Buckeye GP Holdings L.P.
Form 10-K/A
August 26, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A
(Amendment No. 1)

(Mark One)

þ **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

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from __________ to __________

Commission file number 1-32963
Buckeye GP Holdings L.P.
(Exact name of registrant as specified in its charter)

Delaware	**11-3776228**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification number)**
One Greenway Plaza Suite 600 Houston, TX	**77046**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (832) 615-8600
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Units representing limited partnership interests	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 o No þ

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 o No þ

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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405

of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

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. (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o
		(Do not check if a smaller reporting company)	

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

At June 30, 2009, the aggregate market value of the registrant s Common Units held by non-affiliates was $206.2 million. The calculation of such market value should not be construed as an admission or conclusion by the registrant that any person is in fact an affiliate of the registrant.

As of March 1, 2010, there were 27,774,043 Common Units and 525,957 Management Units outstanding.

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EXPLANATORY NOTE

Buckeye GP Holdings L.P. (BGH) is filing this Amendment No. 1 on Form 10-K/A (Amendment No. 1) to amend Item 7 and Item 15 of its Annual Report on Form 10-K for the fiscal year ended December 31, 2009, originally filed with the Securities and Exchange Commission on March 2, 2010 (the Original Annual Report). BGH is filing Amendment No. 1 for the sole purpose of removing certain credit agency ratings information in the Original Annual Report.

As required by Rule 12b-15 of the Securities and Exchange Act of 1934, as amended, BGH is also filing as exhibits to Amendment No. 1 the certifications required under Section 302 of the Sarbanes-Oxley Act of 2002.

Except for the foregoing, Amendment No. 1 neither alters the Original Annual Report nor updates the Original Annual Report to reflect events or developments since the date of filing of the Original Annual Report.

For the convenience of the reader, this Amendment No. 1 restates in its entirety the section Management s Discussion and Analysis of Financial Condition and Results of Operations from the Original Annual Report, although BGH is only removing certain credit agency ratings information.

PART II

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

The following information should be read in conjunction with our consolidated financial statements and our accompanying notes thereto included in Item 8 of this Report. Our discussion and analysis includes the following:

- Overview of BGH;
- Overview of Buckeye;
- General Outlook for 2010;
- 2009 Developments discusses major items impacting our results in 2009;
- Results of Operations discusses material year-to-year variances in the consolidated statements of operations;
- Liquidity and Capital Resources addresses available sources of liquidity and capital resources and includes a discussion of our capital spending;
- Critical Accounting Policies and Estimates presents accounting policies that are among the most critical to the portrayal of our financial position and results of operations;
- Other Items includes information related to contractual obligations, off-balance sheet arrangements, and other matters; and
- Recent Accounting Pronouncements.

This discussion contains forward-looking statements based on current expectations that are subject to risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. Our actual results and the timing of events could differ materially from those anticipated or implied by the forward-looking statements discussed here as a result of various factors, including, among others, those set forth under Cautionary Note Regarding Forward-Looking Statements and Risk Factors herein.

Our consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP).

Overview of BGH

We own and control Buckeye GP, which is the general partner of Buckeye. We are managed by our general partner, MainLine Management, which is owned by BGH GP. Our only cash-generating assets are our partnership interests in Buckeye, comprised primarily of the following:

- the incentive distribution rights in Buckeye;
- the indirect ownership of the general partner interests in certain of Buckeye s Operating Subsidiaries (representing an approximate 1% interest in each of such Operating Subsidiaries);
- the general partner interests in Buckeye (representing 243,914 general partner units (the GP Units), or an approximate 0.5% interest in Buckeye); and
- 80,000 of Buckeye s LP Units.

The incentive distribution rights noted above entitle us to receive amounts equal to specified percentages of the incremental amount of cash distributed by Buckeye to the holders of LP Units when target distribution levels for each quarter are exceeded. The 2,573,146 LP Units originally issued to the ESOP are excluded for the purpose of calculating incentive distributions. The target distribution levels begin at $0.325 and increase in steps to the highest

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target distribution level of $0.525 per eligible LP Unit. When Buckeye makes quarterly distributions above this level, the incentive distributions include an amount equal to 45% of the incremental cash distributed to each eligible unitholder for the quarter, or approximately 29.5% of total incremental cash distributed by Buckeye above $0.525 per LP Unit.

Our earnings and cash flows are, therefore, directly dependent upon the ability of Buckeye and its Operating Subsidiaries to make cash distributions to its unitholders. The actual amount of cash that Buckeye will have available for distribution will depend primarily on its ability to generate earnings and cash flows beyond its working capital requirements.

The following table summarizes the cash we received for the years ended December 31, 2009, 2008 and 2007 as a result of our partnership interests in Buckeye (in thousands, except unit amounts):

	Year Ended December 31,		
	2009	**2008**	**2007**
Incentive payments from Buckeye	$ 45,739	$ 38,895	$ 29,978
Distributions from the indirect 1% ownership in certain of Buckeye s operating subsidiaries	1,955	1,131	1,292
Distributions from the ownership of 243,914 of Buckeye s GP Units	884	835	786
Distributions from the ownership of 80,000 of Buckeye s LP Units	290	274	258
	$ 48,868	$ 41,135	$ 32,314

Overview of Buckeye Partners, L.P.

Buckeye s primary business strategies are to generate stable cash flows, increase pipeline and terminal throughput and pursue strategic cash-flow accretive acquisitions that complement its existing asset base and improve operating efficiencies to allow increased cash distributions to its unitholders.

We, through Buckeye, operate and report in five business segments: Pipeline Operations; Terminalling and Storage; Natural Gas Storage; Energy Services; and Development and Logistics. We previously referred to the Development and Logistics segment as the Other Operations segment. We renamed the segment to better describe the business activities conducted within the segment. See Note 22 in the Notes to Consolidated Financial Statements for a more detailed discussion of these business segments.

Buckeye s principal line of business is the transportation, terminalling, storage and marketing of refined petroleum products in the United States for major integrated oil companies, large refined petroleum product marketing companies and major end users of refined petroleum products on a fee basis through facilities it owns and operates. Buckeye owns a major natural gas storage facility in northern California. Buckeye also operates pipelines owned by third parties under contracts with major integrated oil and chemical companies, and performs certain construction activities, generally for the owners of those third-party pipelines.

General Outlook for 2010

During 2008 and 2009, demand for refined petroleum products was adversely impacted by the slowdown in the overall economy. In 2010, however, we anticipate that demand will level out as underlying economic conditions stabilize or improve. We expect that the aggregate rates for our transportation and storage services in 2010 will show modest increases despite the impact of negative economic conditions during 2009. Ultimately, our ability to maintain or increase transportation and storage volumes and rates in 2010 will be largely dependent upon the strength of the overall economy and demand for refined petroleum products in the areas we serve.

The capital markets strengthened considerably in 2009, compared to 2008, and Buckeye successfully accessed both the debt and equity markets to fund its 2009 growth initiatives. Although Buckeye has no specific plans to access the capital markets in 2010, should Buckeye elect to raise capital, we believe that, under current financial market conditions, Buckeye would be able to raise capital in both the debt and equity markets on acceptable terms.

We expect that our earnings in 2010 will be positively impacted by the full year contribution from the refined petroleum products pipelines and terminals acquired from ConocoPhillips in November 2009, cost savings from the organizational restructuring completed in 2009, and incremental revenue from growth capital expenditures in 2009 and 2010.

Throughout 2010, we will continue to evaluate opportunities to acquire or construct assets that are complementary to our business and support our long term growth strategy and will determine the appropriate financing structure for any opportunity we pursue.

2009 Developments

Major items impacting our results in 2009 include:

Consolidated Statements of Operations

In early 2009, we began a best practices review of our business and organization structure to identify improved business practices, operating efficiencies and cost savings in anticipation of changing needs in the energy markets. This review culminated in the approval by the Board of Directors of Buckeye GP of an organizational restructuring. The organizational restructuring included a workforce reduction of approximately 230 employees, in excess of 20% of our workforce. The program was initiated in the second quarter of 2009 and was substantially complete by the end of 2009. As part of the workforce reduction, we offered certain eligible employees the option of enrolling in a voluntary early retirement program, which approximately 80 employees accepted. The remaining affected positions have been eliminated involuntarily under our ongoing severance plan. Most terminations were effective as of July 20, 2009. The restructuring also included the relocation of some employees consistent with the goals of the reorganization. We have incurred $32.1 million of expenses in connection with this organizational restructuring for the year ended December 31, 2009. See Note 3 in the Notes to Consolidated Financial Statements for further discussion.

We recorded a non-cash charge of $59.7 million during the year ended December 31, 2009 related to an impairment of Buckeye NGL. During the second quarter of 2009, we recorded a non-cash charge of $72.5 million. Effective January 1, 2010, we sold our interest in Buckeye NGL for $22.0 million. The sales proceeds exceeded the previously impaired carrying value of the NGL pipeline by $12.8 million resulting in the reversal of $12.8 million of the previously recorded asset impairment expense in the fourth quarter of 2009. The impairment and subsequent reversal is reflected within the category Asset Impairment Expense on our consolidated statements of operations. See Note 8 in the Notes to Consolidated Financial Statements for further discussion.

We experienced a delay in the startup of the Kirby Hills Phase II expansion project in our Natural Gas Storage segment, which we initially expected to occur in April 2009. The project was ultimately placed into service in June 2009.

We experienced lower Pipeline Operations product transportation volumes of 5.2% in 2009 as compared to 2008, which resulted in an approximate $19.0 million reduction in revenues.

We recorded a favorable property tax settlement of $7.2 million from the City of New York in our Pipeline Operations segment, which is reflected within the category Total costs and expenses in our consolidated statements of operations.

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Consolidated Balance Sheet and Capital Structure

We completed an acquisition in 2009 of certain refined petroleum product terminals and pipeline assets from ConocoPhillips for approximately $54.4 million that was financed with borrowings under Buckeye s Credit Facility.

We incurred capital expenditures for internal growth projects of $63.8 million.

We sold $275.0 million aggregate principal amount of 5.500% Notes due 2019 for net proceeds of $271.4 million in an underwritten public offering.

We issued approximately 3.0 million of Buckeye s LP Units in 2009 for net proceeds of approximately $104.6 million in an underwritten public offering.

We amended the BES Credit Agreement to increase the borrowing capacity from $175.0 million to $250.0 million. Buckeye s Credit Facility was also amended to reduce the borrowing capacity from $600.0 million to $580.0 million.

Results of Operations

The results of operations discussed below principally reflect the activities of Buckeye. Since our consolidated financial statements include the consolidated results of Buckeye, our consolidated financial statements are substantially similar to Buckeye s except as noted below:

Interest of noncontrolling partners in Buckeye Our consolidated balance sheets include a noncontrolling interests capital account that reflects the proportion of Buckeye owned by its partners other than us. Similarly, the ownership interests in Buckeye held by its partners other than us are reflected in our consolidated statements of operations as income attributable to noncontrolling interest. These noncontrolling interest accounts are not reflected in Buckeye s consolidated financial statements.

Our capital structure In addition to incorporating the assets and liabilities of Buckeye, our consolidated balance sheets include our own indebtedness and related debt placement costs, and the partners capital on our consolidated balance sheets represent our partners capital as opposed to the capital reflected in Buckeye s balance sheets, which reflects the ownership interest of all its partners, including its owners other than us or Services Company. Consequently, our consolidated statements of operations reflect additional interest expense, interest income and debt amortization expense that is not reflected in Buckeye s consolidated financial statements.

Inclusion of Services Company The financial statements of Services Company, which employs the employees who manage and operate our assets, are consolidated into our financial statements. The consolidated financial statements of Buckeye do not include the financial statements of Services Company.

Our general and administrative expenses We incur general and administrative expenses that are independent from Buckeye s operations and are not reflected in Buckeye s consolidated financial statements.

Elimination of intercompany transactions Intercompany obligations and payments among Buckeye and its consolidated subsidiaries, us and Services Company are reflected in Buckeye s consolidated financial statements but are eliminated in our consolidated financial statements.

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Consolidated Summary

Our revenues, operating income and net income decreased during the year ended December 31, 2009 compared to the year ended December 31, 2008, primarily due to the recognition of expenses in connection with our organizational restructuring, a non-cash charge for an asset impairment and, in the case of our revenue decrease, lower overall pipeline and terminalling and storage volumes resulting in lower revenues. Our revenues, operating income and net income increased during the year ended December 31, 2008 compared to the year ended December 31, 2007, primarily due to the expansion of our operations through acquisitions and to increases in interstate pipeline tariff rates and terminalling throughput fees. Overall pipeline volumes declined by 5.2% during the year ended December 31, 2009 compared to the year ended December 31, 2008 and 4.5% during the year ended December 31, 2008 compared to the year ended December 31, 2007.

Our summary operating results were as follows for the periods indicated (in thousands):

	Year Ended December 31,		
	2009	**2008**	**2007**
Revenues	$ 1,770,372	$ 1,896,652	$ 519,347
Costs and expenses	1,566,572	1,650,160	323,994
Operating income	203,800	246,492	195,353
Other expense	(74,694)	(73,857)	(50,231)
Income before earnings from equity investments	129,106	172,635	145,122
Earnings from equity investments	12,531	7,988	7,553
Net income	141,637	180,623	152,675
Less: net income attributable to noncontrolling interest	(92,043)	(154,146)	(129,754)
Net income attributable to Buckeye GP Holdings L.P.	$ 49,594	$ 26,477	$ 22,921
Earnings per partnership unit diluted	$ 1.75	$ 0.94	$ 0.81

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Segment Results

A summary of financial information by business segment follows for the periods indicated (in thousands):

	Year Ended December 31,		
	2009	**2008**	**2007**
Revenues:			
Pipeline Operations	$ 392,667	$ 387,267	$ 379,345
Terminalling and Storage	136,576	119,155	103,782
Natural Gas Storage	99,163	61,791	
Energy Services	1,125,013	1,295,925	
Development and Logistics	34,136	43,498	36,220
Intersegment	(17,183)	(10,984)	
Total revenues	$ 1,770,372	$ 1,896,652	$ 519,347
Total costs and expenses: (1)			
Pipeline Operations	$ 298,710	$ 237,918	$ 232,468
Terminalling and Storage	75,492	67,022	63,200
Natural Gas Storage	68,589	29,556	
Energy Services	1,111,927	1,290,020	
Development and Logistics	29,037	36,628	28,326
Intersegment	(17,183)	(10,984)	
Total costs and expenses	$ 1,566,572	$ 1,650,160	$ 323,994
Depreciation and amortization:			
Pipeline Operations	$ 35,533	$ 35,188	$ 32,996
Terminalling and Storage	7,258	6,051	5,610
Natural Gas Storage	5,971	4,599	
Energy Services	4,204	3,386	
Development and Logistics	1,733	1,610	1,630
Total depreciation and amortization	$ 54,699	$ 50,834	$ 40,236
Asset impairment expense:			
Pipeline Operations	$ 59,724	$	$
Reorganization expense:			
Pipeline Operations	$ 26,127	$	$
Terminalling and Storage	2,735		
Natural Gas Storage	495		
Energy Services	1,207		
Development and Logistics	1,493		
Total reorganization expense	$ 32,057	$	$
Operating Income:			
Pipeline Operations	$ 93,957	$ 149,349	$ 146,878
Terminalling and Storage	61,084	52,133	40,581

Natural Gas Storage	30,574	32,235	
Energy Services	13,086	5,905	
Development and Logistics	5,099	6,870	7,894
Total operating income	$ 203,800	$ 246,492	$ 195,353

(1) Includes depreciation and amortization, asset impairment expense and reorganization expense.

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Costs and expenses attributable to Buckeye, Services Company and us were as follows (in thousands):

	Year Ended December 31,		
	2009	2008	2007
Attributable to Buckeye	$ 1,561,929	$ 1,643,031	$ 317,267
Elimination of Buckeye deferred charge	(4,698)	(4,698)	(4,698)
Net effect of ESOP charges	1,952	2,517	5,069
Attributable to BGH	7,389	9,310	6,356
Total costs and expenses	$ 1,566,572	$ 1,650,160	$ 323,994

Amounts attributable to us were as follows (in thousands):

	Year Ended December 31,		
	2009	2008	2007
Payroll and payroll benefits	$ 4,620	$ 5,000	$ 3,975
Professional fees	635	3,172	1,485
Other	2,134	1,138	896
Total	$ 7,389	$ 9,310	$ 6,356

Payroll and benefits costs include salaries and benefits for the four highest paid executives performing services on behalf of Buckeye, as well as allocations of the cost of Buckeye personnel performing administrative services directly for BGH. As described in Note 1 in the Notes to Consolidated Financial Statements, effective January 1, 2009, Buckeye and its Operating Subsidiaries began paying for all executive compensation and benefits earned by Buckeye GP s four highest salaried officers in return for an annual fixed payment from us of $3.6 million. The $3.6 million annual fixed payment consists of the anticipated 2009 salaries, incentive compensation and benefits of these officers plus 15%. Salaries and benefits for 2009 include salaries, incentive compensation and benefits of these officers offset by the $3.6 million annual fixed payment, plus allocations of the cost of Buckeye personnel performing administrative services directly for us. Salaries and benefits costs in 2008 include salaries and benefits for the four highest paid executives performing services on behalf of Buckeye under the prior arrangement plus the allocated administrative salaries.

Non-recurring professional fees in 2008 include approximately $1.6 million due to fees incurred in connection with a tender offer for outstanding BGH Common Units made by BGH GP in the latter part of 2008, which tender offer was subsequently withdrawn. Other costs include certain state franchise taxes, insurance costs and miscellaneous other expenses.

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The following table presents our product volumes transported in the Pipeline Operations segment and average daily throughput for the Terminalling and Storage segment in barrels per day and total volumes sold in gallons for the Energy Services segment for the periods indicated:

	Year Ended December 31,		
	2009	**2008**	**2007**
Pipeline Operations: (average barrels per day)			
Gasoline	650,100	673,500	717,900
Distillate	284,700	304,200	320,100
Jet Fuel	336,700	354,700	362,700
LPGs	16,500	17,500	19,300
NGLs	13,900	20,900	20,400
Other products	8,000	11,400	7,000
Total Pipeline Operations	1,309,900	1,382,200	1,447,400
Terminalling and Storage: (average barrels per day)			
Products throughput (1)	444,900	457,400	482,300
Energy Services: (in thousands of gallons)			
Sales volumes (2)	655,100	435,200	

(1) Reported quantities exclude transfer volumes, which are non-revenue generating transfers among our various terminals. For the years ended December 31, 2008 and 2007, we previously reported 537.7 thousand and 568.6 thousand barrels, respectively, which included transfer volumes.

(2) Our Energy Services segment business was

acquired on February 8, 2008.

2009 Compared to 2008

Consolidated

Consolidated income attributable to our Unitholders was $49.6 million for the year ended December 31, 2009 compared to $26.5 million for the year ended December 31, 2008. The increase in income attributable to our Unitholders was due to increases in Buckeye s quarterly distribution. As mentioned above, the incentive distribution rights entitle us to receive amounts equal to specified percentages of the incremental amount of cash distributed by Buckeye to the holders of Buckeye s LP Units when target distribution levels for a quarter are exceeded. As a result, increases in Buckeye s distributions causes increases in income attributable to our Unitholders. During 2009, Buckeye paid a $3.63 per LP Unit distribution as compared to a $3.43 per LP Unit distribution in 2008, which resulted in an increase of $6.8 million in incentive distribution rights in 2009 as compared to 2008.

Revenue was $1,770.4 million for the year ended December 31, 2009, which is a decrease of $126.3 million or 6.7% from the year ended December 31, 2008. This overall decrease was caused primarily by a decrease in revenues from the Energy Services segment of $170.9 million due to an overall reduction in refined petroleum product prices in 2009 as compared to 2008, and a decrease in the Development and Logistics segment s revenue of $9.4 million primarily due to decreased construction activities. This decrease was partially offset by increased revenues from the Natural Gas Storage segment of $37.4 million from increased activity from the commencement of operations of the Kirby Hills Phase II expansion project, increased revenues from the Terminalling and Storage segment of $17.4 million primarily from terminals acquired at various times in 2008 and in November of 2009, fees and storage and rental revenue growth and increased revenues from the Pipeline Operations segment of $5.4 million primarily due to increased tariffs and more favorable settlement experience, partially offset by lower volumes.

Total costs and expenses were $1,566.6 million for the year ended December 31, 2009, which is a decrease of $83.6 million or 5.1% from the corresponding period in 2008. Total costs and expenses reflect a decrease in refined petroleum product prices, which resulted in a $178.1 million decrease in the Energy Services segment s cost of product sales in 2009 as compared to 2008, partially offset by increased volumes in 2009. In addition, total costs and expenses reflect the effectiveness of overall cost management efforts we implemented in 2009. These decreases in total costs and expenses were partially offset by a $59.7 million asset impairment expense, a $32.1 million reorganization expense (see Notes 8 and 3, respectively, in the Notes to Consolidated Financial Statements) and a $3.9 million increase in depreciation and amortization. Other factors impacting total costs and expenses include increased operating costs for terminals acquired at various times in 2008 and in November of 2009 in the Terminalling and Storage segment and increased expenses associated with certain hub services transactions stemming from delays in the Kirby Hills Phase II expansion project in the Natural Gas Storage segment and general market conditions.

Operating income was $203.8 million for the year ended December 31, 2009 compared to operating income of $246.5 million for the year ended December 31, 2008, of which $59.7 million and $32.1 million of the decrease is due to the asset impairment expense and reorganization expense, respectively, discussed above. Depreciation and amortization increased $3.9 million for 2009 from the corresponding period in 2008, primarily due to acquisitions made in 2008, the assets utilized with respect to the Kirby Hills Phase II expansion project which were placed in service in the second half of 2009 and software which was placed in service in the fourth quarter of 2009. The 2009 results also include a decrease of $0.3 million in interest and debt expense from $75.4 million in 2008. Income from equity investments increased $4.5 million in 2009 compared to 2008. Others revenue and expense items impacting operating income are discussed above.

Income attributable to noncontrolling interests, which represents the allocation of Buckeye s income to its limited partner interests not owned by us or Services Company, was $92.0 million for 2009 compared to income attributable to noncontrolling interests of $154.1 million in 2008.

Pipeline Operations

Revenue was $392.7 million for the year ended December 31, 2009, which is an increase of $5.4 million or 1.4% from the corresponding period in 2008. Net transportation revenues were up $20.4 million, primarily due to increased tariffs and settlement experience of $37.3 million, partially offset by a $19.0 million decrease due a 5.2% decrease in transportation volumes. Tariff increases of 3.7% and 3.8% were implemented on January 1, 2009 and July 1, 2009, respectively. Revenues from a product supply arrangement, rentals and other incidental services decreased $15.1 million from the prior year period. The decrease in these revenues is primarily a result of reduced product volumes sold to a wholesale distributor and a decrease in contract service activities at customer facilities connected to our refined petroleum products pipelines.

Total costs and expenses were $298.7 million for the year ended December 31, 2009, which is an increase of $60.8 million or 25.6% from the corresponding period in 2008. Total costs and expenses include $59.7 million of asset impairment expense and $26.2 million of reorganization expense (see Notes 8 and 3, respectively, in the Notes to Consolidated Financial Statements). Total costs and expenses also include decreases in (i) property taxes of $6.6 million primarily due to a favorable property tax settlement with the City of New York of $7.2 million (see Note 5 in the Notes to Consolidated Financial Statements); (ii) product costs of $12.0 million as a result of reduced product volumes sold to a wholesale distributor; (iii) contract service activities of $2.9 million at customer facilities connected to our refined petroleum products pipelines; (iv) operating power of $2.8 million due to a decrease in volumes; and (v) professional fees of $1.7 million. These decreases were partially offset by an increase of $2.7 million in integrity program expenditures.

Operating income was $94.0 million for the year ended December 31, 2009 compared to operating income of $149.4 million for the year ended December 31, 2008. Asset impairment expense and reorganization expense of $59.7 million and $26.2 million, respectively, as discussed above, contributed to the decrease in operating income. Depreciation and amortization of $35.5 million for the year ended December 31, 2009 was consistent with 2008. Other revenue and expense items impacting operating income are discussed above.

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Terminalling and Storage

Revenue was $136.6 million for the year ended December 31, 2009, which is an increase of $17.4 million or 14.6% from the corresponding period in 2008. This increase resulted primarily from $13.5 million of revenue in 2009 from terminals that were acquired at various times in 2008 and in November of 2009 (see Note 4 in the Notes to Consolidated Financial Statements for terminal acquisitions) and increased fees and storage and rental revenue of $14.1 million. These increases were partially offset by a $7.9 million decrease in settlement experience and a 2.7% decrease in terminal volumes resulting in a $2.3 million decrease in revenues in 2009 as compared to 2008.

Total costs and expenses were $75.5 million for the year ended December 31, 2009, which is an increase of $8.5 million or 12.6% from the corresponding period in 2008. Total costs and expenses include $2.7 million of reorganization expense (see Note 3 in the Notes to Consolidated Financial Statements) and an increase of $1.3 million in depreciation and amortization. Total costs and expenses also include an increase of $4.5 million of operating expenses for terminals acquired at various times in 2008 and in November of 2009 and an increase in remediation expenses and integrity program expenditures totaling $2.3 million.

Operating income was $61.1 million for the year ended December 31, 2009 compared to operating income of $52.1 million for the year ended December 31, 2008. Depreciation and amortization increased $1.3 million for the year ended December 31, 2009 as a result of terminals acquired at various times in 2008. Other revenue and expense items impacting operating income are discussed above.

Natural Gas Storage

Revenue was $99.2 million for the year ended December 31, 2009, which is an increase of $37.4 million or 60.5% from the corresponding period in 2008. This overall increase resulted primarily from increased hub services revenues in 2009 driven by increased activity from the operations of the Kirby Hills Phase II expansion project, which was placed in service in June 2009, and the inclusion of a full year of revenue in 2009 compared to approximately eleven and one half months in the corresponding period in 2008, reflecting our purchase of Lodi Gas on January 18, 2008. Lease revenue increased $5.9 million and hub services and other revenue increased $31.5 million from the year ended December 31, 2008.

Total costs and expenses were $68.6 million for the year ended December 31, 2009, which is an increase of $39.0 million or 132.1% from the corresponding period in 2008. Total costs and expenses include $0.5 million of reorganization expense (see Note 3 in the Notes to Consolidated Financial Statements) and an increase of $1.4 million in depreciation and amortization. Total costs and expenses include expenses from certain hub services transactions stemming from delays in the Kirby Hills Phase II expansion project and from general market conditions, increased costs from the operations of the Kirby Hills Phase II expansion project for the second half of 2009 when it was placed into service and expenses related to the timing of the acquisition of Lodi Gas, which was included in our results for a full year of activity in 2009 versus eleven and one half months in 2008.

Operating income was $30.5 million for the year ended December 31, 2009 compared to operating income of $32.2 million for the year ended December 31, 2008. Depreciation and amortization increased $1.4 million for 2009 from the corresponding period in 2008 due to depreciation expense on the assets utilized with respect to the Kirby Hills Phase II expansion project, which was placed in service in the second half of 2009. Other revenue and expense items impacting operating income are discussed above.

Energy Services

Revenue was $1,125.0 million for the year ended December 31, 2009, which is a decrease of $170.9 million or 13.2% from the corresponding period in 2008. This overall decrease was primarily due to a decline in refined petroleum product prices, which correspondingly lowers the cost of products sales, partially offset by a 50.5% increase in volumes due to increased sales activity and the inclusion of a full year in 2009 compared to approximately ten and one half months in the corresponding period in 2008 following the acquisition of Farm & Home.

Total costs and expenses were $1,111.9 million for the year ended December 31, 2009, which is a decrease of $178.1 million or 13.8% from the corresponding period in 2008. Total costs and expenses include $1.2 million of reorganization expense (see Note 3 in the Notes to Consolidated Financial Statements) and an increase of $0.8 million in depreciation and amortization. Total costs and expenses include a decrease of $182.7 million in cost of product sales primarily related to a decrease in commodity prices in 2009 as compared to the same period in 2008. This decrease in total costs and expenses was partially offset by the inclusion of a full year of operations in 2009 compared to approximately ten and one half months in the corresponding period in 2008 following the acquisition of Farm & Home.

Operating income was $13.1 million for the year ended December 31, 2009 compared to operating income of $5.9 million for the year ended December 31, 2008. Depreciation and amortization increased $0.8 million for 2009 from the corresponding period in 2008 due to amortization of software that was placed in service in the fourth quarter of 2009. Other revenue and expense items impacting operating income are discussed above.

Development and Logistics

Revenue, which consists principally of our contract operations and engineering services for third-party pipelines, was $34.1 million for the year ended December 31, 2009, which is a decrease of $9.4 million or 21.5% from the corresponding period in 2008. The decrease in revenues resulted from reduced operating services and a reduction in construction contract revenues, reflecting a customer s termination of a contract in the second quarter of 2008. These construction activities are principally conducted on a time and material basis.

Total costs and expenses were $29.1 million for the year ended December 31, 2009, which is a decrease of $7.6 million or 20.7% from the corresponding period in 2008. Total costs and expenses include $1.5 million of reorganization expense (see Note 3 in the Notes to Consolidated Financial Statements). The decrease in total costs and expenses compared to 2008 are a result of reduced operating expenses associated with a terminated customer contract, reduced construction contract activity and reduced operating services activities.

Operating income was $5.1 million for the year ended December 31, 2009 compared to operating income of $6.9 million for the year ended December 31, 2008. Depreciation and amortization of $1.7 million for the year ended December 31, 2009 was relatively consistent with the same period in 2008, and income taxes decreased $1.1 million for the year ended December 31, 2009 due to lower earnings in the 2009 period. Other revenue and expense items impacting operating income are discussed above.

2008 Compared to 2007

Consolidated

Consolidated income attributable to our Unitholders was $26.5 million for the year ended December 31, 2008 compared to $22.9 million for the year ended December 31, 2007. The increase in income attributable to our Unitholders was due to increases in Buckeye s quarterly distribution. As mentioned above, the incentive distribution rights entitle us to receive amounts equal to specified percentages of the incremental amount of cash distributed by Buckeye to the holders of Buckeye s LP Units when target distribution levels for a quarter are exceeded. As a result, increases in Buckeye s distributions causes increases in income attributable to our Unitholders. During 2008, Buckeye paid a $3.43 per LP Unit distribution as compared to a $3.23 per LP Unit distribution in 2007, which resulted in an increase of $8.9 million in incentive distribution rights in 2008 as compared to 2007.

Revenue was $1,896.7 million for the year ended December 31, 2008, which is an increase of $1,377.3 million or 265.2% from the year ended December 31, 2007. This overall increase was caused primarily by revenues from our Energy Services and Natural Gas Storage segments of $1,295.9 million and $61.8 million due to the acquisitions of Farm & Home and Lodi Gas, respectively, in 2008. The Terminalling and Storage segment revenues increased $15.4 million from the acquisition of terminals in 2008 and 2007, and the Pipeline Operations segment revenues increased $7.9 million due to increased tariffs. The Development and Logistics segment reported higher revenue of $7.3 million due to increased construction activities.

Total costs and expenses were $1,650.2 million for the year ended December 31, 2008, which is an increase of $1,326.2 million or 409.3% from the year ended December 31, 2007. Total costs and expenses include expenses of $1,290.0 million and $29.6 million due to the acquisitions for Farm & Home and Lodi Gas, respectively, in 2008 in the Energy Services segment and the Natural Gas Storage segment, respectively. Total costs and expenses also includes increased payroll and benefits expenses resulting primarily from an increase in the number of employees due to our expanded operations, increased casualty losses due to an increase in the cost of remediating environmental incidents and increased construction management costs resulting from an increase in construction contracts that were substantially completed at December 31, 2008, partially offset by a decrease in pipeline and terminal maintenance activities, decreased operating power costs due to lower volumes transported in the Pipeline Operations segment, and decreased supplies expenses due to decreased throughput at our terminals in the Terminalling and Storage segment.

Operating income was $246.5 million for the year ended December 31, 2008 compared to operating income of $195.4 million for the year ended December 31, 2007. The 2008 period results also include an increase of $23.7 million in interest and debt expense from $51.7 million in 2007. Approximately $17.7 million of the increase was attributable to expenses associated with Buckeye s 6.050% Notes which were issued by Buckeye in January 2008. The remainder of the increase is due to interest expense related to working capital requirements of the Energy Services segment and amounts outstanding under Buckeye s Credit Facility. Income from equity investments increased $0.4 million primarily due to increased equity income earned from our interest in WT LPG. In addition, depreciation and amortization increased by $10.6 million due to acquisitions made during 2008.

Income attributable to noncontrolling interests, which represents the allocation of Buckeye s income to its limited partner interests not owned by us or Services Company, was $154.2 million for 2008 compared to income attributable to noncontrolling interests of $129.8 million in 2007.

Pipeline Operations

Revenue was $387.3 million for the year ended December 31, 2008, which is an increase of $7.9 million or 2.1% from the corresponding period in 2007. Net transportation revenues increased $1.2 million in 2008 compared to 2007 primarily as a result of tariff increases implemented on May 1, 2008 and July 1, 2008. The benefit of the tariff increases were substantially offset by reduced product volumes of 4.5% in 2008 as compared to 2007. We believe that the reduced volumes in 2008 were caused primarily by reduced demand for gasoline resulting from higher retail gasoline prices, reduced production at ConocoPhillip s Wood River Refinery due to maintenance activities, and the continued introduction of ethanol into retail gasoline products as well as reduced demand for distillates resulting from higher retail distillate prices and the slowdown in the U.S. economy. Incidental revenues increased $4.7 million principally related to a product supply arrangement, and revenues from additional construction management and rental revenues increased $1.5 million from the corresponding period in 2007.

Total costs and expenses were $237.9 million for the year ended December 31, 2008, which is an increase of $5.5 million or 2.3% from the corresponding period in 2007. Total costs and expenses include an increase of $2.2 million in depreciation and amortization. The increase in total costs and expenses is primarily attributable to: (i) an increase of $4.6 million primarily associated with fuel purchases related to a product supply arrangement; (ii) an increase of $2.3 million in casualty losses, which is due to an increase in the cost of remediating environmental incidents compared to 2007, as well as $0.5 million related to a product contamination incident that occurred in the third quarter of 2008; and (iii) an increase of $1.2 million in payroll and payroll benefits primarily resulting from an increase in the number of employees due to our expanded operations. These increases were partially offset by a decrease of $2.8 million in pipeline maintenance activities compared to 2007 and a decrease of $1.0 million in operating power costs due to lower volumes transported.

Operating income was $149.4 million for the year ended December 31, 2008 compared to operating income of $146.9 million for the year ended December 31, 2007. Depreciation and amortization increased $2.2 million for the year ended December 31, 2008 from the corresponding period in 2007 due to our ongoing expansion capital program. Other revenue and expense items impacting operating income are discussed above.

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Terminalling and Storage

Revenue was $119.2 million for the year ended December 31, 2008, which is an increase of $15.4 million or 14.8% from the corresponding period in 2007. This overall increase resulted primarily from (i) $6.5 million of incremental revenue in 2008 from the acquisitions of the Niles, Michigan, Ferrysburg, Michigan, Wethersfield, Connecticut, and Albany, New York terminals in 2008, combined with the effect of having a full year of revenue in 2008 from the six terminals that were acquired at in the first quarter of 2007; (ii) $6.1 million of revenue related to increases in blending fees for product additives and product recoveries from vapor recovery units, which were offset by an approximately 5.4% decline in throughput volumes, caused in part by increased commodity prices, in 2008 compared to 2007; and (iii) $2.8 million from the settlement of a dispute with a customer regarding product handling charges.

Total costs and expenses were $67.0 million for the year ended December 31, 2008, which is an increase of $3.8 million or 6.0% from the corresponding period in 2007. Total costs and expenses include an increase of $0.4 million in depreciation and amortization. The increase in total costs and expenses is primarily due to an increase of $2.1 million in operating expenses for the terminal acquisitions made at various times in 2007 and 2008 and an increase of $1.6 million in payroll and payroll benefits in 2008 resulting primarily from an increase in the number of employees due to our expanded operations, partially offset by a decrease of $1.2 million in terminal additive expense related to decreased throughput volumes at our terminals.

Operating income was $52.1 million for the year ended December 31, 2008 compared to operating income of $40.6 million for the year ended December 31, 2007. Depreciation and amortization of $6.0 million increased during the year ended December 31, 2008 by $0.4 million from $5.6 million for the year ended December 31, 2007 as a result of terminals acquired at various times in 2008 and 2007. Other revenue and expense items impacting operating income are discussed above.

Natural Gas Storage

Revenue was $61.8 million for the year ended December 31, 2008. Approximately 70.2% of this revenue represented lease storage revenues and 29.8% represented hub services revenues. All of this revenue was derived from Lodi Gas operations, which we acquired on January 18, 2008.

Total costs and expenses were $29.6 million for the year ended December 31, 2008. Costs and expenses were from Lodi Gas legacy operations, which we acquired on January 18, 2008, and included $4.6 million of depreciation and amortization and $4.6 million of non-cash deferred lease expense. The Natural Gas Storage segment incurred $4.1 million of payroll and payroll benefits expense, $4.2 million of outside services costs, of which $3.2 million related to well work-over costs, $2.4 million of property and other taxes, $2.7 million of rental expense, $0.9 million of insurance costs and $3.6 million of other costs in 2008.

Operating income was $32.2 million for the year ended December 31, 2008. Depreciation and amortization was $4.6 million for the year ended December 31, 2008. Other revenue and expense items impacting operating income are discussed above.

Energy Services

Revenue was $1,295.9 million for the year ended December 31, 2008. Substantially all of this revenue was derived from Farm & Home s legacy wholesale operations, which we acquired on February 8, 2008. During 2008, approximately 435.2 million gallons of products were sold. Products sold include gasoline, propane and petroleum distillates such as heating oil, diesel fuel and kerosene.

Total costs and expenses were $1,290.0 million for the year ended December 31, 2008 and included $3.4 million of depreciation and amortization. Substantially all of these costs and expenses were derived from Farm & Home s legacy wholesale operations. Approximately $1,269.6 million was attributable to products sold by the Energy Services segment. Additionally, the Energy Services segment incurred $7.3 million of payroll and payroll benefits expense, $1.1 million of outside service costs, $0.7 million of property and other taxes, $0.6 million of rental expense, $0.4 million of insurance costs and $6.9 million of other costs in 2008.

Operating income was $5.9 million for the year ended December 31, 2008. Depreciation and amortization was $3.4 million for the year ended December 31, 2008. Other revenue and expense items impacting operating income are discussed above.

Development and Logistics

Revenue was $43.5 million for the year ended December 31, 2008, which is an increase of $7.3 million or 20.1% from the corresponding period in 2007. The increase in revenues in 2008 was primarily the result of an increase of $7.0 million in construction management revenue related to construction contracts that were substantially completed at December 31, 2008. These construction activities are principally conducted on a time and material basis.

Total costs and expenses were $36.7 million for the year ended December 31, 2008, which is an increase of $8.3 million or 29.3% from the corresponding period in 2007. Total costs and expenses include $1.6 million of depreciation and amortization. The increase in total costs and expenses is associated with increased construction contract activity. Construction management costs were $12.6 million in 2008, which is an increase of $5.3 million over 2007. The increase in 2008 was primarily the result of an increase in construction contracts that were substantially completed at December 31, 2008. Additionally, outside services costs increased $2.4 million and payroll and payroll benefits expense increased approximately $0.7 million due to the increased construction activities.

Operating income was $6.9 million for the year ended December 31, 2008 compared to operating income of $7.9 million for the year ended December 31, 2007. Depreciation and amortization was $1.6 million for the year ended December 31, 2008, which was relatively consistent with the same period in 2008. Income tax expense of $0.8 million was consistent with the same period in 2007. Other revenue and expense items impacting operating income are discussed above.

Liquidity and Capital Resources

BGH

We currently have no capital requirements apart from Buckeye s capital requirements. Buckeye s capital requirements consist of maintenance and capital expenditures, expenditures for acquisitions and debt service requirements.

Our only cash-generating asset is our ownership interest in Buckeye GP. Our cash flow is, therefore, directly dependent upon the ability of Buckeye and its Operating Subsidiaries to make cash distributions to Buckeye s partners. The actual amount of cash that Buckeye will have available for distribution depends primarily on Buckeye s ability to generate cash beyond its working capital requirements. Buckeye s primary future sources of liquidity are cash flows from operations, proceeds from borrowings under Buckeye s Credit Facility and proceeds from the issuance of its LP Units or public debt.

Our principal uses of cash are the payment of our operating expenses and distributions to our Unitholders. We generally make quarterly cash distributions of substantially all of our available cash, generally defined as consolidated cash receipts less consolidated cash expenditures and such retentions for working capital, anticipated cash expenditures and contingencies as MainLine Management deems appropriate. In 2009, we paid cash distributions of $0.39 per unit on November 30, 2009, $0.37 per unit on August 31, 2009, $0.35 per unit on May 29, 2009 and $0.33 per unit on February 28, 2009. In 2008, we paid cash distributions of $0.32 per unit on November 28, 2008, $0.31 per unit on August 29, 2008, $0.30 per unit on May 30, 2008 and $0.285 per unit on February 29, 2008. Total cash distributed to our Unitholders for the years ended December 31, 2009 and 2008 was approximately $40.8 million and $34.4 million, respectively.

Buckeye

Buckeye s primary cash requirements, in additional to normal operating expenses and debt service, are for working capital, capital expenditures, business acquisitions and distributions to partners. Buckeye s principal

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sources of liquidity are cash from operations, borrowings under its Credit Facility and proceeds from the issuance of its LP Units. Buckeye will, from time to time, issue debt securities to permanently finance amounts borrowed under the Credit Facility. BES funds its working capital needs principally from operations and the BES Credit Agreement. Buckeye s financial policy has been to fund sustaining capital expenditures with cash from operations. Expansion and cost improvement capital expenditures, along with acquisitions, have typically been funded from external sources including the Credit Facility as well as debt and equity offerings. Buckeye s goal has been to fund at least half of these expenditures with proceeds from equity offerings in order to maintain its investment-grade credit rating.

Buckeye continues to evaluate the conditions of the debt and equity capital markets, and in March 2009, Buckeye issued 2.6 million LP Units in an underwritten public offering at $35.08 per LP Unit. On April 29, 2009, the underwriters of the equity offering exercised their option to purchase an additional 390,000 LP Units at $35.08 per LP Unit. Total proceeds from the offering, including the overallotment option and after the underwriter s discount of $1.17 per LP Unit and offering expenses, were approximately $104.6 million, and were used to reduce amounts outstanding under Buckeye s Credit Facility. In August 2009, Buckeye sold 5.500% Notes in an underwritten public offering. The 5.500% Notes were issued at 99.35% of their principal amount. Total proceeds from the offering, after underwriters fees, expenses and debt issuance costs of $1.8 million, were approximately $271.4 million, and were used to reduce amounts outstanding under Buckeye s Credit Facility and for general partnership purposes.

As a result of our actions to minimize external financing requirements and the fact that no debt facilities mature prior to 2011, we believe that availabilities under our credit facilities, coupled with ongoing cash flows from operations, will be sufficient to fund our operations for 2010. We will continue to evaluate a variety of financing sources, including the debt and equity markets described above, throughout 2010. However, continuing volatility in the debt and equity markets will make the timing and cost of any such potential financing uncertain.

Debt

BGH

At December 31, 2009 and 2008, we had no amounts outstanding under the BGH Credit Agreement. See Note 13 in the Notes to Consolidated Financial Statements for a description of the terms of our BGH Credit Agreement.

Services Company

At December 31, 2009 and 2008, Services Company had total debt outstanding of $7.7 million and $14.0 million, respectively, consisting of 3.60% Senior Secured Notes (the 3.60% ESOP Notes) due March 28, 2011 payable by the ESOP to a third-party lender. The 3.60% ESOP Notes were issued on May 4, 2004. The 3.60% ESOP Notes are collateralized by Services Company s common stock and are guaranteed by Services Company. In addition, Buckeye has committed that, in the event that the value of Buckeye s LP Units owned by Services Company falls below 125% of the balance payable under the 3.60% ESOP Notes, Buckeye will fund an escrow account with sufficient assets to bring the value of the total collateral (the value of Buckeye s LP Units owned by Services Company and the escrow account) up to the 125% minimum. Amounts deposited in the escrow account are returned to Buckeye when the value of Buckeye s LP Units owned by Services Company s returns to an amount that exceeds the 125% minimum. At December 31, 2009, the value of Buckeye s LP Units owned by Services Company exceeded the 125% requirement.

Buckeye s Outstanding Debt

At December 31, 2009, Buckeye had $34.6 million of cash and cash equivalents on hand and approximately $401.9 million of available credit under its Credit Facility, after application of the facility s funded debt ratio covenant. In addition, BES had $10.2 million of available credit under the BES Credit Agreement, pursuant to certain borrowing base calculations under that agreement. See Note 13 in the Notes to Consolidated Financial Statements for further information about these credit facilities.

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At December 31, 2009, Buckeye had an aggregate face amount of $1,742.8 million of debt, which consisted of the following:

$300.0 million of the 4.625% Notes due 2013 (the 4.625% Notes);

$275.0 million of the 5.300% Notes due 2014 (the 5.300% Notes);

$125.0 million of the 5.125% Notes due 2017 (the 5.125% Notes);

$300.0 million of the 6.050% Notes due 2018 (the 6.050% Notes);

$275.0 million of the 5.500% Notes due 2019;

$150.0 million of the 6.750% Notes due 2033 (the 6.750% Notes);

$78.0 million outstanding under Buckeye s Credit Facility; and

$239.8 million outstanding under the BES Credit Agreement.

See Note 13 in the Notes to Consolidated Financial Statements for more information about the terms of the debt discussed above.

The fair values of Buckeye s aggregate debt and credit facilities were estimated to be $1,762.1 million and $1,367.7 million at December 31, 2009 and 2008, respectively. The fair values of the fixed-rate debt at December 31, 2009 and 2008 were estimated by market-observed trading prices and by comparing the historic market prices of Buckeye s publicly-issued debt with the market prices of other MLPs publicly-issued debt with similar credit ratings and terms. The fair values of Buckeye s variable-rate debt are their carrying amounts as the carrying amount reasonably approximates fair value due to the variability of the interest rate.

Registration Statement

Buckeye may issue equity or debt securities to assist it in meeting its liquidity and capital spending requirements. Buckeye has a universal shelf registration statement on file with the SEC that would allow it to issue an unlimited amount of debt and equity securities for general partnership purposes.

Cash Flows from Operating, Investing and Financing Activities

The following table summarizes our cash flows from operating, investing and financing activities for the periods indicated (in thousands):

	Year Ended December 31,		
	2009	**2008**	**2007**
Cash provided by (used in):			
Operating activities	$ 47,662	$ 208,557	$ 191,736
Investing activities	(144,203)	(735,776)	(108,605)
Financing activities	72,834	494,014	(8,865)

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Operating Activities

2009 Compared to 2008. Net cash flow provided by operating activities was $47.7 million for the year ended December 31, 2009 compared to $208.6 million for the year ended December 31, 2008. The following were the principal factors resulting in the $160.9 million decrease in net cash flows provided by operating activities:

We recognized $32.1 million of reorganization expenses in the 2009 period.

The net change in fair values of derivatives was an increase of $20.5 million, resulting from the decrease in value related to fixed-price sales contracts compared to a lower level of opposite fluctuations in futures contracts purchased to hedge such fluctuations.

The net impact of working capital changes was a decrease of $229.7 million to cash flows from operating activities for the year ended December 31, 2009. The principal factors affecting the working capital changes were:

Inventories increased $177.3 million due to an increase in inventory purchases within the Energy Services segment which are hedged with futures contracts that expire primarily in the winter months. As a result of energy market conditions, we significantly increased our physical inventory purchases in 2009.

Trade receivables increased $44.1 million primarily due to increased activity from our Energy Services segment due to higher volumes in the 2009 period.

Prepaid and other current assets increased $28.9 million primarily due to increases in prepaid services and unbilled revenue within the Natural Gas Storage segment and an increase in receivables due to a favorable property tax settlement, partially offset by a decrease in a receivable related to ammonia purchases and a decrease in margin deposits on futures contracts in our Energy Services segment.

Accrued and other current liabilities increased $1.3 million primarily due to costs related to the reorganization.

Accounts payable increased $14.6 million due to activity within the Energy Services segment.

Construction and pipeline relocation receivables decreased $7.4 million primarily due to a decrease in construction activity in the 2009 period.

2008 Compared to 2007. Net cash flow provided by operating activities was $208.6 million for the year ended December 31, 2008 compared to $191.7 million for the year ended December 31, 2008. The following were the principal factors resulting in the $16.9 million increase in net cash flows provided by operating activities:

Our net income increased $27.9 million for the year ended December 31, 2008 compared with the year ended December 31 2007, primarily due to our acquisitions of Lodi Gas and Farm & Home in 2008.

The net change in fair values of derivatives was a decrease of $24.2 million, resulting from the increase in value related to fixed-price sales contracts compared to a lower level of opposite fluctuations in futures contracts purchased to hedge such fluctuations. We did not utilize futures contracts to economically hedge a portion of the fixed-price sales contracts because we had purchased inventory to fulfill a portion of those commitments.

The net impact of working capital changes was a decrease of $6.4 million to cash flows from operations for the year ended December 31, 2008. The principal factors affecting the working capital changes were:

Prepaid and other current assets increased $27.8 million, primarily due to an increase in a receivable related to ammonia purchases as well as additional margin deposits associated with liabilities for derivative instruments.

Construction and pipeline relocation receivables increased $8.9 million due to an increase in construction activity in the latter part of 2008.

Inventories increased $4.4 million due to inventory purchases within the Energy Services segment.

Accounts payable decreased $10.6 million due to activity within the Energy Services segment since the acquisition of Farm & Home.

Trade receivables decreased $36.1 million due to an increase in collections within the Energy Services segment since the acquisition of Farm & Home.

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Accrued and other current liabilities increased $9.3 million primarily due to increases in accrued taxes, environmental liabilities and interest expense.

Investing Activities

2009 Compared to 2008. Net cash flow used in investing activities was $144.2 million for the year ended December 31, 2009 compared to $735.8 million for the year ended December 31, 2008. The following were the principal factors resulting in the $591.6 million decrease in net cash flows used in investing activities:

Cash used for acquisitions and equity investments, net of cash acquired, was $58.3 million for the year ended December 31, 2009, of which $54.4 million was used for the acquisition of refined petroleum product terminals and pipeline assets from ConocoPhillips. We also invested an additional $3.9 million in WT LPG in 2009. Cash used for acquisitions and equity investments, net of cash acquired, was $667.5 million for the year ended December 31, 2008, of which $438.8 million was used for the acquisition of Lodi Gas, $143.3 million was used for the acquisition of Farm & Home and an aggregate of $75.6 million was used for the acquisitions of four terminals in Albany, New York, Niles and Ferrysburg, Michigan, and Wethersfield, Connecticut and the acquisition of the remaining 50% member interest in Wespac San Diego that we did not already own. We also invested an additional $9.8 million in WT LPG in 2008. See Note 4 in the Notes to Consolidated Financial Statements for further information.

Capital expenditures decreased $33.2 million for the year ended December 31, 2009 compared with the year ended December 31, 2008. See below for a discussion of capital spending.

Cash proceeds from the sale of the retail operations of Farm & Home was $52.6 million.

2008 Compared to 2007. Net cash flow used in investing activities was $735.8 million for the year ended December 31, 2008 compared to $108.6 million for the year ended December 31, 2007. The following were the principal factors resulting in the $627.2 million increase in net cash flows used in investing activities:

Cash used for acquisitions and equity investments, net of cash acquired was $667.5 million for the year ended December 31, 2008 as discussed above. Cash used for acquisitions and equity investments, net of cash acquired was $40.7 million for the year ended December 31, 2007, of which $39.8 million was used for the acquisition of terminals and related assets and $0.9 million was used for an additional investment in WT LPG. See Note 4 in the Notes to Consolidated Financial Statements for further information.

Capital expenditures increased $52.6 million for the year ended December 31, 2008 compared with the year ended December 31, 2007. See below for a discussion of capital spending.

Cash proceeds from the sale of the retail operations of Farm & Home was $52.6 million.

Capital expenditures are summarized below (net of non-cash changes in accruals for capital expenditures for the years ended December 31, 2009, 2008 and 2007) for the periods indicated (in thousands):

	Year Ended December 31,		
	2009	**2008**	**2007**
Sustaining capital expenditures	$ 23,496	$ 28,936	$ 33,838
Expansion and cost reduction	63,813	91,536	34,029
Total	$ 87,309	$ 120,472	$ 67,867

In 2009 and 2008, expansion and cost reduction projects included the Kirby Hills Phase II expansion project, ethanol and butane blending projects at certain of our terminals, the construction of three additional tanks with capacity of 0.4 million barrels in Linden, New Jersey and various other pipeline and terminal operating infrastructure projects. Construction costs of the Kirby Hills Phase II expansion project in 2009 and 2008 totaled approximately $17.0 million and $49.6 million, respectively. In 2007, expansion and cost reduction projects included a capacity expansion project in Illinois to handle additional liquefied petroleum gas volumes and ongoing capacity improvements at facilities to serve the Memphis International Airport.

We expect to spend approximately $90.0 million to $110.0 million for capital expenditures in 2010, of which approximately $25.0 million to $35.0 million is expected to relate to sustaining capital expenditures and $65.0 million to $75.0 million is expected to relate to expansion and cost reduction projects. Sustaining capital expenditures include renewals and replacement of pipeline sections, tank floors and tank roofs and upgrades to station and terminalling equipment, field instrumentation and cathodic protection systems. Major expansion and cost reduction expenditures in 2010 will include the completion of additional product storage tanks in the Midwest, the construction of a 4.4 mile pipeline in central Connecticut to connect our pipeline in Connecticut to a third party electric generation plant currently under construction, various terminal expansions and upgrades and pipeline and terminal automation projects.

Financing Activities

2009 Compared to 2008. Net cash flow provided by financing activities was $72.8 million for the year ended December 31, 2009 compared to $494.0 million for the year ended December 31, 2008. The following were the principal factors resulting in the $421.2 million decrease in net cash flows provided by financing activities:

Borrowings were $317.1 million and $558.6 million and repayments were $537.4 million and $260.3 million under Buckeye s Credit Facility in 2009 and 2008, respectively. Repayments under the Services Company 3.60% ESOP Notes were $6.3 million in each of 2009 and 2008. There were no borrowings or repayments under the BGH Credit Agreement in 2009 and 2008.

Net borrowings under the BES Credit Agreement were $143.8 million in 2009, while net repayments under the BES Credit Agreement (and its predecessor facility which was replaced in May 2008) were $4.0 million in 2008.

We received $271.4 million (net of debt issuance costs of $1.8 million) from Buckeye s issuance in August 2009 of $275.0 million in aggregate principal amount of the 5.500% Notes in an underwritten public offering. Proceeds from this offering were used to reduce amounts outstanding under Buckeye s Credit Facility. We received $298.0 million from Buckeye s issuance in January 2008 of $300.0 million in aggregate principal amount of the 6.050% Notes in an underwritten public offering. Proceeds from this offering were used to partially pre-fund the Lodi Gas acquisition. In connection with this debt offering, we settled two interest rate swaps associated with the 6.050% Notes, which resulted in a settlement payment of $9.6 million that is being amortized as interest expense over the ten-year term of the 6.050% Notes.

We received $104.6 million in net proceeds from Buckeye s underwritten equity offering in March 2009 from the public issuance of 3.0 million LP Units. In 2008, we received $113.1 million in net proceeds from Buckeye s public issuance of 2.6 million LP Units.

Distributions to noncontrolling interests, consisting primarily of Buckeye s distributions to holders of its LP Units, were $180.0 million in 2009 compared to $159.3 million in 2008. The increase in distributions resulted primarily from increases in Buckeye s per LP Unit distribution rate and the issuance of 3.0 million LP Units in 2009.

Cash distributions paid to our partners increased $6.4 million year-to-year due to an increase in our quarterly cash distribution rate per Common Unit. We paid cash distributions of $40.9 million ($1.44 per Common Unit) and $34.4 million ($1.22 per Common Unit) during the years ended December 31, 2009 and 2008, respectively.

2008 Compared to 2007. Net cash flow provided by financing activities was $494.0 million for the year ended December 31, 2008 compared to net cash used in financing activities of $8.9 million for the year ended December 31, 2007. The following were the principal factors resulting in the $502.9 million increase in net cash flows provided by financing activities:

Borrowings were $558.6 million and $155.0 million and repayments were $260.3 million and $300.0 million under Buckeye s Credit Facility (and its predecessor facility) in 2008 and 2007, respectively.

Repayments under the Services Company 3.60% ESOP Notes were $6.3 million in 2008 and $6.0 million in 2007. Borrowings and repayments under the BGH Credit Agreement were $2.5 million in 2007. There were no borrowings or repayments under the BGH Credit Agreement in 2008.

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Net repayments under the BES Credit Agreement (and its predecessor facility which was replaced in May 2008) were $4.0 million in 2008.

We received $298.1 million from Buckeye s issuance in January 2008 of $300.0 million in aggregate principal amount of the 6.050% Notes in an underwritten public offering as discussed above.

We received $113.1 million in net proceeds from Buckeye s underwritten equity offering in March 2008 from the public issuance of 2.6 million LP Units. In 2007, we received $296.4 million in net proceeds from Buckeye s underwritten equity offerings in March, August and December 2007 from the public issuance of 6.2 million LP Units.

Distributions to noncontrolling interests, consisting primarily of Buckeye s distributions to holders of its LP Units, were $159.3 million in 2008 compared to $128.8 million in 2007. The increase in distributions resulted primarily from increases in Buckeye s per LP Unit distribution rate and the issuance of 2.6 million LP Units in 2008.

Cash distributions paid to our partners increased $6.7 million year-to-year due to an increase in our quarterly cash distribution rate per Common Unit. We paid cash distributions of $34.4 million ($1.22 per Common Unit) and $27.7 million ($0.98 per Common Unit) during the years ended December 31, 2008 and 2007, respectively.

Derivatives

See Item 7A. Quantitative and Qualitative Disclosures About Market Risk Market Risk Non Trading Instruments for a discussion of commodity derivatives used by our Energy Services segment.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with GAAP requires management to select appropriate accounting principles from those available, to apply those principles consistently and to make reasonable estimates and assumptions that affect revenues and associated costs as well as reported amounts of assets and liabilities. The following describes the estimated risks underlying our critical accounting policies and estimates:

Depreciation Methods, Estimated Useful Lives and Disposals of Property, Plant and Equipment

In general, depreciation is the systematic and rational allocation of an asset s cost or fair value, less its residual value (if any), to the periods it benefits. Property, plant and equipment consist primarily of pipelines, wells, storage and terminal facilities, pad gas and pumping and compression equipment. Depreciation on pipelines and terminals is generally calculated using the straight-line method over the estimated useful lives ranging from 44 to 50 years. Plant and equipment associated with our natural gas storage business is generally depreciated over 44 years, except for pad gas. The Natural Gas Storage segment maintains a level of natural gas in its underground storage facility generally known as pad gas, which is not routinely cycled but, instead, serves the function of maintaining the necessary pressure to allow routine injection and withdrawal to meet demand. Pad gas is considered to be a component of the facility and as such is not depreciated because it is expected to ultimately be recovered and sold. Other plant and equipment is generally depreciated on a straight-line basis over an estimated life of 5 to 50 years. Straight line depreciation results in depreciation expense being incurred evenly over the life of an asset.

Additions to property, plant and equipment, including major replacements or betterments, are recorded at cost. We charge maintenance and repairs to expense in the period incurred. The cost of property, plant and equipment sold or retired and the related depreciation, except for certain pipeline system assets, are removed from our consolidated balance sheet in the period of sale or disposition, and any resulting gain or loss is included in income. For our pipeline system assets, we generally charge the original cost of property sold or retired to accumulated depreciation and amortization, net of salvage and cost of removal. When a separately identifiable group of assets, such as a stand-alone pipeline system, is sold, we will recognize a gain or loss in our consolidated statements of operations for the difference between the cash received and the net book value of the assets sold.

The determination of an asset s useful life requires assumptions regarding a number of factors including technological change, normal depreciation and actual physical usage. If any of these assumptions subsequently change, the estimated useful life of the asset could change and result in an increase or decrease in depreciation expense that could have a material impact on our consolidated financial statements.

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At both December 31, 2009 and 2008, the net book value of our property, plant and equipment was $2.2 billion. Property, plant and equipment is generally recorded at its original acquisition cost and its carrying value accounted for approximately 64.2% of our consolidated assets at December 31, 2009. Depreciation expense was $50.9 million, $47.42 million and $39.6 million for the years ended December 31, 2009, 2008 and 2007, respectively. We do not believe that there is a reasonable likelihood that there will be a material change in the future estimated useful life of our property, plant and equipment. In the past, we have generally not deemed it necessary to materially change the depreciable lives of our assets. An increase or decrease in the depreciable lives of these assets, for example a 5-year increase or decrease in the depreciable lives of our pipeline assets, currently estimated as 50 years, would decrease or increase, respectively, annual depreciation expense, and increase or decrease operating income, respectively, by approximately $5.0 million annually.

Reserves for Environmental Matters

We are subject to federal, state and local laws and regulations relating to the protection of the environment. Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to existing conditions caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or clean-ups are probable, and the costs can be reasonably estimated based upon past experience and advice of outside engineering, consulting and law firms. Generally, the timing of these accruals coincides with our commitment to a formal plan of action. Accrued environmental remediation related expenses include estimates of direct costs of remediation and indirect costs related to the remediation effort, such as compensation and benefits for employees directly involved in the remediation activities and fees paid to outside engineering, consulting and law firms. Historically, our estimates of direct and indirect costs related to remediation efforts have generally not required material adjustments. However, the accounting estimates related to environmental matters are uncertain because (1) estimated future expenditures related to environmental matters are subject to cost fluctuations and can change materially, (2) unanticipated liabilities may arise in connection with environmental remediation projects and may impact cost estimates, and (3) changes in federal, state and local environmental laws and regulations can significantly increase the cost or potential liabilities related to environmental matters. None of our estimated environmental remediation liabilities are discounted to present value since the ultimate amount and timing of cash payments for such liabilities are not readily determinable. We maintain insurance that may cover certain environmental expenditures.

During the years ended December 31, 2009, 2008 and 2007, we incurred environmental expenses, net of insurance recoveries, of $10.6 million, $10.1 million and $7.4 million, respectively. At December 31, 2009 and 2008, we had accrued $29.9 million and $27.0 million, respectively, for environmental matters. The environmental accruals are revised as new matters arise, or as new facts in connection with environmental remediation projects require a revision of estimates previously made with respect to the probable cost of such remediation projects. Changes in estimates of environmental remediation for each remediation project will affect operating income on a dollar-for-dollar basis up to our self-insurance limit. Our self-insurance limit is currently $3.0 million per occurrence.

Fair Value of Derivatives

Our Energy Services segment primarily uses exchange-traded refined petroleum product futures contracts to manage the risk of market price volatility on its refined petroleum product inventories and its fixed-price sales contracts. See Note 8 in the Notes to Consolidated Financial Statements for further discussion. The Energy Services segment has not used hedge accounting with respect to its fixed-price sales contracts. Therefore, its fixed-price sales contracts and the related futures contracts used to offset those fixed-price sales contracts are all marked-to-market on our balance sheet with gains and losses being recognized in earnings during the period. At December 31, 2009, we included in our consolidated financial statements as assets fixed-price sales contracts with asset values of approximately $2.4 million. We have entered into futures contracts to hedge against changes in value of these fixed price sales contracts. These futures contracts have a net value of approximately $7.1 million at December 31, 2009 and have been recognized as assets on our balance sheet. We have determined that the exchange-traded futures contracts represent Level 1 fair value measurements because the prices for such futures contracts are established on liquid exchanges with willing buyers and sellers and with prices which are readily available on a daily basis.

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We have determined that the fixed-price sales contracts represent Level 2 fair value measurements because their value is derived from similar contracts for similar delivery and settlement terms which are traded on established exchanges. However, because the fixed-price sales contracts are privately negotiated with customers of the Energy Services segment who are generally smaller, private companies that may not have established credit ratings, the determination of an adjustment to fair value to reflect counterparty credit risk (a credit valuation adjustment) requires significant management judgment. At December 31, 2009, we had reduced the fair value of the fixed-price sales contracts by a $0.9 million credit valuation adjustment to reflect this counterparty credit risk. The delivery periods for the contracts range from one to 13 months, with the substantial majority of deliveries concentrated in the first four months of 2010.

Because little or no public credit information is available for the Energy Services segment s customers who have fixed-price sales contracts, we specifically analyzed each customer and contract to evaluate (i) the historical payment patterns of the customer, (ii) the current outstanding receivables balances for each customer and contract and (iii) the level of performance of each customer with respect to volumes called for in the contract. We then evaluated the specific risks and expected outcomes of nonpayment or nonperformance by each customer and contract. Based on our credit and performance risk evaluation, we recorded the credit valuation adjustment of $0.9 million. If actual customer performance under these fixed-price sales contracts deteriorates (either through nonperformance with respect to contracted volumes or nonpayment of amounts due), then the fair value of these contracts could be materially less. For example, a 10% shortfall in delivered volumes over the average life of the contracts would reduce the fair value of the contracts and, accordingly, net income, by $0.2 million. We continue to monitor and evaluate performance and collections with respect to these fixed-price sales contracts.

Measuring the Fair Value of Goodwill

Goodwill represents the excess of purchase prices paid by us in certain business combinations over the fair values assigned to the respective net tangible and identifiable intangible assets. We do not amortize goodwill; rather, we test our goodwill (at the reporting unit level) for impairment on January 1 of each fiscal year, and more frequently if circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Goodwill is tested for impairment at a level of reporting referred to as a reporting unit. A reporting unit is a business segment or one level below a business segment for which discrete financial information is available and regularly reviewed by segment management. Our reporting units are our business segments. An estimate of the fair value of a reporting unit is determined using a combination of a market multiple valuation method and an expected present value of future cash flows valuation method. The principal assumptions utilized in this valuation model include: (1) discrete financial forecasts for the assets contained within the reporting unit, which rely on management s estimates of revenue, operating expenses and volumes; (2) long-term growth rates for cash flows beyond the discrete forecast period; (3) appropriate discount rates; and (4) determination of appropriate market multiples from comparable companies.

If the fair value of the reporting unit (including its inherent goodwill) is less than its carrying value, a charge to earnings is required to reduce the carrying value of the goodwill to its implied fair value. At December 31, 2009 and 2008, the carrying value of our goodwill was $432.1 million and $433.9 million, respectively. Goodwill decreased by $1.8 million as of December 31, 2009 from December 31, 2008 due to the finalization of the purchase price allocation relating to the acquisition of a terminal in Albany, New York in 2008; this $1.8 million was allocated to property, plant and equipment. We did not record any goodwill impairment charges during the years ended December 31, 2009, 2008 and 2007. A 10% decrease in the estimated fair value of any of our reporting units would have had no impact on the carrying value of goodwill at the annual measurement date.

Measuring Recoverability of Long-Lived Assets and Equity Method Investments

In general, long-lived assets (including intangible assets with finite useful lives and property, plant and equipment) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or changes include, among other factors: operating losses, unused capacity; market value declines; technological developments resulting in obsolescence; changes in demand for products in a market area; changes in competition and competitive practices; and changes in governmental regulations or actions. Recoverability of the carrying amount of assets to be held and used is measured by a comparison of the carrying amount of the asset to estimated future undiscounted net cash flows expected to be

generated by the asset. Estimates of future undiscounted net cash flows include anticipated future revenues, expected future operating costs and other estimates. Such estimates of future undiscounted net cash flows are highly subjective and are based on numerous assumptions about future operations and market conditions. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or estimated fair value less costs to sell. We recorded an impairment of $59.7 million during the year ended December 31, 2009 related to an impairment of Buckeye NGL. A significant loss in the customer base utilizing Buckeye s NGL pipeline, in conjunction with the authorization by the Board of Directors of Buckeye GP to pursue the sale of Buckeye NGL, triggered an evaluation of a potential asset impairment that resulted in a non-cash charge to earnings of $72.5 million in the Pipeline Operations segment in the second quarter of 2009. Effective January 1, 2010, we sold our ownership interest in Buckeye NGL for $22.0 million. The sales proceeds exceeded the previously impaired carrying value of the assets of Buckeye NGL by $12.8 million resulting in the reversal of $12.8 million of the previously recorded asset impairment expense in the fourth quarter of 2009. See Note 8 in the Notes to Consolidated Financial Statements for further discussion.

An equity method investment is evaluated for impairment whenever events or changes in circumstances indicate that there is a possible other than temporary loss in value of the investment. Examples of such events include sustained operating losses of the investee or long-term negative changes in the investee s industry. The carrying value of an equity method investment is not recoverable if it exceeds the sum of discounted estimated cash flow expected to be derived from the investment. This estimate of discounted cash flows is based on a number of assumptions including discount rates; probabilities assigned to different cash flow scenarios; anticipated margins and volumes and estimated useful life of the investment. A significant change in these underlying assumptions could result in our recording an impairment charge.

Other Considerations

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2009 (in thousands):

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt (1)	$ 1,510,703	$ 6,178	$ 79,525	$ 575,000	$ 850,000
Interest payments (2)	709,646	78,256	156,512	133,139	341,739
Operating leases: (3)					
Office space and other	18,978	1,528	3,075	3,178	11,197
Land leases (4)	311,747	2,945	6,341	6,951	295,510
Purchase obligations (5)	32,480	32,480			
Capital expenditure obligations (6)	1,611	1,611			
Total contractual cash obligations	$ 2,585,165	$ 122,998	$ 245,453	$ 718,268	$ 1,498,446

(1) We have long-term payment obligations under Buckeye s

Credit Facility, Buckeye s underwritten publicly issued notes and the 3.60% ESOP Notes. Amounts shown in the table represent the scheduled future maturities of long-term debt principal for the periods indicated. We have assumed that the borrowings under Buckeye s Credit Facility as of December 31, 2009 will not be repaid until the maturity date of the facility. See Note 13 in the Notes to Consolidated Financial Statements for additional information regarding our debt obligations.

(2) Interest payments include amounts due on Buckeye s underwritten publicly issued notes and interest payments and commitment fees due on Buckeye s Credit Facility. The interest amount

calculated on Buckeye s Credit Facility is based on the assumption that the amount outstanding and the interest rate charged both remain at their current levels.

(3) We lease certain property, plant and equipment under noncancelable and cancelable operating leases. Amounts shown in the table represent minimum lease payment obligations under our operating leases with terms in excess of one year for the periods indicated. Lease expense is charged to operating expenses on a straight line basis over the period of expected benefit. Contingent rental payments are expensed as incurred. Total rental expense for the years ended December 31, 2009, 2008 and 2007 was $21.2 million, $20.2 million and $11.7 million, respectively.

(4) We have leases for subsurface underground gas storage rights

and surface rights in connection with our operations in the Natural Gas Storage segment. We may cancel these leases if the storage reservoir is not used for underground storage of natural gas or the removal or injection thereof for a continuous period of two consecutive years. Lease expense associated with these leases is being recognized on a straight line basis over 44 years. For the year ended December 31, 2009, the Natural Gas Storage segment s lease expense was $7.4 million, including $4.5 million recorded as an increase in our deferred lease liability. We estimate that the deferred lease liability will continue to increase through 2032, at which time our deferred lease liability is estimated to be approximately $64.7 million. Our deferred lease liability will then be reduced over the remaining 19 years of the lease, since the expected annual lease payments will exceed the amount of lease expense.

(5) We have long and short-term purchase obligations for products and services with third-party suppliers. The prices that we are obligated to pay under these contracts approximate current market prices. The table shows our commitments and estimated payment obligations under these contracts for the periods indicated. Our estimated future payment obligations are based on the contractual price under each contract for products and services at December 31,

2009.

(6) We have short-term payment obligations relating to capital projects we have initiated. These commitments represent unconditional payment obligations that we have agreed to pay vendors for services rendered or products purchased.

In addition, our obligations related to our pension and postretirement benefit plans are discussed in Note 16 in the Notes to Consolidated Financial Statements.

Employee Stock Ownership Plan

Services Company provides the ESOP to the majority of its employees hired before September 16, 2004. Employees hired by Services Company after September 15, 2004, and certain employees covered by a union multiemployer pension plan do not participate in the ESOP. The ESOP owns all of the outstanding common stock of Services Company.

At December 31, 2009, the ESOP was directly obligated to a third-party lender for $7.7 million with respect to the 3.60% ESOP Notes. The 3.60% ESOP Notes were issued on May 4, 2004 to refinance Services Company s 7.24% ESOP Notes which were originally issued to purchase Services Company common stock. The 3.60% ESOP Notes are collateralized by Services Company common stock and are guaranteed by Services Company. Buckeye has committed that, in the event that the value of its LP Units owned by Services Company falls to less than 125% of the balance payable under the 3.60% ESOP Notes, Buckeye will fund an escrow account with sufficient assets to bring the value of the total collateral (the value of LP Units owned by Services Company and the escrow account) up to the 125% minimum. Amounts deposited in the escrow account are returned to Buckeye when the value of the LP Units owned by Services Company returns to an amount which exceeds the 125% minimum. At December 31, 2009, the value of the LP Units owned by Services Company was approximately $89.3 million, which exceeded the 125% requirement.

Services Company stock is released to employee accounts in the proportion that current payments of principal and interest on the 3.60% ESOP Notes bear to the total of all principal and interest payments due under the 3.60% ESOP Notes. Individual employees are allocated shares based upon the ratio of their eligible compensation to total eligible compensation. See Note 18 in the Notes to Consolidated Financial Statements for further information.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements except for operating leases and outstanding letters of credit (see Note 13 in the Notes to Consolidated Financial Statements).

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Related Party Transactions

With respect to related party transactions, see Note 19 in the Notes to Consolidated Financial Statements and Item 13, Certain Relationships and Related Transactions and Director Independence.

Recent Accounting Pronouncements

See Note 2 in the Notes to Consolidated Financial Statements for a description of certain new accounting pronouncements that will or may affect our consolidated financial statements.

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PART IV

Item 15. ***Exhibits, Financial Statement Schedules***

(a) The following documents are filed as a part of this Report:

(1) Financial Statements see Index to Consolidated Financial Statements.

(2) Financial Statement Schedules None.

(3) Exhibits, including those incorporated by reference. The following is a list of exhibits filed as part of this Report.

Exhibit Number	Description
3.1	Certificate of Limited Partnership of Buckeye GP Holdings L.P., dated March 7, 2006 (Incorporated by reference to Exhibit 3.1 of Buckeye GP Holdings L.P. s Registration Statement on Form S-1 filed on April 20, 2006).
3.2	First Amended and Restated Agreement of Limited Partnership of Buckeye GP Holdings L.P., dated as of August 9, 2006 (Incorporated by reference to Exhibit 3.1 of Buckeye GP Holdings L.P. s Form 8-K filed on August 14, 2006).
10.1	Amended and Restated Contribution, Conveyance and Assumption Agreement, dated as of August 9, 2006, among the limited partners of MainLine L.P., MainLine L.P., Buckeye GP LLC, Buckeye GP Holdings L.P., MainLine Management LLC, and MainLine GP, Inc. (Incorporated by reference to Exhibit 10.1 of Buckeye GP Holdings L.P. s Current Report on Form 8-K filed on August 14, 2006).
10.2	Indenture dated as of July 10, 2003, between Buckeye Partners, L.P. and SunTrust Bank, as Trustee (Incorporated by reference to Exhibit 4.1 of Buckeye Partners, L.P. s Registration Statement on Form S-4 filed September 19, 2003).
10.3	First Supplemental Indenture dated as of July 10, 2003, between Buckeye Partners, L.P. and SunTrust Bank, as Trustee (Incorporated by reference to Exhibit 4.2 of Buckeye Partners, L.P. s Registration Statement on Form S-4 filed September 19, 2003).
10.4	Second Supplemental Indenture dated as of August 19, 2003, between Buckeye Partners, L.P. and SunTrust Bank, as Trustee (Incorporated by reference to Exhibit 4.3 of Buckeye Partners, L.P. s Registration Statement on Form S-4 filed September 19, 2003).
10.5	Third Supplemental Indenture dated as of October 12, 2004, between Buckeye Partners, L.P. and SunTrust Bank, as Trustee (Incorporated by reference to Exhibit 4.1 of Buckeye Partners, L.P. s Current Report on Form 8-K filed on October 14, 2004).
10.6	Fourth Supplemental Indenture dated as of June 30, 2005, between Buckeye Partners, L.P. and SunTrust Bank, as Trustee (Incorporated by reference to Exhibit 4.1 of Buckeye Partners, L.P. s Current Report on Form 8-K filed on June 30, 2005).
10.7	Fifth Supplemental Indenture dated as of January 11, 2008, between Buckeye Partners, L.P. and U.S. Bank National Association (successor to SunTrust Bank) (Incorporated by reference to Exhibit 4.1 of Buckeye Partners, L.P. s Current Report on Form 8-K filed on January 11, 2008).

10.8	Sixth Supplemental Indenture dated as of August 18, 2009, between Buckeye Partners, L.P. and U.S. Bank National Association (successor-in-interest to SunTrust Bank), as Trustee (Incorporated by reference to Exhibit 4.1 of Buckeye Partners, L.P. s Current Report on Form 8-K filed on August 24, 2009).

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Exhibit Number	Description
10.9	Amended and Restated Agreement of Limited Partnership of Buckeye Partners, L.P., dated as of April 14, 2008, effective as of January 1, 2007 (Incorporated by reference to Exhibit 3.1 of Buckeye Partners, L.P. s Current Report on Form 8-K filed on April 15, 2008).
10.10	Amended and Restated Management Agreement between MainLine L.P. and Buckeye Pipe Line Company, L.P., as amended and restated as of August 9, 2006 (Incorporated by reference to Exhibit 10.5 of Buckeye GP Holdings L.P. s Current Report on Form 8-K filed on August 14, 2006). (1)
10.11	Services Agreement dated as of December 15, 2004, among Buckeye Partners, L.P., certain of its subsidiaries and Buckeye Pipe Line Services Company (Incorporated by reference to Exhibit 10.3 of Buckeye Partners L.P. s Current Report on Form 8-K dated December 20, 2004).
10.12	First Amendment to Services Agreement, dated as of October 15, 2008, among Buckeye Partners, L.P., Buckeye Pipe Line Services Company, and the subsidiary partnerships and limited liability companies of Buckeye Partners, L.P. set forth on the signature pages thereto. (Incorporated by reference to Exhibit 10.2 of Buckeye Partners L.P. s Current Report on Form 8-K dated October 16, 2008).
10.13	Fifth Amended and Restated Exchange Agreement, dated as of October 15, 2008, among Buckeye GP Holdings L.P., Buckeye GP LLC, Buckeye Partners, L.P., MainLine L.P., Buckeye Pipe Line Company, L.P., Laurel Pipe Line Company, L.P., Everglades Pipe Line Company, L.P., and Buckeye Pipe Line Holdings, L.P. (Incorporated by reference to Exhibit 10.6 of Buckeye Partners L.P. s Annual Report on Form 10-K for the year ended December 31, 2008).
10.14	Acknowledgement and Agreement, dated as of May 6, 2002, between Buckeye Partners, L.P. and Glenmoor, Ltd. (Incorporated by reference to Exhibit 10.13 of Buckeye GP Holdings L.P. s Registration Statement on Form S-1 filed on April 20, 2006).
*10.15	Amended and Restated Employment Agreement, dated October 25, 2007, by and among Stephen C. Muther, Buckeye GP Holdings L.P. and Buckeye Pipe Line Services Company (Incorporated by reference to Exhibit 10.1 of Buckeye GP Holdings L.P. s Current Report on Form 8-K filed on October 26, 2007).
*10.16	Severance Agreement, dated as of November 10, 2008, by and among Buckeye Partners, L.P., Buckeye GP Holdings L.P., Buckeye Pipe Line Services Company, and Keith E. St.Clair (Incorporated by reference to Exhibit 10.1 of Buckeye GP Holdings L.P. s Current Report on Form 8-K filed on November 10, 2008).
*10.17	Severance Agreement, dated as of February 17, 2009, by and among Buckeye Partners, L.P., Buckeye Pipe Line Services Company, and Clark C. Smith (Incorporated by reference to Exhibit 10.1 of Buckeye Partners, L.P. s Current Report on Form 8-K filed on February 17, 2009).
*10.18	Amended and Restated Management Agreement, dated as of December 15, 2004, among Buckeye GP LLC and MainLine Sub LLC (Incorporated by reference to Exhibit 10.9 of Buckeye Partners, L.P. s Current Report on Form 8-K filed on December 20, 2004).
*10.19	Amended and Restated Unit Option and Distribution Equivalent Plan of Buckeye Partners, L.P., dated as of April 24, 2002 (Incorporated by reference to Exhibit 10.11 of Buckeye Partners, L.P. s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002).

*10.20	Amended and Restated Unit Option Loan Program of Buckeye Pipe Line Company dated as of April 24, 2002 (Incorporated by reference to Exhibit 10.12 of Buckeye Partners, L.P. s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002).
*10.21	Buckeye Partners, L.P. 2009 Long-Term Incentive Plan, as amended (Incorporated by reference to Exhibit 10.1 of Buckeye Partners, L.P. s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009).
*10.22	Buckeye Partners, L.P. Annual Incentive Compensation Plan, as amended and restated, effective as of January 1, 2010 (Incorporated by reference to Exhibit 10.13 of Buckeye Partners, L.P. s Annual Report on Form 10-K for the year ended December 31, 2009).
10.23	Amended and Restated Executive Employment Agreement, dated as of August 9, 2006, among Buckeye GP LLC, MainLine Sub LLC, MainLine L.P., MainLine GP, Inc. and Buckeye Pipe Line Services

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Exhibit Number	Description
	Company (Incorporated by reference to Exhibit 10.7 of Buckeye GP Holdings L.P. s Current Report on Form 8-K filed on August 14, 2006).
*10.24	Full Waiver and Release of Claims, dated as of Mary 8, 2009, by Vance E. Powers (Incorporated by reference to Exhibit 10.1 of Buckeye Partners, L.P. s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009).
10.25	Termination Agreement, dated as of October 15, 2008, among Buckeye GP LLC, Buckeye GP Holdings L.P., MainLine L.P., MainLine GP, Inc. and Buckeye Pipe Line Services Company (Incorporated by reference to Exhibit 10.2 of Buckeye GP Holdings L.P. s Current Report on Form 8-K filed on October 16, 2008).
10.26	Credit Agreement, dated as of August 9, 2006, among Buckeye GP Holdings L.P., as borrower, SunTrust Bank, as administrative agent, and the lenders signatory hereto (Incorporated by reference to Exhibit 10.8 of Buckeye GP Holdings L.P. s Current Report on Form 8-K filed on August 14, 2006).
10.27	First Amendment to Credit Agreement, dated as of May 18, 2007, by and among Buckeye GP Holdings L.P., as borrower, SunTrust Bank, as administrative agent, and the lenders signatory thereto (Incorporated by reference to Exhibit 10.2 of Buckeye GP Holdings L.P. s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007).
10.28	Supplement to Pledge Agreement Additional Pledgor, dated as of September 15, 2006, among Buckeye GP Holdings L.P., as borrower, SunTrust Bank, as administrative agent, and the lenders signatory hereto (Incorporated by reference to Exhibit 10.9 of Buckeye GP Holdings L.P. s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006).
10.29	Credit Agreement, dated November 13, 2006, among Buckeye Partners, L.P., as borrower, SunTrust Bank, as administrative agent, and the lenders signatory thereto (Incorporated by reference to Exhibit 10.1 of Buckeye Partners, L.P. s Current Report on Form 8-K filed on November 16, 2006).
10.30	First Amendment to Credit Agreement, dated as of May 18, 2007, by and among Buckeye Partners, L.P., as borrower, SunTrust Bank, as administrative agent, and the lenders signatory thereto (Incorporated by reference to Exhibit 10.1 of Buckeye GP Holdings L.P. s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007).
10.31	Second Amendment to Credit Agreement, dated August 24, 2007, among Buckeye Partners, L.P., SunTrust Bank, as administrative agent, and the lenders signatory thereto (Incorporated by reference to Exhibit 10.1 of Buckeye GP Holdings L.P. s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007).
10.32	Third Amendment to Credit Agreement, dated January 23, 2008, among Buckeye Partners, L.P., SunTrust Bank, as administrative agent, and the lenders signatory thereto (Incorporated by reference to Exhibit 10.1 of Buckeye Partners L.P. s Current Report on Form 8-K filed on January 28, 2008).
10.33	Fourth Amendment to Credit Agreement, dated August 21, 2009, among Buckeye Partners, L.P., SunTrust Bank, as administrative agent, and the lenders signatory thereto (Incorporated by reference to Exhibit 10.2

of Buckeye Partners, L.P. s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009).

10.34	Credit Agreement, dated as of May 20, 2008, by and among Farm & Home Oil Company LLC, Buckeye Energy Services LLC, BNP Paribas and other lenders party thereto (Incorporated by reference to Exhibit 10.1 of Buckeye Partners L.P. s Current Report on Form 8-K filed on May 23, 2008).
10.35	First Amendment, dated as of July 18, 2008, to the Credit Agreement, dated as of May 20, 2008, among Farm & Home Oil Company LLC, Buckeye Energy Services LLC, BNP Paribas and other lenders party thereto (Incorporated by reference to Exhibit 10.1 of Buckeye Partners L.P. s Current Report on Form 8-K filed on July 22, 2008).
10.36	Second Amendment, dated as of September 15, 2008, to the Credit Agreement, dated as of May 20, 2008, among Farm & Home Oil Company LLC, Buckeye Energy Services LLC, BNP Paribas and other lenders party thereto (Incorporated by reference to Exhibit 10.1 of Buckeye Partners L.P. s Annual Report on Form 10-K for the year ended December 31, 2008).

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Exhibit Number	Description
10.37	Third Increase Agreement and Waiver, dated as of August 12, 2009, to the Credit Agreement, dated as of May 20, 2008, among Buckeye Energy Services LLC, BNP Paribas and other lenders party thereto (Incorporated by reference to Exhibit 10.1 of Buckeye Partners, L.P. s Current Report on Form 8-K filed on August 14, 2009).
***21.1	Subsidiaries of the Registrant
***23.1	Consent of Deloitte & Touche LLP
**31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 (a) under the Securities Exchange Act of 1934.
**31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
***32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
***32.2	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350.

* Represents management contract or compensatory plan or arrangement.

** Filed herewith.

*** Previously filed.

(1) The Amended and Restated Management Agreement between MainLine L.P. and each of Everglades Pipe Line Company, L.P., Laurel Pipe Line Company, L.P. and Buckeye Pipe Line Holdings, L.P. are not filed

because they are identical to Exhibit 10.9 except for the identity of the partnership.

(b) Exhibits See Item 15(a)(3) above.

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SIGNATURES

Pursuant to the requirements of Section 13 of 15(d) 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.

Buckeye GP Holdings L.P.
(Registrant)

By: MainLine Management LLC,
as General Partner

Dated: August 26, 2010

By: /s/ Forrest E. Wylie
Forrest E. Wylie
Chief Executive Officer
(Principal Executive Officer)

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