

SUNOCO INC
Form 10-K
February 24, 2010
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2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 1-6841

SUNOCO, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

23-1743282
(I.R.S. Employer
Identification No.)

1735 Market Street, Suite LL, Philadelphia, PA
(Address of principal executive offices)

19103-7583
(Zip Code)

Registrant's telephone number, including area code (215) 977-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each

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Common Stock, \$1 par value
Convertible Subordinated Debentures 6³/₄%, Due
June 15, 2012

exchange on which registered
New York Stock Exchange
New York Stock Exchange

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

At June 30, 2009, the aggregate market value of voting stock held by non-affiliates was \$2,707 million.

At January 29, 2010, there were 116,945,136 shares of Common Stock, \$1 par value, outstanding.

Selected portions of the Sunoco, Inc. definitive Proxy Statement, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2009, are incorporated by reference in Part III of this Form 10-K.

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PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

Those statements in the Business and Properties discussion that are not historical in nature should be deemed forward-looking statements that are inherently uncertain. See Forward-Looking Statements in Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 7) for a discussion of the factors that could cause actual results to differ materially from those projected.

General

Sunoco, Inc.* was incorporated in Pennsylvania in 1971. It or its predecessors have been active in the petroleum industry since 1886. Its principal executive offices are located at 1735 Market Street, Suite LL, Philadelphia, PA 19103-7583. Its telephone number is (215) 977-3000 and its internet website is www.SunocoInc.com. The Company makes available free of charge on its website all materials that it files electronically with the Securities and Exchange Commission (the SEC), including its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the SEC.

The Company, through its subsidiaries, is principally a petroleum refiner and marketer and chemicals manufacturer with interests in logistics and cokemaking. Sunoco's petroleum refining and marketing operations include the manufacturing and marketing of a full range of petroleum products, including fuels and some petrochemicals. Sunoco's chemical operations comprise the manufacturing, distribution and marketing of commodity and intermediate petrochemicals. The petroleum refining and marketing, chemicals and logistics operations are conducted principally in the eastern half of the United States. Sunoco's cokemaking operations currently are conducted in Virginia, Indiana, Ohio, Illinois and Vitória, Brazil. Sunoco has entered into an agreement to sell its polypropylene chemical operations, which is expected to close on or about March 31, 2010.

The Company's operations are organized into five business segments (Refining and Supply, Retail Marketing, Chemicals, Logistics and Coke) plus a holding company and a professional services group. Sunoco, Inc., the holding company, is a non-operating parent company which includes certain corporate officers. The professional services group consists of a number of staff functions, including: finance; legal and risk management; procurement and supply chain; human resources; information systems; health, environment and safety; engineering and technology; facilities management; transaction processing; and government and public affairs. Costs incurred by the professional services group to provide these services are allocated to the five business segments and the holding company. This discussion of the Company's business and properties reflects this organizational structure. For additional information regarding these business units, see Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 7) and the business segment information presented in Note 19 to the Consolidated Financial Statements (Item 8).

Sunoco owns and operates three refineries which are located in Marcus Hook, PA, Philadelphia, PA and Toledo, OH. These refineries produce principally fuels and commodity petrochemicals. In the fourth quarter of 2009, Sunoco permanently shut down all process units at a refinery in Westville, NJ (also known as Eagle Point) in response to weak demand and increased global refining capacity. In addition, on June 1, 2009, Sunoco sold its refinery located in Tulsa, OK that emphasized lubricants production (see Refining and Supply below).

Sunoco markets gasoline and middle distillates, and offers a broad range of convenience store merchandise through a network of 4,711 retail outlets in 23 states primarily on the East Coast and in the Midwest United States. In 2009, the Company continued its Retail Portfolio Management program which selectively reduced its invested capital in Company-owned or leased sites, while retaining most of the gasoline sales volumes attributable to the divested sites (see Retail Marketing below).

*In this report, the terms Company and Sunoco are used interchangeably to mean Sunoco, Inc. or collectively, Sunoco, Inc. and its subsidiaries. The use of these terms is for convenience of discussion and is not intended to be a precise description of corporate relationships.

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Sunoco owns and operates facilities in Philadelphia, PA and Haverhill, OH, which produce phenol and acetone, and in LaPorte, TX, Neal, WV and Marcus Hook, PA, which produce polypropylene (see [Chemicals](#) below).

Sunoco owns, principally through Sunoco Logistics Partners L.P. (a master limited partnership) (the [Partnership](#)), a geographically diverse and complementary group of pipelines and terminal facilities which transport, terminal and store refined products and crude oil. Sunoco has a 33 percent interest in the Partnership, which includes a 2 percent general partnership interest (see [Logistics](#) below).

Sunoco, through SunCoke Energy, Inc. and its affiliates (individually and collectively, [SunCoke Energy](#)), makes high-quality, blast-furnace coke at its facilities in Vansant, VA (Jewell), East Chicago, IN (Indiana Harbor), Franklin Furnace, OH (Haverhill) and commencing in the fourth quarter of 2009, Granite City, IL (Granite City) and produces metallurgical coal from mines in Virginia and West Virginia primarily for use at the Jewell cokemaking facility. SunCoke Energy is also the operator and has an equity interest in a facility in Vitória, Brazil (Vitória). An agreement has been entered into for a cokemaking facility and associated cogeneration power plant to be built, owned and operated by Sunoco in Middletown, OH which is subject to resolution of all contingencies, including necessary permits (see [Coke](#) below).

The following are separate discussions of Sunoco's business segments.

Refining and Supply

The Refining and Supply business manufactures petroleum products, including gasoline, middle distillates (mainly jet fuel, heating oil and diesel fuel) and residual fuel oil as well as commodity petrochemicals, including refinery-grade propylene, benzene, cumene, toluene and xylene at its Marcus Hook, Philadelphia and Toledo refineries. The Company sells these products to other Sunoco business units and to wholesale and industrial customers.

In the fourth quarter of 2009, Sunoco permanently shut down all process units at the Eagle Point refinery in an effort to reduce losses at a time when weak demand and increased global refining capacity have created margin pressure on the entire refining industry. As part of this decision, the Company shifted production from the Eagle Point refinery to the Marcus Hook and Philadelphia refineries which are now operating at higher capacity utilization. Approximately 380 employees have been terminated in connection with the shutdown. The Company expects that the overall impact of this decision will be a reduction in its pretax expense base of approximately \$250 million per year, which is in addition to its previously announced target of \$300 million in annualized business improvement initiative savings. All processing units ceased production in early November. In connection with this decision, Sunoco recorded a \$284 million after-tax provision to write down the affected assets to their estimated fair values and to establish accruals for employee terminations, pension and postretirement curtailment losses and other related costs. This charge is reported as part of the Asset Write-Downs and Other Matters shown separately in Corporate and Other in the Earnings Profile of Sunoco Businesses. The Company may incur additional charges in 2010 in connection with this decision, although they are not expected to be significant.

In December 2008, Sunoco announced its intention to sell its Tulsa refinery or convert it to a terminal by the end of 2009 because it did not expect to achieve an acceptable return on investment on a capital project to comply with the new off-road diesel fuel requirements at this facility. In connection with this decision, during 2008, Sunoco recorded a \$95 million after-tax provision to write down the affected assets to their estimated fair values. On June 1, 2009, Sunoco completed the sale of its Tulsa refinery to Holly Corporation. The transaction also included the sale of inventory attributable to the refinery which was valued at market prices at closing. Sunoco recognized a \$41 million net after-tax gain on divestment of this business. The charge recorded in 2008 and the gain on divestment are reported separately in Corporate and Other in the Earnings Profile of Sunoco

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Businesses. Sunoco received a total of \$157 million in cash proceeds from this divestment, comprised of \$64 million from the sale of the refinery and \$93 million from the sale of the related inventory. As a result of the sale, the Tulsa refinery has been classified as a discontinued operation for all periods presented in the consolidated financial statements included in Item 8.

The following table sets forth information concerning the Company's refinery operations (excluding Tulsa) over the last three years (in thousands of barrels daily and percentages):

	2009	2008	2007
Crude Unit Capacity at December 31*	675.0	825.0	825.0
Crude Inputs as Percent of Crude Unit Rated Capacity	78%	86%	94%
Conversion Capacity at December 31**	343.0	398.0	398.0
Conversion Capacity Utilized	79%	87%	95%
Throughputs:			
Crude Oil	625.4	706.5	767.2
Other Feedstocks	70.8	84.8	79.7
Total Throughputs	696.2	791.3	846.9
Products Manufactured:			
Gasoline	357.9	382.9	423.6
Middle Distillates	225.3	285.4	287.9
Residual Fuel	59.2	56.4	66.6
Petrochemicals	27.3	34.5	37.2
Other	54.7	64.4	66.3
Total Production	724.4	823.6	881.6
Less Production Used as Fuel in Refinery Operations	34.5	38.0	41.3
Total Production Available for Sale	689.9	785.6	840.3

*Reflects a 150 thousand barrels-per-day reduction in November 2009 attributable to the shutdown of the Eagle Point refinery and a 10 thousand barrels-per-day increase in July 2007 attributable to a crude unit debottleneck project at the Toledo refinery.

**Represents capacity to upgrade lower-value, heavier petroleum products into higher-value, lighter products. Reflects a 55 thousand barrels-per-day reduction in November 2009 attributable to the shutdown of the Eagle Point refinery and a 15 thousand barrels-per-day increase in May 2007 attributable to an expansion project at the Philadelphia refinery.

Sunoco meets all of its crude oil requirements through purchases from third parties. There has been an ample supply of crude oil available to meet worldwide refining needs, and Sunoco has been able to supply its refineries with the proper mix and quality of crude oils without material disruption. Most of the crude oil processed at Sunoco's refineries is light-sweet crude oil. The Company believes that ample supplies of light-sweet crude oil will continue to be available. The Company also processes limited amounts of discounted high-acid sweet crude oils in its Northeast refineries. During 2009, 2008 and 2007, approximately 61, 71 and 62 thousand barrels per day, respectively, of such crude oils were processed.

The Philadelphia and Marcus Hook refineries process crude oils supplied from foreign sources, while the Toledo refinery processes domestic and Canadian crude oils as well as crude oils supplied from other foreign sources. The foreign crude oil processed at the Company's Northeast refineries is delivered utilizing ocean-going tankers and coastal distribution tankers and barges that are owned and operated by third parties. Approximately 25 percent of the Company's ocean-going tanker marine transportation requirements pertaining to its crude supply in the Northeast are met through time charters. Time charter leases for the various marine transportation vessels typically require a fixed-price payment or a fixed-price minimum and a variable component based on spot-market rates and generally contain terms of between three to seven years with renewal and sub-lease options. The cost of the remaining marine transportation requirements reflects spot-market rates.

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Approximately 20 percent of Sunoco's crude oil supply (excluding the amount pertaining to the Tulsa refinery) during 2009 came from Nigeria. Some of the crude oil producing areas of this West African country have experienced political and ethnic violence as well as labor disruptions in recent years, which has resulted in the shutdown of a small portion of total Nigerian crude oil production during that time. The lost crude oil production in Nigeria did not have a material impact on Sunoco's operations. From time to time, Sunoco has used other sweet crude oil alternatives in addition to the Nigerian grades. The Company believes these other sources of light-sweet crude oil will continue to be available in the event it elects to continue to diversify its crude oil slate for economic reasons or in the event it is unable to obtain crude oil from Nigeria in the future.

The following table sets forth information concerning the source of the Company's crude oil purchases for its Marcus Hook, Philadelphia, Eagle Point and Toledo refineries (in thousands of barrels daily):

	2009	2008	2007
Crude Oil Source:			
West Africa	365.5	434.6	530.2
Domestic	53.3	62.1	58.3
Canada	71.7	75.0	89.7
Central Asia	85.9	71.8	37.3
North Sea	31.7	7.6	7.5
South and Central America	12.5	31.8	35.8
Australia		5.4	
Lubes-Extracted Gasoil/Naphtha Intermediate Feedstock	8.4	12.8	10.1
	629.0	701.1	768.9

Refining and Supply sells fuels through wholesale and industrial channels principally in the Northeast and upper Midwest and sells petrochemicals on a worldwide basis. The following table sets forth Refining and Supply's refined product sales (excluding those from the Tulsa refinery) (in thousands of barrels daily):

	2009	2008	2007
To Unaffiliated Customers:			
Gasoline	147.6	186.4	181.5
Middle Distillates	223.5	269.2	287.8
Residual Fuel	69.5	65.4	75.9
Petrochemicals	7.3	12.5	15.4
Other	24.2	31.3	31.4
	472.1	564.8	592.0
To Affiliates*	341.8	348.5	361.8
	813.9	913.3	953.8

*Includes gasoline and middle distillate sales to Retail Marketing and benzene, cumene and propylene sales to Chemicals.

Feedstocks can be moved between Refining and Supply's refineries in the Northeast by barge, truck and rail. In addition, an interrefinery pipeline leased from Sunoco Logistics Partners L.P. enables the transfer of unfinished stocks, including butanes, naphtha, distillate blendstocks and gasoline blendstocks between the Philadelphia and Marcus Hook refineries. Finished products are delivered to customers via the pipeline and terminal network owned and operated by Sunoco Logistics Partners L.P. (see Logistics below) as well as by third-party pipelines and barges and by truck and rail.

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During the 2008-2009 period, Refining and Supply had capital outlays of approximately \$370 million to essentially complete projects at its Philadelphia and Toledo refineries under a 2005 Consent Decree, which

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settled certain alleged violations under the Clean Air Act. Additional capital outlays totaling approximately \$215 million related to projects at the Marcus Hook refinery are expected to be made under the 2005 Consent Decree prior to 2014. The current status of these capital projects ranges from the preliminary design and engineering phase to the construction phase. The Refining and Supply capital plan for the 2008-2009 period also included a project at the Philadelphia refinery to reconfigure a previously idled hydrocracking unit to enable desulfurization of diesel fuel. This project, which was completed in 2009 at a cost of \$200 million, increased the facility's ultra-low-sulfur diesel fuel production capability by 45 thousand barrels per day by upgrading current production of 35 thousand barrels per day of temporary compliance order diesel fuel (TCO) and 10 thousand barrels per day of heating oil.

In May 2007, Refining and Supply completed a \$525 million project to expand the capacity of one of the fluid catalytic cracking units at the Philadelphia refinery by 15 thousand barrels per day, which enables an upgrade of an additional 15-20 thousand barrels per day of residual fuel production into higher-value gasoline and distillate production and expands crude oil flexibility. Refining and Supply's capital program also included a \$53 million project completed in July 2007 which expanded the Toledo refinery's crude processing capability by 10 thousand barrels per day. In 2008, additional work was performed at this facility to expand crude processing capability by an additional 5 thousand barrels per day.

Refining and Supply has undertaken an alkylation process improvement project at its Philadelphia refinery's HF alkylation unit. The project will involve the incorporation of ReVAP technology which will require substantial improvements and modifications to the alkylation unit and supporting utility systems. The project is scheduled for completion during 2010 at an estimated cost of approximately \$115 million.

In September 2004, Refining and Supply entered into a 15-year product supply agreement with BOC Americas (PGS), Inc. (BOC), an affiliate of The BOC Group plc. Under this agreement, Refining and Supply is providing BOC with feedstock and utilities for use by BOC at its hydrogen plant located on land leased from Refining and Supply at the Toledo refinery which commenced operations in March 2006. BOC utilizes the feedstock and utilities to generate hydrogen and steam at the facility for sale to Refining and Supply for use at its Toledo refinery and for sale to another third party.

Refining and Supply and a subsidiary of FPL Energy (FPL) are parties to an agreement under which Refining and Supply may purchase steam from a natural gas fired cogeneration power plant owned and operated by FPL at Sunoco's Marcus Hook refinery. When the cogeneration plant is in operation, Refining and Supply has the option to purchase steam from that facility or, alternatively, it obtains steam from Refining and Supply's four auxiliary boilers located on land adjacent to the power plant that are operated by FPL on its behalf.

Retail Marketing

The Retail Marketing business consists of the retail sale of gasoline and middle distillates and the operation of convenience stores in 23 states, primarily on the East Coast and in the Midwest region of the United States. The highest concentrations of outlets are located in Connecticut, Florida, Maryland, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania and Virginia.

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The following table sets forth Sunoco's retail gasoline outlets at December 31, 2009, 2008 and 2007:

	2009	2008	2007
Direct Outlets:			
Company-Owned or Leased:			
Company Operated:			
Traditional	70	88	91
APlus® Convenience Stores	325	438	458
	395	526	549
Dealer Operated:			
Traditional	164	202	230
APlus® Convenience Stores	219	227	230
Ultra Service Centers®	112	122	135
	495	551	595
Total Company-Owned or Leased*	890	1,077	1,144
Dealer Owned**	509	578	575
Total Direct Outlets	1,399	1,655	1,719
Distributor Outlets	3,312	3,065	2,965
	4,711	4,720	4,684

*Gasoline and diesel throughput per Company-owned or leased outlet averaged 151, 147 and 150 thousand gallons per month during 2009, 2008 and 2007, respectively.

**Primarily traditional outlets.

Retail Marketing has a portfolio of outlets that differ in various ways including: product distribution to the outlets; site ownership and operation; and types of products and services provided.

Direct outlets may be operated by Sunoco or by an independent dealer, and are sites at which fuel products are delivered directly to the site by Sunoco trucks or by contract carriers. The Company or an independent dealer owns or leases the property. These sites may be traditional locations that sell almost exclusively fuel products under the Sunoco® and Coastal® brands or may include APlus® convenience stores or Ultra Service Centers® that provide automotive diagnostics and repair. Included among Retail Marketing's outlets at December 31, 2009 were 53 outlets on turnpikes and expressways in Pennsylvania, New Jersey, New York, Maryland and Delaware. Of these outlets, 37 were Company-operated sites providing gasoline, diesel fuel and convenience store merchandise.

Distributor outlets are sites in which the distributor takes delivery of fuel products at a terminal where branded products are available. Sunoco does not own, lease or operate these locations.

During the 2007-2009 period, Sunoco generated \$207 million of divestment proceeds related to the sale of 261 sites under a Retail Portfolio Management (RPM) program to selectively reduce the Company's invested capital in Company-owned or leased sites. Most of the sites were converted to contract dealers or distributors thereby retaining most of the gasoline sales volume attributable to the divested sites within the Sunoco branded business. There are currently approximately 90 sites in the program, of which approximately 25 are Company-operated locations. These sites are expected to be divested or converted to contract dealers or distributors primarily over the next two years, generating an estimated \$80 million of divestment proceeds.

Branded fuels sales (including middle distillates) averaged 321.2 thousand barrels per day in 2009 compared to 325.1 thousand barrels per day in 2008 and 341.6 thousand barrels per day in 2007.

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The Sunoco® brand is positioned as a premium brand. Brand improvements in recent years have focused on physical image, customer service and product offerings. In addition, Sunoco believes its brands and high performance gasoline business have benefited from its sponsorship agreement with NASCAR® that continues until 2016. Under this agreement, Sunoco® is the Official Fuel of NASCAR® and APlus® is the Official Convenience Store of NASCAR®. Sunoco has exclusive rights to use certain NASCAR® trademarks to advertise and promote Sunoco products and is the exclusive fuel supplier for the three major NASCAR® racing series.

Sunoco's APlus® convenience stores are located principally in Florida, New York and Pennsylvania. These stores supplement sales of fuel products with a broad mix of merchandise such as groceries, fast foods, beverages and tobacco products. The following table sets forth information concerning Sunoco's APlus® convenience stores:

	2009	2008	2007
Number of Stores (at December 31)	578	703	720
Merchandise Sales (Thousands of Dollars/Store/Month)	\$91	\$83	\$85
Merchandise Margin (Company Operated) (% of Sales)	28%	27%	27%

During 2009, Sunoco sold its retail heating oil and propane distribution business for \$83 million and recognized a \$26 million after-tax gain in connection with the transaction. This gain is shown separately in Corporate and Other in the Earnings Profile of Sunoco Businesses.

Chemicals

The Chemicals business manufactures, distributes and markets commodity and intermediate petrochemicals. The chemicals consist of aromatic derivatives (phenol, acetone, bisphenol-A, and other phenol derivatives) and polypropylene. Phenol and acetone are produced at facilities in Philadelphia, PA and Haverhill, OH; and polypropylene is produced at facilities in LaPorte, TX, Neal, WV and Marcus Hook, PA. (See Refining and Supply for a discussion of the commodity petrochemicals produced by Refining and Supply at the Marcus Hook, Philadelphia and Toledo refineries.)

On February 1, 2010, Sunoco entered into an agreement to sell its polypropylene business to Braskem S.A. for approximately \$350 million in cash. The sale will include assets and inventory attributable to the polypropylene business, subject to a market-based working capital adjustment at the time of closing. The transaction is subject to regulatory approval and customary closing conditions, and is expected to be completed on or about March 31, 2010. Included in the sale are Sunoco's polypropylene manufacturing facilities in LaPorte, TX, Neal, WV and Marcus Hook, PA which have the combined capacity to produce 2.15 billion pounds of polypropylene annually. Sunoco expects to record a pretax loss on the sale in the first quarter of 2010 of approximately \$185-\$195 million. Sunoco will retain its phenol and derivatives business.

During 2003, Sunoco formed a limited partnership with Equistar Chemicals, L.P. (Equistar) involving Equistar's ethylene facility in LaPorte, TX. Equistar is a wholly owned subsidiary of LyondellBasell Industries. Under the terms of the partnership agreement, the partnership has agreed to provide Sunoco with 500 million pounds per year of propylene for 15 years priced on a cost-based formula that includes a fixed discount that declines over the life of the partnership. Realization of these benefits is largely dependent upon performance by Equistar. In January 2009, LyondellBasell Industries announced that its U.S. operations (including Equistar) filed to reorganize under Chapter 11 of the U.S. Bankruptcy Code. Neither the partnership nor the Equistar entities that are partners of the partnership has filed for bankruptcy. Equistar has met all of its obligations under the contracts during 2009 and has not given any indication that it will not perform under its contracts in the future. Sunoco does not believe that the bankruptcy will have a significant adverse impact on its business. Effective December 31, 2009, the partners mutually agreed to discontinue a separate 200 million pounds-per-year propylene supply agreement. In connection therewith, under the terms of the partnership agreement, Equistar will increase the amount of propylene provided to Sunoco from 500 to 520 million pounds per year. The limited partnership and the supply contract are included in the polypropylene assets which are being sold to Braskem S.A.

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Sunoco and a third party were owners of a joint venture that consisted of polymer-grade propylene operations at the Marcus Hook, PA refinery and an adjacent polypropylene plant. In December 2007, Sunoco purchased its partner's interest for \$18 million.

Sunoco's Philadelphia phenol facility has the capacity to produce annually more than one billion pounds of phenol and 700 million pounds of acetone. Under a long-term contract, the Chemicals business supplies Honeywell International Inc. (Honeywell) with approximately 745 million pounds of phenol annually at a price based on the market value of cumene feedstock plus an amount approximating other phenol production costs.

During March 2009, Sunoco permanently shut down its Bayport, TX polypropylene plant which had become uneconomic to operate and in 2008 also determined that the goodwill related to its polypropylene business no longer had value. In connection therewith, in 2009, the Company recorded a \$4 million after-tax accrual for a take-or-pay contract loss, employee terminations and other exit costs in connection with the shutdown of the Bayport facility and, in 2008, recorded a \$54 million after-tax provision to write down the affected Bayport assets to estimated fair value and to write off the remaining polypropylene business goodwill. During 2007, Sunoco decided to permanently shut down a previously idled phenol production line at its Haverhill, OH plant that had become uneconomic to restart. In connection with this shutdown, the Company recorded an \$8 million after-tax provision to write-off the affected production line. During 2007, Sunoco also recorded a \$7 million after-tax loss associated with the sale of its Neville Island, PA terminal facility, which included an accrual for enhanced pension benefits associated with employee terminations and for other required exit costs. These items are reported as part of the Asset Write-Downs and Other Matters shown separately in Corporate and Other in the Earnings Profile of Sunoco Businesses.

The following table sets forth information concerning petrochemicals production by the Chemicals business (in millions of pounds):

	Capacity at December 31, 2009	2009	Production 2008	2007
Phenol	1,775	1,042	1,379	1,517
Acetone	1,083	642	852	937
Bisphenol-A	240	184	219	223
Other Phenol Derivatives	120	47	62	74
Polypropylene	2,150	1,885	2,218	2,289
Cumene				1,530*
Propylene				654*
Total Production	5,368	3,800	4,730	7,224
Less: Production Used as Feedstocks**		207	246	2,434
Total Production Available for Sale		3,593	4,484	4,790

*Reflects production from the Epsilon cumene and propylene splitter assets prior to the transfer of these assets to Refining and Supply, effective January 1, 2008.

**Includes phenol and acetone (used in the manufacture of bisphenol-A). Prior to the transfer of the cumene and propylene splitter assets, also included cumene (used in the manufacture of phenol and acetone) and polymer-grade propylene (used in the manufacture of polypropylene).

Petrochemical products produced by the Chemicals business are distributed and sold on a worldwide basis with most of the sales made to customers in the United States. The following table sets forth the sale of petrochemicals to third parties by Chemicals (in mill