meet their obligations;
- · Changes in accounting rules and/or tax laws or their interpretations, including the method of accounting for inventories, leases and pensions;
- Changes in financial markets impacting pension expense and funding requirements;
- Risks related to labor relations and workplace safety;
- Nonperformance or force majeure by, or disputes with, or changes in contract terms with major customers, suppliers, dealers, distributors or other business partners;
- · Changes in, or new, statutes and government regulations or their interpretations, including those relating to the environment and global warming;
- Claims of the Company's noncompliance with statutory and regulatory requirements; and
- Changes in the status of, or initiation of new litigation, arbitration, or other proceedings to which the Company is a party or liability resulting
 from such litigation, arbitration, or other proceedings, including natural resource damage claims.

The factors identified above are believed to be important factors (but not necessarily all of the important factors) that could cause actual results to differ materially from those expressed in any forward-looking statement made by Sunoco. Other factors not discussed herein could also have material adverse effects on the Company. All forward-looking statements included in this report are expressly qualified in their entirety by the foregoing cautionary statements. The Company undertakes no obligation to update publicly any forward-looking statement (or its associated cautionary language) whether as a result of new information or future events.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the Company's exposure to market risk since December 31, 2010.

Item 4. Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, as of the end of the period covered by this report, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of the Company's management, including the Company's Chairman, Chief Executive Officer and President and the Company's Senior Vice President and Chief Financial Officer. The Company had previously reported a material weakness in internal control over financial reporting related to the accounting for income taxes which was described in Item 9A including Management's Annual Report on Internal Control Over Financial Reporting in the Company's Annual Report on Form 10-K for the year ended December 31, 2010. As a result of this material weakness in the Company's internal control over financial reporting related to the accounting for income taxes, which was not remediated as of March 31, 2011, the Company's Chairman, Chief Executive Officer and President and the Company's Senior Vice President and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of March 31, 2011.

Disclosure controls and procedures are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chairman, Chief Executive Officer and President and the Company's Senior Vice President and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

Remediation of Material Control Weakness

The Company has continued to implement remediation steps to address the material weakness discussed above and to improve its internal control over income tax accounting. Specifically, the Company has: hired experienced tax personnel; formalized and implemented tax organizational reporting structure changes which better integrate the tax accounting and compliance functions and facilitate an increase in the level of certain tax review activities during the financial close process; begun process and procedural enhancements; and identified systems and software that will assist in determining, documenting and calculating our income tax provision.

The measures described above should remediate the material weakness identified and strengthen our internal controls over income tax accounting. Management is committed to improving the Company's internal control processes. As the Company continues to evaluate and improve its internal control over income tax accounting, additional measures to address the material weakness or modifications to certain of the remediation procedures described above may be identified. The Company expects to complete the required remedial actions during 2011.

Changes in Internal Control Over Financial Reporting

In the third quarter of 2010, Sunoco signed an agreement to outsource selected back office processes, including information technology, finance and accounting transaction processing, and indirect procurement. The Company began transitioning work to the service provider in December 2010 although most significant activities were undertaken in 2011. The transition is expected to continue into the third quarter of 2011. This action is consistent with the Company's ongoing initiatives to increase efficiencies and generate cost savings in these process-oriented functions. The outsourcing of these functions will have an immediate effect with regard to the responsibilities for the performance of certain processes and internal controls over financial reporting. The Company anticipates that these internal controls over financial reporting could be further impacted as the outsourced functions are completely transitioned to the third-party service provider who will continue to improve on the processes. None of these outsourcing initiatives are in response to the identified material

weakness in the Company's internal control over financial reporting related to the accounting for income taxes. The Company's management has concluded that the outsourcing agreement has not materially affected, and is not reasonably likely to materially affect, the Company's internal control over financial reporting.

There have been no other changes in the Company's internal control over financial reporting during the first quarter of 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Various lawsuits and governmental proceedings arising in the ordinary course of business are pending against the Company, as well as the lawsuits and proceedings discussed below:

Administrative Proceedings

In March 2011, Philadelphia Air Management Services ("AMS") proposed a Consent Order and Agreement ("COA") in excess of \$100 thousand alleging that Sunoco had failed to obtain installation permits for several diesel engine sources at its Philadelphia refinery. AMS and Sunoco are actively engaged in settlement negotiations and the matter remains pending.

In March 2011, the Pennsylvania Department of Environmental Protection ("PADEP") proposed a COA in excess of \$100 thousand alleging that Sunoco had exceeded effluent limitations at its Girard Point wastewater treatment unit on several instances between March 2009 and January 2011. The PADEP and Sunoco are actively engaged in settlement negotiations and the matter remains pending.

Sunoco Logistics Partners L.P., the master limited partnership in which Sunoco has a 31 percent ownership interest, is a party to the following administrative proceeding:

In December 2010, the Pipeline Hazardous Material Safety Administration ("PHMSA") proposed penalties totaling approximately \$100 thousand for alleged violations of various pipeline safety requirements relating to the Partnership's rights of way and equipment within the Crude Oil Pipeline System. In January 2011, the Partnership paid the assessed fine.

The Partnership and the EPA are actively engaged in settlement negotiations related to an October 2008 crude oil release that occurred in Boone County, Kentucky and alleged violations of environmental statutes and regulations related to the release. The Partnership expects that the negotiations will be settled in an amount exceeding \$100 thousand.

SunCoke Energy has received Notices of Violations ("NOVs") from the EPA relating to its Gateway and Haverhill cokemaking facilities. These NOVs stem from allegations of violations of air emission operating permits for these facilities. SunCoke Energy is currently working in a cooperative manner with the EPA, the Illinois Environmental Protection Agency and the Ohio Environmental Protection Agency to address the allegations. SunCoke Energy has recently undertaken capital projects to improve reliability of the energy recovery systems and enhance environmental performance at its Haverhill and Gateway facilities. The projects will be carried out over the 2011-2013 period at an expected total cost of approximately \$65 million. The final cost of the projects will be dependent upon discussions with regulators concerning compliance with the applicable environmental permits. SunCoke Energy is currently engaged in penalty negotiations that may result in a penalty exceeding \$100 thousand, but has not yet agreed to a settlement amount.

In addition, SunCoke Energy has received an NOV from the EPA related to its Indiana Harbor cokemaking facility. After initial discussions with the EPA and the Indiana Department of Environmental Management, resolution of the NOV has been postponed by mutual agreement of SunCoke Energy and the EPA because of ongoing discussions regarding the NOVs at the Gateway and Haverhill cokemaking facilities. As a result, SunCoke Energy cannot yet assess any future injunctive relief or potential monetary penalty it may receive from the EPA pursuant to the NOV and any potential future citations.

MTBE Litigation

Sunoco, along with other refiners, manufacturers and sellers of gasoline, is a defendant in lawsuits alleging MTBE contamination of groundwater. The plaintiffs include water purveyors and municipalities responsible for supplying drinking water and governmental authorities. The plaintiffs are asserting primarily product liability claims and additional claims including nuisance, trespass, negligence, violation of environmental laws and deceptive business practices. Three actions commenced by governmental authorities assert natural resource damage claims. In addition, Sunoco recently received notice from another state that it intends to file an MTBE lawsuit in the near future asserting natural resource damages claims. The plaintiffs in all of the cases are seeking to recover compensatory damages, and in some cases, injunctive relief, punitive damages and attorneys' fees.

As of March 31, 2011, Sunoco was a defendant in approximately 11 lawsuits involving eight states and Puerto Rico. Nine of the cases are venued in a multidistrict proceeding in a New York federal court. The remaining lawsuits are pending in state courts. In one of the state cases, an appellate court recently ruled that in addition to pursuing damages for MTBE contamination to public water supplies, the state may also attempt to recover damages for MTBE contamination to private water supplies, but cautioned that the lower court must carefully consider whether it is appropriate for the state to recover

damages in instances where MTBE contamination of private water supplies is below the state's MTBE maximum contaminant level and ambient groundwater quality standards.

In all of the cases, discovery is proceeding and there has been insufficient information developed about the plaintiffs' legal theories or the facts that would be relevant to an analysis of the ultimate liability of Sunoco in these matters. Accordingly, no accrual has been established for any potential damages at March 31, 2011. However, Sunoco does not believe that the cases will have a material adverse effect on its consolidated financial position.

Conclusion

Many other legal and administrative proceedings are pending or may be brought against Sunoco arising out of its current and past operations, including matters related to commercial and tax disputes, product liability, antitrust, employment claims, leaks from pipelines and underground storage tanks, natural resource damage claims, premises-liability claims, allegations of exposures of third parties to toxic substances (such as benzene or asbestos) and general environmental claims. Although the ultimate outcome of these proceedings and other matters identified above cannot be ascertained at this time, it is reasonably possible that some of these matters could be resolved unfavorably to Sunoco. Management believes that these matters could have a significant impact on results of operations for any future period. However, management does not believe that any additional liabilities which may arise pertaining to such matters would be material in relation to the consolidated financial position of Sunoco at March 31, 2011.

Item 1A. Risk Factors

There have been no material changes to the risk factors faced by the Company since December 31, 2010.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below provides a summary of all repurchases by the Company of its common stock during the three-month period ended March 31, 2011:

			Total Number of		
			Shares Purchased	Approximate Doller Value	
			as Part of Publicly	of Shares That May Yet	
	Total Number	Average Price	Announced Plans or	Be Purchased Under the	
	Of Share	Paid Per	Programs	Plans or Programs	
Period	Purchased*	Share	(In Thousands)**	(In Millions)**	
January 1, 2011- January 31, 2011	_	\$ —	_	\$ 600	
February 1, 2011- February 28, 2011	_	\$ —	_	\$ 600	
March 1, 2011- March 31, 2011	22,222	\$ 41.67		\$ 600	
Total	22,222	\$ 41.67			

^{*} All of the shares repurchased during March 2011 were from employees in connection with the settlement of tax withholding obligations arising from payment of common stock unit awards.

Item 5. Other Information

Mine Safety Disclosures

Sunoco is committed to maintaining a safe work environment and ensuring strict environmental compliance across all of its operations as the health and safety of its employees and the communities in which it operates are critical to its success. Sunoco's coal mining operations are managed by SunCoke Energy. Management at SunCoke Energy believes that SunCoke Energy employs best practices and conducts continual training programs well in excess of regulatory requirements to ensure that all of its employees are focused on safety. Furthermore, SunCoke Energy is in the process of implementing a Structured Safety & Environmental Process, or SSEP, that provides a robust framework for managing and monitoring safety and environmental performance. Historically, SunCoke Energy's coal mine operations have been among the safest in the United States, consistently operating in the first quartile for the U.S. Department of Labor's Mine Safety and Health Administration ("MSHA") recordable injury rates for underground bituminous coal mining. These operations have also won several awards from the National Mining Association and MSHA, including the Sentinels of Safety award in 2009 for having the mine with the most employee hours worked without experiencing a lost-time injury.

The recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") requires the disclosure of certain information relating to citations or orders for violations of standards under the U.S. Federal Mine Safety and Health Act of 1977 (the "Mine Act"). The following disclosures respond to that legislation. While we believe the following disclosures meet the requirements of the Dodd-Frank Act, it is possible that any rulemaking by the SEC will require disclosures to be presented in a form that differs from the following.

Whenever MSHA believes that a violation of the Mine Act, any health or safety standard, or any regulation has occurred, it may issue a citation which describes the violation and fixes a time within which the operator must abate the violation. In these situations, MSHA typically proposes a civil penalty, or fine, as a result of the violation, that the operator is ordered to pay. In evaluating the below information regarding mine safety and health, investors should take into account factors such as: (a) the number of citations and orders will vary depending on the size of a coal mine, (b) the number of citations issued will vary from inspector to inspector and mine to mine, and (c) citations and orders can be contested and appealed, and during that process are often reduced in severity and amount, and are sometimes dismissed.

Responding to the Dodd-Frank Act legislation, we report that, for the three months ended March 31, 2011, Sunoco Inc.'s operating subsidiaries received no written notice from MSHA of: (a) a flagrant violation under section 110(b)(2) of the Mine Act for failure to make reasonable efforts to eliminate a known violation of a mandatory safety or health standard that substantially proximately caused, or reasonably could have been expected to cause, death or serious bodily injury, (b) a

^{**} On September 7, 2006, the Company's Board of Directors approved a \$1 billion share repurchase program with no stated expiration date.

pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards under section 104(e) of the Mine Act, or (c) the potential to have such a pattern. There were no mining-related fatalities during the three months ended March 31, 2011.

The following table presents the additional information for Sunoco that is required by the Dodd-Frank Act for each mine during the three months ended March 31, 2011. The mine data retrieval system maintained by MSHA may show information that is different than what is provided herein. Any such difference may be attributed to the need to update that information on MSHA's system and/or other factors. All section references in the table refer to provisions of the Mine Act.

Alleged Citations, Orders and Violations and Proposed Assessments and Legal Proceedings by Mine

Mine Identification Number	Mine Name	Section 104 Significant and Substantial Citations ²	Section 104(b) Orders	Section 104(d) Citations and Orders	Section 110(b)(2) Violations	Section 107(a) Orders ⁶	Total Proposed Assessments (in thousands of dollars) ⁷	Legal Proceedings ⁸
4406499	Dominion 7	22		3		1	\$ 12	1
4406718	Dominion 26	8	_	_	_	_	15	2
4406748	Dominion 30	15	_	1	_	_	12	4
4406759	Dominion 36	44		7	_	2	59	7
4406839	Dominion 34	17	_	_	_	_	13	2
4407220	Dominion 44	15		_	_	_	10	_
4400649	Preparation Plant 2	_	_	_	_	_	_	_
4407058	Heavy Equipment Shop	_	_	_	_	_	_	_
4406716	Central Shop							
	Total	121		11		3	\$ 121	16

The foregoing table does not include the following: (i) facilities which have been idle or closed unless they received a citation or order issued by MSHA, (ii) permitted mining sites where we have not begun operations, or (iii) mines that are operated on our behalf by contracors who hold the MSHA numbers and have the MSHA liabilities.

- ² Alleged violations of health or safety standards that could significantly and substantially contribute to a serious injury if left unabated.
- ³ Alleged failures to totally abate a citation within the period of time specified in the citation.
- ⁴ Alleged unwarrantable failure (i.e., aggravated conduct constituting more than ordinary negligence) to comply with a mining safety standard or regulation.
- 5 Alleged flagrant violations issued.
- 6 Alleged conditions or practices which could reasonably be expected to cause death or serious physical harm before such condition or practice can be abated.
- Amounts shown include assessments proposed during the three months ended March 31, 2011, on the citations and orders reflected in this table.
- This number reflects legal proceedings initiated during the three months ended March 31, 2011 which remain pending before the Federal Mine Safety and Health Review Commission ("Commission") as of March 31, 2011. The Commission has jurisdiction to hear not only challenges to citations, orders and penalties but also certain complaints by miners. The number of "pending legal actions" reported here pursuant to Section 1503(a)(3) of the Dodd-Frank Act reflects the number of contested citations, orders, penalties or complaints for which the Commission has assigned a docket number and which remain pending as of March 31, 2011.

Item 6. Exhibits

- 10.1 The Amended Schedule to the Forms of Indemnification Agreement.
- 10.2 Amended Schedule 2.1 of Deferred Compensation and Benefits Trust Agreement, by and among Sunoco, Inc., Mellon Trust of New England, N.A. and Towers, Perrin, Forster & Crosby, Inc., amended and restated effective March 31, 2011.
- 10.3 Amended Schedule 2.1 of Directors' Deferred Compensation and Benefits Trust Agreement, by and among Sunoco, Inc., Mellon Trust of New England, N.A. and Towers, Perrin, Forster & Crosby, Inc., amended and restated effective March 31, 2011.
- 10.4 Sunoco, Inc. Long-Term Performance Enhancement Plan III (effective as of March 2, 2011).
- 31.1 Certification Pursuant to Exchange Act Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification Pursuant to Exchange Act Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification Pursuant to Exchange Act Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification Pursuant to Exchange Act Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- The following financial statements from Sunoco, Inc.'s Quarterly Report on Form 10-Q for the three months ended March 31, 2011, filed with the Securities and Exchange Commission on May 5, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations; (ii) the Condensed Consolidated Balance Sheets; (iii) the Condensed Consolidated Statements of Cash Flows; and, (iv) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.

We are pleased to furnish this Form 10-Q to shareholders who request it by writing to:

Sunoco, Inc. Investor Relations 1818 Market Street, Suite 1500 Philadelphia, PA 19103

SIGNATURE

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

SUNOCO, INC. /s/ JOSEPH P. KROTT By:

Joseph P. Krott Comptroller

(Principal Accounting Officer)

Date: May 5, 2011

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EXHIBIT INDEX

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Amended Schedule to the Forms of Indemnification Agreement

Sunoco, Inc. has entered into Indemnification Agreements with the directors, executive officers, trustees, fiduciaries, employees or agents named below:

Anne-Marie Ainsworth	Employee	Date of Agreement
Vincent J. Brigandl, Jr. June 30, 2010 Robert N. Deitz December 2, 2009 Lynn L. Elsenhans August 8, 2008 March 1, 2010 Marilyn Heffley December 2, 2009 Prederick A. Henderson September 1, 2010 Brian P. MacDonald August 10, 2009 March 4, 2004 March A, 2004 March A, 2004 March A, 2006 March 4, 2009 March 3, 2006 Robert W. Owens March 4, 2009 Michael J. Thomson May 30, 2008 Charmian Uy December 3, 2009 March 4, 2009 March 4, 2009 March 5, 2009 March 5, 2009 March 6, 2009 March 7, 2009 March 1, 2010 March 1	Anne-Marie Ainsworth	November 2, 2009
Robert N. Deitz		June 30, 2010
Lynn L. Elsenhans	Vincent J. Brigandi, Jr.	June 30, 2010
Sleey L. Fox March 1, 2010 Marilyn Heffley December 2, 2009 Frederick A. Henderson September 1, 2010 Joseph P. Krott March 4, 2004 Bran P. MacDonald August 10, 2009 Maric A. Natoli March 3, 2006 Robert W. Owens March 4, 2004 Thomas J. Seargle July 2, 2009 Michael J. Thomson May 30, 2008 Dennis Zeleny January 20, 2009 Robert M. Aiken, Jr.* February 1, 1996 Robert M. Aiken, Jr.* February 1, 1996 Robert M. Campbell* February 1, 1996 John F. Carroll* March 4, 2004 Michael J. Colavita* September 2, 2004 Terence P. Delaney* March 4, 2004 Michael H. R. Dingus* March 4, 2004 Michael J. Colavita* March 4, 2004 Bruce G. Fischer* March 4, 2004 Back L. Foltz* February 1, 1996 Deborah M. Fretz* September 6, 2001 Peter J. Gvazdauskas* February 1, 1996 Deborah M. Fetz* September 6, 2001 Pobrary V. Joseph <th>Robert N. Deitz</th> <th>December 2, 2009</th>	Robert N. Deitz	December 2, 2009
Marilyn Heffley December 2, 2009 Frederick A, Henderson September 1, 2010 Joseph P, Krott March 4, 2004 Brian P, MacDonald August 10, 2009 March A, 300 March 3, 2006 Robert W, Owens March 4, 2004 Thomas J, Seargle July 2, 2009 Michael J, Thomson May 30, 2008 Charmian Uy December 3, 2009 Dennis Zeleny January 20, 2009 Robert M, Aiken, Jr.* February 1, 1996 Robert H, Campbell* February 1, 1996 John F, Carroll* March 4, 2004 Michael J, Colavita* September 2, 2004 Terence P, Delany* March 4, 2004 Michael H, R, Dingus* March 4, 2004 Mohn G, Drosdick* March 4, 2004 Bruce G, Fischer* March 4, 2004 Bruce G, Fischer* March 4, 2004 Jack L, Foltz* February 1, 1996 Devict E, Knoll* February 1, 1996 Devict B, Kuritzkes* February 4, 2009 Michael J, Hennigan* February 2, 2006 Michael J, McGoldrick*	Lynn L. Elsenhans	August 8, 2008
Frederick A. Henderson	Stacy L. Fox	March 1, 2010
Joseph P. Krott March 4, 2004 Angust 10, 2009 Maric A. Natoli Angust 10, 2009 Maric A. Natoli March 3, 2006 March 4, 2004 March 4, 2004 March 4, 2004 March 1, 2009 Michael J. Thomson May 30, 2008 March 4, 2009 Michael J. Thomson May 30, 2008 March 4, 2009 March 4, 2009 March 4, 2004 March 4, 2	Marilyn Heffley	December 2, 2009
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Marie A. Natoli March 3, 2006 Robert W. Owens March 4, 2004 Thomas J. Scargle July 2, 2009 Michael J. Thomson May 30, 2009 Charmian Uy December 3, 2009 Dennis Zeleny January 20, 2009 Robert M. Aiken, Jr.* February 1, 1996 Robert H. Campbell* February 1, 1996 John F. Carroll* March 4, 2004 Michael J. Colavita* September 2, 2004 Terence P. Delaney* March 4, 2004 Michael H. R. Dingus* March 4, 2004 John G. Drosdick* March 4, 2004 Bruce G. Fischer* March 4, 2004 Jack L. Foltz* February 1, 1996 Deborah M. Fretz* February 1, 1996 Deborah M. Fretz* September 6, 2001 Peter J. Gvazdauskas* February 2, 2006 Michael J. Hennigan* February 2, 2006 Thomas W. Hofmann* March 4, 2004 Vincent J. Kelley* March 4, 2004 Michael S. Kuritzkes* March 4, 2004 Michael J. McGoldrick* March 4, 2004 Joel H. Maness*	•	March 4, 2004
Robert W. Owens	Brian P. MacDonald	August 10, 2009
Thomas J. Scargle July 2, 2009 Michael J. Thomson May 30, 2008 Charmian Uy December 3, 2009		March 3, 2006
Michael J. Thomson May 30, 2008 Charmian Uy December 3, 2009 Robert M. Aiken, Jr.* February 1, 1996 Robert H. Campbell* February 1, 1996 John F. Carroll* March 4, 2004 Michael J. Colavita* September 2, 2004 Terence P. Delaney* March 4, 2004 Michael H. R. Dingus* March 4, 2004 John G. Drosdick* March 4, 2004 Bruce G. Fischer* March 4, 2004 Jack L. Foltz* February 1, 1996 Deborah M. Fretz* February 1, 1996 Deborah M. Fretz* February 2, 2009 Michael J. Hennigan* February 2, 2009 Michael J. Hennigan* February 2, 2006 Thomas W. Hofmann* March 4, 2004 Vincent J. Kelley* February 2, 2006 Michael S. Kuritzkes* March 4, 2004 Michael S. Murickes* March 4, 2004 Michael J. McGoldrick* March 4, 2004 Joel H. Maness* March 4, 2004 Ann C. Mulé* March 4, 2004 Ann C. Mulé* March 4, 2004 Paul A. Mulholland*		March 4, 2004
December 3, 2009 Dennis Zeleny December 3, 2009 Dennis Zeleny		July 2, 2009
Dennis Zeleny January 20, 2009		May 30, 2008
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Ross S. Tippin, Jr.* March 4, 2004		February 17, 1997
		February 1, 1996
Charles K. Valutas* March 4, 2004	==	March 4, 2004
	Charles K. Valutas*	March 4, 2004

Director	Date of Agreement
Chris C. Casciato	July 1, 2010
Gary W. Edwards	May 1, 2008
Ursula O. Fairbairn	March 4, 2004
John P. Jones, III	September 8, 2006
James G. Kaiser	March 4, 2004
John W. Rowe	March 4, 2004
John K. Wulff	March 8, 2004
Raymond E. Cartledge**	September 6, 2001
Robert E. Cawthorn**	February 1, 1996
Robert J. Darnall**	March 4, 2004
John G. Drosdick**	March 4, 2004
Mary J. Evans**	September 6, 2001
Thomas P. Gerrity**	March 4, 2004
Rosemarie B. Greco**	March 4, 2004
Robert D. Kennedy**	September 6, 2001
Richard H. Lenny**	February 8, 2002
Norman S. Matthews**	September 6, 2001
R. Anderson Pew**	March 4, 2004
William B. Pounds**	February 1, 1996
G. Jackson Ratcliffe**	March 4, 2004

In a different position or no longer with the Company No longer serving on the Board

Schedule 2.1 to the Deferred Compensation and Benefits Trust Agreement Benefit Plans and Other Arrangements Subject to Trust

- (1) Sunoco, Inc. Executive Retirement Plan ("SERP");
- (2) Sunoco, Inc. Deferred Compensation Plan;
- (3) Sunoco, Inc. Pension Restoration Plan;
- (4) Sunoco, Inc. Savings Restoration Plan;
- (5) Sunoco, Inc. Special Executive Severance Plan;
- (6) Sunoco, Inc. Executive Involuntary Deferred Compensation Plan;
- (7) The funding of the Sunoco, Inc. Special Employee Severance Plan necessary to provide benefits in accordance with the terms of such Plan to only those employees then in grades 11 through 13.
- (8) The entire funding for all the Indemnification Agreements with the executives set forth below shall be Five Million Dollars (\$5,000,000) in the aggregate:

(1) (2)	Anne-Marie Ainsworth Elizabeth G. Bilotta	(18) (19)	Joseph P. Krott Michael S. Kuritzkes ^k Brian P. MacDonald
(3) (4) (5)	Vincent J. Brigandi, Jr. Michael J. Colavita ^j Robert N. Deitz	(20) (21) (22)	Joel H. Maness b Christopher J. Minnich
(6) (7)	Terence P. Delaney ⁱ Michael H. R. Dingus ^a	(23) (24)	Ann C. Mulé ^q Paul A. Mulholland ^f
(8)	John G. Drosdick ^c Lynn L. Elsenhans	(25)	Rolf D. Naku ^g
(9)		(26)	Marie A. Natoli
(10)	Bruce G. Fischer ^o Stacy L. Fox	(27)	Robert W. Owens
(11)		(28)	Bruce D. Rubin ¹
(12)	Peter J. Gvazdauskas ^m	(29)	Thomas J. Scargle
(13)	Marilyn Heffley	(30)	Michael J. Thomson
(14)	Frederick A. Henderson	(31)	Charles K. Valutas ^d
(15)	Michael J. Hennigan ^h	(32)	Charmian Uy
(16) (17)	Thomas W. Hofmann ^e Vincent J. Kelley ^p	(33)	Dennis Zeleny

NOTES:

- a. Mr. Dingus retired as a Senior Vice President of Sunoco, Inc., effective June 1, 2008.
- b. Mr. Maness stepped down as an Executive Vice President of Sunoco, Inc., effective July 9, 2007. He continued on a part-time basis as Strategic Advisor on refining and supply issues reporting directly to the Company's President, until his retirement from the Company, effective January 1, 2008.

- c. Mr. Drosdick retired as Chief Executive Officer and President of Sunoco, Inc., effective August 8, 2008.
- d. Mr. Valutas retired as a Senior Vice President of Sunoco, Inc., effective September 1, 2008.
- e. Mr. Hofmann retired as Chief Financial Officer and Senior Vice President of Sunoco, Inc., effective December 1, 2008.
- f. Mr. Mulholland retired as Treasurer of Sunoco, Inc., effective December 1, 2008.
- g. Mr. Naku ceased being a Senior Vice President of Sunoco, Inc., effective December 1, 2008.
- h. Mr. Hennigan stepped down as a Senior Vice President of Sunoco, Inc., effective May 15, 2009, at which time he accepted an executive officer position with a Sunoco, Inc. subsidiary.
- i. Mr. Delaney ceased being Interim Chief Financial Officer of Sunoco, Inc., effective August 31, 2009.
- j. Mr. Colavita ceased being Treasurer of Sunoco, Inc., effective December 3, 2009.
- k. Mr. Kuritzkes ceased being Senior Vice President and General Counsel of Sunoco, Inc., effective March 1, 2010.
- 1. Mr. Rubin ceased being a Senior Vice President, Sunoco Chemicals of Sunoco, Inc., effective March 31, 2010.
- m. Mr. Gvazdauskas stepped down as Manager, Corporate Finance, of Sunoco, Inc., effective March 22, 2010, at which time he accepted an executive officer position with a Sunoco, Inc. subsidiary.
- n. Mr. Minnich ceased being Vice President, Compensation & Benefits, of Sunoco, Inc., effective June 30, 2010.
- o. Mr. Fischer retired from Sunoco, Inc., effective December 1, 2010.
- p. Mr. Kelley retired from Sunoco, Inc., effective January 21, 2011.
- q. Ms. Mulé retired from Sunoco, Inc. effective March 31, 2011.

Schedule 2.1 to the Directors' Deferred Compensation and Benefits Trust Agreement

Benefit Plans and Other Arrangements Subject to Trust

- (1) Sunoco, Inc. Directors' Deferred Compensation Plan I;
- (2) Sunoco, Inc. Directors' Deferred Compensation Plan II;
- (3) The entire funding for all the Indemnification Agreements with the directors set forth below shall be Five Million Dollars (\$5,000,000.00) in the aggregate upon a Potential Change in Control, and an amount upon a Change in Control calculated on the basis of the Indemnification Agreements with the following directors:
 - (a) Chris C. Casciato
 - (b) Robert J. Darnall 4
 - (c) John G. Drosdick 1
 - (d) Gary W. Edwards
 - (e) Ursula O. Fairbairn
 - (f) Thomas P. Gerrity 5
 - (g) Rosemarie B. Greco 6
 - (h) John P. Jones, III
 - (i) James G. Kaiser
 - (j) R. Anderson Pew 2
 - (k) G. Jackson Ratcliffe ³
 - (1) John W. Rowe
 - (m) John K. Wulff
- (4) Benefits payable to former directors of the Company (or their beneficiaries) in pay status as of the date of termination of the Sunoco, Inc. Non-Employee Directors' Retirement Plan.

NOTES:

- 1. Mr. Drosdick resigned as a Director of Sunoco, Inc., effective December 31, 2008.
- 2. Mr. Pew did not stand for re-election at the Annual Meeting on May 7, 2009, due to Sunoco, Inc.'s mandatory retirement policy for directors.
- 3. Mr. Ratcliffe did not stand for re-election at the Annual Meeting on May 7, 2009, due to Sunoco, Inc.'s mandatory retirement policy for directors.
- 4. Mr. Darnall did not stand for re-election at the Annual Meeting on May 6, 2010, due to Sunoco, Inc.'s mandatory retirement policy for directors.
- 5. Dr. Gerrity did not stand for re-election at the Annual Meeting on May 6, 2010, and retired from the Sunoco, Inc. Board at that time.
- 6. Ms. Greco will not be standing for re-election at the Annual Meeting on May 5, 2011, and will be retiring from the Sunoco, Inc. Board at that time.

SUNOCO, INC. LONG-TERM PERFORMANCE ENHANCEMENT PLAN III

(effective as of March 2, 2011)

ARTICLE I

Definitions

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

- 1.1 Affiliate shall mean any entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with Sunoco, Inc.
 - 1.2 Board of Directors shall mean the Board of Directors of Sunoco, Inc.
 - 1.3 Business Combination shall have the meaning provided herein at Section 1.4(c).
 - 1.4 Change in Control shall mean the occurrence of any of the following events:
 - (a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (1) the then-outstanding shares of common stock of Sunoco, Inc. (the "Outstanding Company Common Stock") or (2) the combined voting power of the then-outstanding voting securities of Sunoco, Inc. entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that, for purposes of this Section (a), the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from Sunoco, Inc., (B) any acquisition by Sunoco, Inc., (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Sunoco, Inc. or any company controlled by, controlling or under common control with Sunoco, Inc., or (D) any acquisition by any entity pursuant to a transaction that complies with Sections (c)(1), (c)(2) and (c)(3) of this definition;
 - (b) Individuals who, as of May 6, 2010, constitute the Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; *provided*, *however*, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the shareholders of Sunoco, Inc., was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors;
 - (c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving Sunoco, Inc. or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of Sunoco, Inc. or the acquisition of assets or stock of another entity by Sunoco, Inc. or any of its subsidiaries (each, a "Business Combination"), in each case unless, following such Business Combination, (1) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the thenoutstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that, as a result of such transaction, owns Sunoco, Inc. or all or substantially all of the assets of Sunoco, Inc., either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (2) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of Sunoco, Inc. or such corporation resulting from such Business Combination or any of their respective subsidiaries) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation

resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (3) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board of Directors providing for such Business Combination; or

- (d) Approval by the shareholders of Sunoco, Inc. of a complete liquidation or dissolution of Sunoco, Inc.
- 1.5 Code shall mean the Internal Revenue Code of 1986, as amended.
- 1.6 <u>Committee</u> shall mean the committee appointed to administer this Plan by the Board of Directors, as constituted from time to time. The Committee shall consist of at least two (2) members of the Board of Directors, each of whom shall meet applicable requirements set forth in the pertinent regulations under Section 16 of the Exchange Act and section 162(m) of the Code.
 - 1.7 Common Stock shall mean the authorized and unissued or treasury shares of common stock of Sunoco, Inc.
 - 1.8 Company shall mean Sunoco, Inc., and any Affiliate.
 - 1.9 Corporate Transaction shall have the meaning provided herein at Section 5.8(b).
- 1.10 <u>Disaffiliation</u> shall mean, for purposes of Section 5.8(b) hereof, a Subsidiary's or Affiliate's ceasing to be a Subsidiary or Affiliate for any reason (including, without limitation, as a result of a public offering, or a spinoff or sale by the Company, of the stock of the Subsidiary or Affiliate) or a sale of a division of the Company and its Affiliates.
 - 1.11 <u>Dividend Equivalents</u> shall have the meaning provided herein at Section 4.3.
 - 1.12 <u>Dividend Equivalent Account</u> shall have the meaning provided herein at Section 4.3.
- 1.13 Employment Termination Date shall mean the date on which the employment relationship between the Participant and the Company is terminated.
 - 1.14 Exchange Act shall mean the Securities Exchange Act of 1934, as amended.
 - 1.15 Exercise Period shall have the meaning provided herein at Section 3.3.
 - 1.16 Exercise Price shall mean the purchase price per share of Common Stock deliverable upon the exercise of an Option.
- 1.17 Fair Market Value shall mean, as of any date and in respect of any share of Common Stock, the closing price on such date of a share of Common Stock (as reflected in the tables of the Wall Street Journal, under the caption "Biggest 1,000 Stocks") or any other publication selected by the Committee). If there is no sale of shares of Common Stock on the New York Stock Exchange on such date, then the Fair Market Value shall be the closing price on the next succeeding date on which a closing price is reported. In the event that the Common Stock is not traded, FMV will be determined by the Committee. In no event shall the Fair Market Value of any share of Common Stock be less than its par value.
 - 1.18 Grant Date shall have the meaning provided herein at Section 3.1.

- 1.19 <u>Immediate Family Member</u> shall mean spouse (or common law spouse), siblings, parents, children, stepchildren, adoptive relationships and/or grandchildren of the Participant (and, for this purpose, also shall include the Participant).
 - 1.20 Incumbent Board shall have the meaning provided herein at Section 1.4(b).
 - 1.21 Just Cause shall mean, as determined by the Committee:
 - (a) the willful and continued failure of the Participant to perform substantially the Participant's duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Participant by the Board of Directors or the Chief Executive Officer that specifically identifies the manner in which the Board of Directors or the Chief Executive Officer believes that the Participant has not substantially performed the Participant's duties,
 - (b) indictment of the Participant for a felony in connection with the Participant's employment duties or responsibilities to the Company that is not quashed within six (6) months;
 - (c) conviction of Participant of a felony;
 - (d) willful conduct by the Participant in connection with the Participant's employment duties or responsibilities to the Company that is gross misconduct (including, but not limited to, dishonest or fraudulent acts) and places the Company at risk of material injury; or
 - (e) the Participant's failure to comply with a policy of the Company that places the Company at risk of material injury.

For purposes of this Section 1.21, no act, or failure to act, on the part of the Participant shall be considered "willful" unless it is done, or omitted to be done, by the Participant in bad faith or without reasonable belief that the Participant's action or omission was in the best interests of the Company. In addition, for purposes of this Section 1.21, "injury" shall include, but not be limited to, financial injury and injury to the reputation of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Participant in good faith and in the best interests of the Company.

- 1.22 Market Price shall be the greater of:
- (a) the highest price per share of Common Stock paid in connection with any Change in Control during the period from the sixtieth (60^{th}) calendar day immediately prior to the Change in Control through no later than the earlier of (1) ninety (90) days following the date of occurrence of such Change in Control or (2) two and one-half $(2^{1/2})$ months following the end of the calendar year in which the date of such Change in Control occurs; and
- (b) the highest trading price per share of Common Stock as reflected in the tables of the Wall Street Journal (presently the "Biggest 1,000 Stocks") during the 60-day period immediately prior to the Change in Control.
- 1.23 Option shall mean a Stock Option.
- 1.24 Optionee shall mean the holder of an Option.
- 1.25 Outstanding Company Common Stock shall have the meaning provided herein at Section 1.4(a).
- 1.26 Outstanding Company Voting Securities shall have the meaning provided herein at Section 1.4(a).
- $1.27 \; \underline{Participant}$ shall have the meaning provided herein at Section 2.3(a).
- 1.28 <u>Performance Factors</u> shall mean the various payout percentages related to the attainment levels of one or more Performance Goals, as determined by the Committee.

- 1.29 <u>Performance Goals</u> shall mean the specific targeted amounts of, or changes in, financial or operating goals including: revenues; expenses; net income; operating income; operating income after tax; equity; return on equity, assets or capital employed; working capital; total shareholder return; earnings before interest, taxes, depreciation and amortization ("EBITDA"); earnings before interest and taxes ("EBIT"); operating capacity utilized; production or sales volumes; throughput, cost of refining/processing; margin capture; gross margin; or operating margin. Such goals may be applicable to the Company as a whole or one or more of its business units and may be applied in total or on a per share, per barrel or percentage basis and on an absolute basis or relative to other companies, industries or indices or any combination thereof, as determined by the Committee.
 - 1.30 Performance Period shall have the meaning provided herein at Section 4.4.
 - 1.31 Performance Share Units shall have the meaning provided herein at Section 4.4.
 - 1.32 Person shall have the meaning provided herein at Section 1.4(a).
 - 1.33 Plan shall mean this Sunoco, Inc. Long-Term Performance Enhancement Plan III, as amended or as amended and restated from time to time.
- 1.34 Qualifying Termination shall mean, with respect to the employment of any Participant who is a participant in the Sunoco, Inc. Special Executive Severance Plan, a "Qualifying Termination" as defined in such plan, and with respect to the employment of any other Participant, the following:
 - (a) a termination of employment by the Company within seven (7) months after a Change in Control, other than for Just Cause, death or permanent disability;
 - (b) a termination of employment by the Participant within seven (7) months after a Change in Control for one or more of the following reasons:
 - (1) the assignment to such Participant of any duties inconsistent in a way significantly adverse to such Participant, with such Participant's positions, duties, responsibilities and status with the Company immediately prior to the Change in Control, or a significant reduction in the duties and responsibilities held by the Participant immediately prior to the Change in Control, in each case except in connection with such Participant's termination of employment by the Company for Just Cause; or
 - (2) a reduction by the Company in the Participant's combined annual base salary and guideline (target) bonus as in effect immediately prior to the Change in Control; or
 - (3) the Company requires the Participant to be based anywhere other than the Participant's present work location or a location within thirty-five (35) miles from the present location; or the Company requires the Participant to travel on Company business to an extent substantially more burdensome than such Participant's travel obligations during the period of twelve (12) consecutive months immediately preceding the Change in Control;

provided, however, that in the case of any such termination of employment by the Participant under this subparagraph (b), such termination shall not be deemed to be a Qualifying Termination unless the termination occurs within 120 days after the occurrence of the event or events constituting the reason for the termination; or

- (c) before a Change in Control, a termination of employment by the Company, other than a termination for Just Cause, or a termination of employment by the Participant for one of the reasons set forth in (b) above, if the affected Participant can demonstrate that such termination or circumstance in (b) above leading to the termination:
 - (1) was at the request of a third party with which the Company had entered into negotiations or an agreement with regard to a Change in Control; or
 - (2) otherwise occurred in connection with a Change in Control;

provided, however, that in either such case, a Change in Control actually occurs within one (1) year following the Employment Termination Date.

- 1.35 Restricted Share Units shall have the meaning provided herein at Section 4.1.
- 1.36 Share Change shall have the meaning provided herein at Section 5.8(a).
- 1.37 Share Units shall have the meaning provided herein at Section 4.1.
- 1.38 Stock Options shall have the meaning provided herein at Section 3.1.
- 1.39 SU Payout Date shall have the meaning provided herein at Section 4.9.
- 1.40 <u>Subsidiary</u> shall mean any corporation of which, at the time, more than fifty percent (50%) of the shares entitled to vote generally in an election of directors are owned directly or indirectly by Sunoco, Inc. or any subsidiary thereof.
- 1.41 Sunoco, Inc. shall mean Sunoco, Inc., a Pennsylvania corporation, and any successor thereto by merger, consolidation, liquidation or purchase of assets or stock or similar transaction.

ARTICLE II

Background, Purpose and Term of Plan; Participation & Eligibility for Benefits

- 2.1 Purpose of the Plan. The purposes of this Plan are to:
- (a) better align the interests of shareholders and management of the Company by creating a direct linkage between Participants' rewards and shareholders' gains;
 - (b) provide management with the ability to increase equity ownership in Sunoco, Inc.;
 - (c) provide competitive compensation opportunities that can be realized through attainment of performance goals; and
 - (d) provide an incentive to management for continuous employment with the Company.

It is intended that certain awards made under the Plan will qualify as performance-based compensation under section 162(m) of the Code.

- 2.2 Term of the Plan. The Plan will become effective upon approval by the holders of a majority of the votes cast at the 2010 Annual Meeting of Shareholders of the Company. No awards will be made under this Plan after December 31, 2020. The Plan and all awards made under the Plan prior to such date shall remain in effect until such awards have been satisfied or terminated in accordance with the Plan and the terms of such awards.
 - 2.3 Administration. The Plan shall be administered by the Committee, which shall have the authority, in its sole discretion and from time to:
 - (a) designate the employees or classes of employees eligible to participate in the Plan (each such employee being a "Participant");
 - (b) grant awards provided in the Plan in such form and amount as the Committee shall determine;
 - (c) impose such limitations, restrictions and conditions upon any such award as the Committee shall deem appropriate; and
 - (d) interpret the Plan, adopt, amend and rescind rules and regulations relating to the Plan, and make all other determinations and take all other action necessary or advisable for the implementation and administration of the Plan.

The decisions and determinations of the Committee on all matters relating to the Plan shall be in its sole discretion and shall be conclusive. No member of the Committee shall be liable for any action taken or not taken or decision made or not made in good faith relating to the Plan or any award thereunder.

2.4 <u>Eligibility for Participation</u>. Participants in the Plan shall be those officers and other key employees occupying responsible managerial or professional positions at the Company, and capable of substantially contributing to its success.

In making this selection and in determining the amount of awards, the Committee shall consider any factors deemed relevant, including the individual's functions, responsibilities, value of services to the Company and past and potential contributions to its profitability and sound growth.

- 2.5 Types of Awards Under the Plan. Awards under the Plan may be in the form of any one or more of the following:
 - (a) Stock Options, as described in Article III; and/or
 - (b) Share Units, as described in Article VI.
- 2.6 Aggregate Limitation on Awards. Shares of stock which may be issued under the Plan shall be Common Stock. The maximum number of shares of Common Stock authorized for issuance under the Plan is three million five hundred thousand (3,500,000). No Option may be granted if the number of shares of Common Stock to which such Option relates, when added to the number of shares of Common Stock previously issued under the Plan, exceeds the number of such shares reserved under the preceding sentence. For purposes of calculating the maximum number of shares of Common Stock which may be issued under the Plan:
 - (a) all the shares issued (including the shares, if any, withheld for tax withholding requirements) shall be counted when cash is used as full payment for shares issued upon exercise of an Option;
 - (b) only the shares issued (including the shares, if any, withheld for tax withholding requirements) net of shares of Common Stock used as full or partial payment for such shares upon exercise of an Option, shall be counted; and
 - (c) only the shares issued (including the shares, if any, withheld for tax withholding) upon vesting and payment of Share Units, shall be counted.

Shares tendered by a Participant as payment for shares issued upon exercise of an Option shall be available for issuance under the Plan. Any shares distributed pursuant to an Option may consist, in whole or in part, of authorized and unissued shares or treasury shares including shares of Common Stock acquired by purchase in the open market or in private transactions. Any shares of Common Stock subject to an Option, which for any reason is terminated, unexercised or expires shall again be available for issuance under the Plan.

- (d) The maximum number of Options that shall be granted in any calendar year to a Participant shall be six hundred thousand (600,000).
- (e) The maximum number of Performance Share Units granted in any calendar year to a Participant shall be one hundred fifty thousand (150,000).
 - (f) The maximum number of Restricted Share Units granted in any calendar year to a Participant shall be one hundred fifty thousand (150,000).

The share limits set forth in this Section 2.6 shall be adjusted to reflect any Share Changes as discussed in Section 5.8(a).

ARTICLE II

Stock Options

- 3.1 Award of Stock Options. The Committee, from time to time, and subject to the provisions of the Plan and such other terms and conditions as the Committee may prescribe, may grant to any Participant in the Plan one or more options (not intended to qualify as "incentive stock options" under section 422 of the Code) to purchase for cash or shares the number of shares of Common Stock ("Stock Options") allotted by the Committee. The "Grant Date" for each Stock Option shall be the date of the Committee action to make the award or, if later, the date selected by the Committee as the date of grant of Stock Options pursuant to the Plan.
- 3.2 <u>Stock Option Agreements</u>. The grant of a Stock Option shall be evidenced by a written Stock Option Agreement, executed by the Company and the holder of a Stock Option, stating the number of shares of Common Stock subject to the Stock Option evidenced thereby, and in such form as the Committee may from time to time determine.
- 3.3 Exercise Price. The Exercise Price per share of Common Stock deliverable upon the exercise of a Stock Option shall be not less than the Fair Market Value of a share of Common Stock on the Grant Date. If there is no sale of shares of Common Stock on the New York Stock Exchange on the Grant Date or for more than ten (10) days immediately succeeding such date, the Exercise Price shall be as determined by the Committee in such other manner as it may deem appropriate. In no event shall the Exercise Price of any share of Common Stock be less than its par value.
- 3.4 <u>Term and Exercise</u>. The term and the vesting schedule of the Stock Options shall be determined by the Committee. However, except as otherwise provided in Section 3.11, no Stock Option may be exercisable before the first anniversary of the Grant Date or after the tenth anniversary of the Grant Date. No Stock Option shall be exercisable after the expiration of its term.
- 3.5 <u>Transferability</u>. No Stock Option may be transferred by the Participant other than by will, by the laws of descent and distribution or, to the extent not inconsistent with the applicable provisions of the Code, pursuant to a domestic relations order under applicable provisions of law, and during the Participant's lifetime the Stock Option may be exercised only by the Participant; *provided*, *however*, that, subject to such limits as the Committee may establish, the Committee, in its discretion, may allow the Participant to transfer a Stock Option for no consideration to, or for the benefit of, an Immediate Family Member or to a bona fide trust for the exclusive benefit of such Immediate Family Members, or a partnership or limited liability company in which such Immediate Family Members are the only partners or members.

Such transfer may only be effected following the advance written notice from the Participant to the Committee, describing the terms and conditions of the proposed transfer, and such transfer shall become effective only when recorded in the Company's record of outstanding Stock Options. Any such transferable Stock Option is further conditioned on the Participant and such Immediate Family Member or other transferee agreeing to abide by the Company's then-current Stock Option transfer guidelines. In the discretion of the Committee, the foregoing right to transfer a Stock Option also will apply to the right to transfer ancillary rights associated with such Stock Option, and to the right to consent to any amendment to the applicable Stock Option Agreement.

Subsequent transfers shall be prohibited except in accordance with the laws of descent and distribution, or by will. Following transfer, any such Stock Options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, and the terms "Optionee" or "Participant" shall be deemed to include the transferee; *provided, however*, that the events of termination of employment of Sections 3.8 ("Retirement or Disability"), 3.9 ("Termination for Other Reasons") and 3.10 ("Death of Optionee") hereof shall continue to be applied with respect to the original Optionee, following which the Stock Options shall be exercisable by the transferee only to the extent, and for the respective periods specified therein. Neither the

Committee nor the Company will have any obligation to inform any transferee of a Stock Option of any expiration, termination, lapse or acceleration of such Option. The Company will have no obligation to register with any federal or state securities commission or agency any Common Stock issuable or issued under a Stock Option that has been transferred by a Participant under this Section 3.5.

- 3.6 Manner of Payment. Each Stock Option Agreement shall set forth the procedure governing the exercise of the Stock Option granted thereunder, and shall provide that, upon such exercise in respect of any shares of Common Stock subject thereto, the Optionee shall pay to the Company, in full, the Exercise Price for such shares (together with payment for any taxes which the Company is required by law to withhold by reason of such exercise) with cash or with Common Stock. If Common Stock is used, the exercise price of a vested Stock Option, or portion thereof, may be paid through the delivery of shares of the Company's Common Stock owned by the Optionee, or by foregoing delivery of shares of the Company's Common Stock subject to the Stock Option, in each case having an aggregate Fair Market Value (as determined as of the date prior to exercise) equal to the exercise price; provided, however, that any use of shares of Company Common Stock in accordance with this provision must be in compliance with then-applicable accounting rules.
- 3.7 <u>Issuance and Delivery of Shares</u>. As soon as practicable after receipt of payment, the Company shall deliver to the Optionee a certificate or certificates for, or otherwise register the Optionee on the books and records of the Company as a holder of, such shares of Common Stock. The Optionee shall become a shareholder of Sunoco, Inc. with respect to the Common Stock so registered, or represented by share certificates so issued, and as such shall be fully entitled to receive dividends, to vote and to exercise all other rights of a shareholder except to the extent otherwise provided in the Option award.
 - (a) Notwithstanding the foregoing, and at the discretion of the Committee, any Optionee subject to minimum stock ownership guidelines (as established from time to time by the Committee or the Company), but failing to meet the applicable personal ownership requirement within the prescribed period may, upon exercise of the Options, receive a number of shares of Common Stock subject to the following restrictions which shall remain in place until compliance with such ownership guidelines is attained:
 - (1) The number of shares subject to the restrictions shall be equal to the total number of shares received in the exercise of the Options, minus the sum of:
 - (A) to the extent that shares received upon exercise of the Option are used to pay the Exercise Price, the number of shares which have a Fair Market Value on the date of the Option exercise equal to the total amount paid for all the shares received in the Option exercise; and
 - (B) to the extent that shares received upon exercise of the Option are used to pay taxes and brokerage fees, the number of shares which have a Fair Market Value on the date of the Option exercise equal to the applicable federal, state and local withholding tax on the total Option exercise and any brokerage commission or interest charges, if applicable to the exercise.
 - (2) Other than transfers to family members or trusts that are permitted in accordance with the applicable stock ownership guidelines, and that will not result in a reduction in the level of ownership attributable to the Participant under such guidelines, the Optionee shall be prohibited from effecting the sale, exchange, transfer, pledge, hypothecation, gift or other disposition of such shares of Common Stock until the earliest of:
 - (A) attainment of compliance with applicable stock ownership guidelines;
 - (B) the Optionee's death, retirement, or permanent disability (as determined by the Committee); or
 - (C) occurrence of the Optionee's Employment Termination Date, for any reason other than Just Cause.
 - (3) The restrictions shall apply to any new, additional or different securities the Optionee may become entitled to receive with respect to such shares by virtue of a stock split or stock dividend or any other change in the corporate or capital structure of the Company.

- (b) Until such time as the restrictions hereunder lapse, the shares will be held in "book-entry form" and appropriate notation of these restrictions will be maintained in the records of the Company's transfer agent and registrar. Any share certificate representing such shares will bear a conspicuous legend evidencing these restrictions, and the Company may require the Optionee to deposit the share certificate with the Company or its agent, endorsed in blank or accompanied by a duly executed irrevocable stock power or other instrument of transfer.
- 3.8 <u>Retirement or Disability</u>. Upon termination of the Optionee's employment by reason of retirement or permanent disability (as each is determined by the Committee), all unvested Stock Options shall terminate immediately, and all vested Stock Options shall not terminate and shall be exercisable during the remaining term of the Stock Option.
- 3.9 <u>Termination for Other Reasons</u>. Except as provided in Sections 3.8 and 3.10, or except otherwise determined by the Committee, upon termination of an Optionee's employment, all unvested Stock Options shall terminate immediately, and all vested Stock Options shall terminate:
 - (a) immediately, in the case of an Optionee terminated by the Company for Just Cause; or
 - (b) (A) if such termination of employment occurs prior to a Change in Control or following the two-year anniversary of a Change in Control, upon the expiration of ninety (90) calendar days following the occurrence of the Optionee's Employment Termination Date and (B) if such termination of employment occurs within two (2) years after a Change in Control, upon the expiration of one (1) year following the occurrence of the Optionee's Employment Termination Date, other than, in the case of each clause (A) and clause (B), a termination of employment for Just Cause (in which clause (a) shall apply); provided, however, in no event may a Stock Option be exercised beyond the remaining term of the Stock Option.
- 3.10 <u>Death of Optionee</u>. Any rights in respect of Stock Options to the extent exercisable on the date of the Optionee's death may be exercised by the Optionee's estate or by any person that acquires the legal right to exercise such Stock Option by bequest, inheritance, or otherwise by reason of the death of the Optionee. Any such exercise to be valid must occur within the remaining term of the Stock Option. The foregoing provisions of this Section 3.10 shall apply to an Optionee who dies while employed by the Company and to an Optionee whose employment may have terminated prior to death; *provided*, *however*, that:
 - (a) an Optionee who dies while employed by the Company will be treated as if the Optionee had retired on the date of death. Accordingly, the Optionee's estate or a person who acquires the right to exercise such Stock Option by bequest or inheritance will have the right to exercise the Stock Option in accordance with Section 3.8; or
 - (b) the estate or a person who acquires the right to exercise a Stock Option by bequest or inheritance from an Optionee who dies after terminating employment with the Company will have the remainder of any exercise period provided under Sections 3.8 and 3.9.
- 3.11 <u>Acceleration of Options</u>. Notwithstanding any provisions to the contrary in agreements evidencing Options granted thereunder or in this Plan, each outstanding Option shall become immediately and fully exercisable upon the occurrence of any Change in Control.

ARTICLE IV

Share Units

- 4.1 <u>Award of Share Units</u>. The Committee, from time to time, and subject to the provisions of the Plan, may grant to any Participant in the Plan rights to receive shares of Common Stock which are subject to a risk of forfeiture by the Participant ("Share Units"). At the time it grants any Share Units, the Committee shall determine whether the payment of such Share Units shall be conditioned upon either:
 - (a) the Participant's continued employment with the Company throughout a stated period ("Restricted Share Units") (Section 4.4); or
 - (b) the attainment of certain predetermined performance objectives during a stated period ("Performance Share Units") (Section 4.5).

The date Share Units are granted shall mean the date selected by the Committee as of which the Committee allots a specific number of Share Units to a Participant pursuant to the Plan.

- 4.2 <u>Share Unit Agreements</u>. Share Units granted under the Plan shall be evidenced by written agreements stating the type of Share Units, the number of Share Units evidenced thereby, the form of payment and such other provisions as the Committee may from time to time determine.
- 4.3 <u>Dividend Equivalents</u>. A holder of Share Units will be entitled to receive payment from the Company in an amount equal to each cash dividend ("Dividend Equivalent") Sunoco, Inc. would have paid to such holder had he, on the record date for payment of such dividend, been the holder of record of shares of Common Stock equal to the number of Share Units which had been earned by such holder. The Company shall establish a bookkeeping account on behalf of each Participant in which the Dividend Equivalents allocated to such Participant ("Dividend Equivalent Account") shall be credited. The Dividend Equivalent Account will not bear interest.
- 4.4 <u>Performance Period</u>. Upon making an award, the Committee shall determine (and the Share Unit Agreement shall state) the length of the applicable period during which employment must be maintained or certain performance targets must be attained (the "Performance Period").
- 4.5 <u>Performance Goals</u>. Performance Share Units and the related Dividend Equivalent Account earned may be based upon the attainment of Performance Goal(s) established by the Committee in accordance with section 162(m) of the Code. Within the first ninety (90) days of the Performance Period, the Committee shall establish, in writing, the weighted Performance Goal(s) and related Performance Factors for various goal achievement levels for the Company. In establishing the weighted Performance Goal(s), the Committee shall take the necessary steps to insure that the Company's ability to achieve the pre-established goals is uncertain at the time the goals are set. The established written Performance Goal(s), assigned weights, and Performance Factors shall be written in terms of an objective formula, whereby any third party having knowledge of the relevant Company performance results could calculate the amount to be paid. Such Performance Goal(s) may vary by Participant and by grant.

The number of Performance Share Units and Dividend Equivalents earned will be equal to the amounts awarded multiplied by the applicable Performance Factors. However, the Committee shall have the discretion, by Participant and by grant, to reduce (but not to increase) some or all of the amount that would otherwise be payable by reason of the satisfaction of the Performance Goal(s). In making any such determination, the Committee is authorized to take into account any such factor or factors it determines are appropriate, including but not limited to Company, business unit and individual performance.

- 4.6 Payment of Share Units and Dividend Equivalent Account.
- (a) Payment in respect of Share Units earned (as determined under Sections 4.4 and 4.5) shall be made to the holder thereof within two and one-half (2 ¹/2) months after the Performance Period for such units has ended, but only to the extent that the Committee certifies in writing that the continuing employment and/or any applicable Performance Goals have been met.
- (b) Except as may be otherwise provided by Section 4.9, payment for Share Units earned shall be made either in shares of Common Stock, or in cash, at the sole discretion of the Committee. The medium of payment, whether in shares of Common Stock or in cash, shall be set forth in the Committee's resolution granting the Share Units and in the Agreement with the Participant.
- (c) For an award of Share Units to be paid out in shares, the number of shares paid shall be equal to the number of Share Units earned. The holder may elect to reduce this amount by the number of shares of Common Stock which have, on the date the Share Units are paid, a Fair Market Value equal to the applicable federal, state and local withholding tax due on the receipt of Common Stock, in lieu of making a cash payment equal to the amount of such withholding tax due.
- (d) For an award of Share Units to be settled in cash, the amount of cash paid shall be equal to the number of Share Units earned multiplied by the average closing price for a share of Common Stock as published in the Wall Street Journal (under the caption "Biggest 1,000 Stocks") or any other publication selected by the Committee for the period of ten (10) trading days immediately prior to such date following the lapse of the Performance Period, and the satisfaction of any other applicable conditions established by the Committee at the time of grant, that the Participant first becomes entitled to receive such payment. Such amount will be reduced by applicable federal, state and local withholding tax due.
- (e) A holder of Share Units (whether or not such Share Units are to be paid out in Common Stock, or settled in cash) will be entitled to receive from the Company, within two and one-half ($2^{-1}/2$) months after the end of the Performance Period, payment of an amount in cash equal to the Dividend Equivalent Account earned (as determined under Sections 4.4 and 4.5) by the holder minus applicable federal, state and local withholding tax due.
- (f) Notwithstanding the foregoing, and at the discretion of the Committee, any Participant subject to minimum stock ownership guidelines (as established from time to time by the Committee or the Company), but failing to meet the applicable personal ownership requirement within the prescribed period may receive a number of shares of Common Stock upon payment of the Share Units, subject to the following restrictions which shall remain in place until compliance with such ownership guidelines is attained:
 - (1) The number of shares subject to the restrictions shall be equal to the total number of Share Units being paid out, minus the number of shares of Common Stock used to pay applicable federal, state and local withholding tax on the total payment of such Share Units.
 - (2) Other than transfers to family members or trusts that are permitted in accordance with the applicable stock ownership guidelines, and that will not result in a reduction in the level of ownership attributable to the Participant under such guidelines, the Participant shall be prohibited from effecting the sale, exchange, transfer, pledge, hypothecation, gift or other disposition of such shares of Common Stock until the earlier of:
 - (A) attainment of compliance with applicable stock ownership guidelines;
 - (B) the Participant's death, retirement, or permanent disability (as determined by the Committee); or
 - (C) occurrence of the Participant's Employment Termination Date, for any reason other than Just Cause.
 - (3) These restrictions shall apply to any new, additional or different securities the Participant may become entitled to receive with respect to such shares by virtue of a stock split or stock dividend or any other change in the corporate or capital structure of the Company.

Until such time as the restrictions hereunder lapse, the shares will be held in "book-entry form" and appropriate notation of these restrictions will be maintained in the records of the Company's transfer agent and registrar. Any share certificate representing such shares will bear a conspicuous legend evidencing these restrictions, and the Company may require the Participant to deposit the share certificate with the Company or its agent, endorsed in blank or accompanied by a duly executed irrevocable stock power or other instrument of transfer.

4.7 Death, Disability or Retirement.

- (a) In the case of an award of Restricted Share Units, upon the occurrence of a Participant's death or permanent disability (as determined by the Committee) prior to the end of the Performance Period, the conditions to payout, if any, shall be determined by the Committee and shall be set forth in the agreement granting the Share Units, and shall be paid on the first day of the second month following the date of the Participant's death or the date of determination of permanent disability. For the treatment of such Restricted Share Units upon the occurrence of a Participant's retirement, see Section 4.8
- (b) In the case of an award of Performance Share Units, upon the occurrence of a Participant's Employment Termination Date, by reason of death, permanent disability or retirement (as each is determined by the Committee) prior to the end of the Performance Period, such Participant shall be entitled to receive at the end of the Performance Period payment, if any, in respect of such Performance Share Units; provided, however, that such Performance Share Units, together with related Dividend Equivalents, shall be adjusted by multiplying the amount thereof by a fraction, the numerator which shall be the number of full and partial calendar months between the date of the beginning of the Performance Period of the Performance Share Units and the Participant's Employment Termination Date, and the denominator of which shall be the number of full and partial calendar months from the date of the beginning of the Performance Period to the end of the Performance Period.
- 4.8 <u>Termination of Employment</u>. Except as provided in Sections 4.7 and 4.9, or as determined by the Committee, 100% of all Share Units of a Participant under the Plan shall be forfeited and the Dividend Equivalent Account shall be forfeited upon the occurrence of the Participant's Employment Termination Date prior to the end of the Performance Period, and in such event the Participant shall not be entitled to receive any Common Stock or any payment of the Dividend Equivalent Account regardless of the level of Performance Goals achieved for the respective Performance Periods.

4.9 Change in Control.

(a) In the event of a Change in Control, Share Units shall be paid to the Participant no later than the earlier of (i) ninety (90) days following the date of occurrence of such Change in Control or (ii) two and one-half (2 1/2) months following the end of the calendar year in which occurs the date of such Change in Control (the "SU Payout Date"), regardless of whether the applicable Performance Period has expired or whether the applicable Performance Goals have been met. For a Change in Control occurring within the first consecutive twelve-month period following the date of grant, the number of Performance Share Units outstanding in such grant as of the Change in Control, not adjusted for any Performance Factors described in Section 4.5. For a Change in Control occurring after the first consecutive twelve-month period following the date of grant, the number of Performance Share Units paid out with regard to such grant shall be the greater of (i) the total number of Performance Share Units outstanding in such grant as of the Change in Control, not adjusted for any Performance Factors described in Section 4.5 or (ii) the total number of such Performance Share Units outstanding in such grant, multiplied by the applicable Performance Factors related to the Company's actual performance immediately prior to the Change in Control. In the case of an award of Restricted Share Units, the total number of Restricted Share Units outstanding in such grant as of the Change in Control shall be paid to the Participant.

- (b) The Participant's Share Units shall be payable to the Participant in cash or stock, as determined by the Committee prior to the Change in Control, as follows:
 - (1) if the Participant is to receive stock, the Participant will receive shares of Common Stock equal in number to the total number of Share Units as stated above in this Section 4.9; or
 - (2) if the Participant is to receive cash, the Participant will be paid an amount in cash equal to the number of Share Units stated above in this Section 4.9 multiplied by the Market Price. Such amount will be reduced by the applicable federal, state and local withholding taxes due.
- (c) On or before the SU Payout Date, the Participant will be paid an amount in cash equal to the applicable Dividend Equivalents on the number of Share Units being paid pursuant to this Section 4.9 for the time period immediately preceding the Change in Control.
 - (d) Payout of outstanding Share Units and the Dividend Equivalents shall be made to each Participant:
 - (1) who is employed by the Company on the SU Payout Date; or
 - (2) whose employment relationship with the Company is terminated:
 - (A) as a result of any Qualifying Termination prior to the SU Payout Date; or
 - (B) as a result of death, permanent disability or retirement (as each is determined by the Committee), that has occurred prior to the SU Payout Date.

The Committee may establish, at the time of the grant of Share Units, other conditions which must be met for payout to occur. These conditions shall be set forth in the Committee's resolution granting the Share Units and in the Agreement with the holders.

ARTICLE V

Miscellaneous

- 5.1 General Restriction. Each award under the Plan shall be subject to the requirement that if, at any time, the Committee shall determine that:
- (a) the listing, registration or qualification of the shares of Common Stock subject or related thereto upon any securities exchange or under any state or Federal law; or
 - (b) the consent or approval of any government regulatory body; or
 - (c) an agreement by the recipient of an award with respect to the disposition of shares of Common Stock,

is necessary or desirable as a condition of, or in connection with, the granting of such award or the issue or purchase of shares of Common Stock thereunder, then such award may not be consummated in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Committee.

- 5.2 Non-Assignability. Awards under the Plan shall not be assignable or transferable by the recipient thereof, except by will or by the laws of descent and distribution, except as otherwise set forth in this Plan or except as otherwise determined by the Committee. Accordingly, during the life of the recipient, such award shall be exercisable only by such person or by such person's guardian or legal representative, unless the Committee determines otherwise.
- 5.3 <u>Right to Terminate Employment; Effect of Disaffiliation</u>. Nothing in the Plan or in any agreement entered into pursuant to the Plan shall confer upon any Participant the right to continue in the employment of the Company, or affect any right which the Company may have to terminate the employment of, or service by, such

Participant. If an Affiliate ceases to be an Affiliate as a result of the sale or other disposition by Sunoco, Inc. or one of its continuing Affiliates of its ownership interest in the former Affiliate, or otherwise, then individuals who remain employed by such former Affiliate thereafter shall be considered for all purposes under the Plan to have terminated their employment relationship with the Company.

- 5.4 <u>Non-Uniform Determinations</u>. The Committee's determinations under the Plan (including without limitation, determinations of the persons to receive awards, the form, amount and timing of such awards, the terms and provisions of such awards, and the agreements evidencing same) need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, awards under the Plan, whether or not such persons are similarly situated.
- 5.5 <u>Rights as a Shareholder</u>. The recipient of any award under the Plan shall have no rights as a shareholder with respect thereto unless and until shares of Common Stock are issued on behalf of such recipient in "book-entry" form, in the records of the Company's transfer agent and registrar, or certificates have been issued for such shares.
- 5.6 <u>Leaves of Absence</u>. The Committee shall be entitled to make such rules, regulations and determinations as it deems appropriate under the Plan in respect of any leave of absence taken by the recipient of any award. Without limiting the generality of the foregoing, the Committee shall be entitled to determine (a) whether or not any such leave of absence shall constitute a termination of employment within the meaning of the Plan and (b) the impact, if any, of any such leave of absence on awards under the Plan theretofore made to any recipient who takes such leaves of absence.
- 5.7 Newly Eligible Employees. The Committee shall be entitled to make such rules, regulations, determinations and awards as it deems appropriate in respect of any employee who becomes eligible to participate in the Plan or any portion thereof after the commencement of an award or incentive period.

5.8 Adjustments.

- (a) In the event of a stock dividend, stock split, reverse stock split, share combination, or recapitalization or similar event affecting the capital structure of Sunoco, Inc. (each a "Share Change"), the Committee or Board of Directors shall make an equitable and proportionate anti-dilution adjustment to offset any resultant change in the per-share price of Sunoco, Inc.'s Common Stock, and preserve the intrinsic value of Stock Options, Share Units and other awards theretofore granted under the Plan. Such mandatory adjustment may include a change in one or more of the following: (1) the aggregate number of shares of Common Stock reserved for issuance and delivery under the Plan; (2) the number of shares of Common Stock or other securities subject to outstanding awards under the Plan; (3) the exercise price of outstanding Options; and (4) other similar matters.
- (b) In the event of a merger, amalgamation, consolidation, acquisition of property or shares, separation, spinoff, other distribution of stock or property (including any extraordinary cash or stock dividend), reorganization, stock rights offering, liquidation, Disaffiliation, or similar event affecting the Company or any of its Subsidiaries that is not a Share Change (each, a "Corporate Transaction"), the Committee or the Board of Directors may in its discretion make such substitutions or adjustments as it deems appropriate and equitable to (1) the aggregate number and kind of shares of Common Stock or other securities reserved for issuance and delivery under the Plan, (2) the number and kind of shares of Common Stock or other securities subject to outstanding awards under the Plan; and (3) the exercise price of outstanding Options, (4) the cancellation of outstanding awards granted under the Plan in exchange for payments of cash, property or a combination thereof having an aggregate value equal to the value of such awards, as determined by the Committee or the Board of Directors in its sole discretion (it being understood that in the case of a Corporate Transaction with respect to which holders of Common Stock receive consideration other than publicly traded equity securities of the ultimate surviving entity, any such determination by the Committee or the Board of Directors that the value of an Option shall for this purpose be deemed to equal

the excess, if any, of the value of the consideration being paid for each share of Common Stock pursuant to such Corporate Transaction over the exercise price of such Option shall conclusively be deemed valid); (5) the substitution of other property (including, without limitation, cash or other securities of the Company and securities of entities other than the Company) for the shares of Common Stock subject to outstanding awards under the Plan; and (6) in connection with any Disaffiliation, arranging for the assumption of awards granted under the Plan, or replacement of awards granted under the Plan with new awards based on other property or other securities (including, without limitation, other securities of the Company and securities of entities other than the Company), by the affected Subsidiary, Affiliate, or division or by the entity that controls such Subsidiary, Affiliate, or division following such Disaffiliation (as well as any corresponding adjustments to awards under the Plan that remain based upon Company securities.

5.9 Amendment of the Plan.

- (a) The Committee may, without further action by the shareholders and without receiving further consideration from the Participants, amend this Plan or condition or modify awards under this Plan in response to changes in securities or other laws or rules, regulations or regulatory interpretations thereof applicable to this Plan or to comply with stock exchange rules or requirements.
- (b) The Committee may at any time, and from time to time, modify or amend the Plan, or any award granted under the Plan, in any respect; provided, however, that, without shareholder approval the Committee may not:
 - (1) increase the maximum award levels established in Section 2.6 including the maximum number of shares of Common Stock which may be issued under the Plan (other than increases pursuant to Section 5.8);
 - (2) extend the term during which an Option may be exercised beyond ten years from the Grant Date; or
 - (3) alter the terms of any Option to reduce the Exercise Price, or cancel any outstanding Option award and replace it with a new Option, having a lower Exercise Price, where the economic effect would be the same as reducing the Exercise Price of the cancelled Option.

Except as provided in Section 5.9(a) above, no termination, modification or amendment of the Plan (or any award granted under the Plan), shall, without the consent of a Participant, adversely affect the Participant's rights under any award previously granted under the Plan.

- 5.10 <u>Code Section 409A</u>. It is the intent of the Company and the Committee that no award or portion of this Plan shall constitute a nonqualified deferred compensation plan, as such term is defined in section 409A of the Code, and the terms of the Plan shall be interpreted in a manner consistent with that intent. Notwithstanding the foregoing, to the extent that an award or feature of this Plan becomes subject to section 409A, the Committee shall interpret and amend the Plan without further action by the shareholders to the extent necessary or desirable to comply with the section 409A requirements.
 - 5.11 Governing Law. This Plan shall be construed in accordance with and governed by the laws of the Commonwealth of Pennsylvania.

ARTICLE VI

Forfeiture

- 6.1 <u>Forfeiture</u>. Unless otherwise determined by the Committee, if (a) the Company is required to prepare a material negative accounting restatement due to the noncompliance of the Company with any financial reporting requirement under the securities laws as a result of misconduct, and the Committee determines that (1) the Participant knowingly engaged in the misconduct, (2) was grossly negligent with respect to such misconduct or (3) knowingly or grossly negligently failed to prevent the misconduct or (b) the Committee concludes that a Participant engaged in willful fraud, embezzlement or other similar misconduct materially detrimental to the Company, the Company may require the Participant to pay to the Company an amount (the "Forfeiture Amount") equal to:
 - (A) in the case of a forfeiture pursuant to clause (a) hereof, the sum of (x) the excess, if any, of (A) the proceeds of the sale (including sales to the Company), during the 12-month period following the first public filing of the financial document requiring restatement, of any Company securities acquired by the Participant pursuant to an award under the Plan, over (B) the amount, if any, paid by the Participant to purchase such Company securities, and (y) any proceeds received by the Participant upon cash settlement, during the 12-month period following the first public filing of the financial document requiring restatement, of any award under the Plan; or
 - (B) in the case of a forfeiture pursuant to clause (b) hereof, the sum of (x) the excess, if any, of (A) the proceeds of the sale (including sales to the Company), during the 12-month period following the date of the Participant's misconduct, of any Company securities acquired by the Participant pursuant to an award under the Plan, over (B) the amount, if any, paid by the Participant to purchase such Company securities, and (y) any proceeds received by the Participant upon cash settlement, during the 12-month period following the date of the Participant's misconduct, of any award under the Plan,

such Forfeiture Amount to be paid by the Participant within ten days of receipt from the Company of written notice requiring payment by the Participant of the Forfeiture Amount.

- 6.2 <u>Committee Determination Binding</u>. The Committee shall make all determinations required pursuant to this Article VI in its sole and absolute discretion, and such determinations shall be conclusive and binding on all persons.
- 6.3 <u>Committee Discretion</u>. Notwithstanding the foregoing provisions, the Committee has sole and absolute discretion not to require a Participant to pay the Forfeiture Amount, and its determination not to require any Participant to pay the Forfeiture Amount with respect to any particular Participant shall not in any way reduce or eliminate the Committee's authority to require payment of the Forfeiture Amount with respect to any other act or other Participant.
- 6.4 Effect of Change in Control. Notwithstanding the foregoing, this Article VI shall not be applicable to any Participant following a Change in Control, nor shall this Article VI be applicable to any Participant who incurs a "Qualifying Termination."
- 6.5 Non-Exclusive Remedy. This Article VI shall be a non-exclusive remedy and nothing contained in this Article VI shall preclude the Company from pursuing any other applicable remedies available to it, whether in addition to, or in lieu of, application of this Article VI.

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Lynn L. Elsenhans, certify that:

- 1. I have reviewed this quarterly report on Form 10-Q of Sunoco, Inc.;
- 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: May 5, 2011 /s/ Lynn L. Elsenhans

Lynn L. Elsenhans

Chairman, Chief Executive Officer and President

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Brian P. MacDonald, certify that:

- 1. I have reviewed this quarterly report on Form 10-Q of Sunoco, Inc.;
- 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: May 5, 2011 /s/ Brian P. MacDonald

Brian P. MacDonald

Senior Vice President and Chief Financial Officer

Certification of Periodic Financial Report Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Lynn L. Elsenhans, Chairman, Chief Executive Officer and President of Sunoco, Inc., certify that the Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of Sunoco, Inc.

Date: May 5, 2011 /s/ Lynn L. Elsenhans

Lynn L. Elsenhans

Chairman, Chief Executive Officer and President

Certification of Periodic Financial Report Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Brian P. MacDonald, Senior Vice President and Chief Financial Officer of Sunoco, Inc., certify that the Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of Sunoco, Inc.

Date: May 5, 2011 /s/ Brian P. MacDonald

Brian P. MacDonald Senior Vice President and Chief Financial Officer