Buckeye GP Holdings L.P.
Form 10-Q
November 08, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2010

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

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 Web site, if any, every Interactive Data 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 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 (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of November 5, 2010, there were 27,774,016 Common Units and 525,984 Management Units outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

BUCKEYE GP HOLDINGS L.P.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per unit amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Revenues:				
Product sales	$ 564,044	$ 258,188	$ 1,633,958	$ 728,744
Transportation and other services	170,813	165,256	499,349	462,760
Total revenue	734,857	423,444	2,133,307	1,191,504
Costs and expenses:				
Cost of product sales and natural gas storage services	560,248	258,507	1,628,630	702,623
Operating expenses	68,685	66,100	204,037	208,842
Depreciation and amortization	15,062	13,138	44,259	40,061
Asset impairment expense				72,540
General and administrative	11,349	9,814	35,438	30,007
Reorganization expense		996		29,109
Total costs and expenses	655,344	348,555	1,912,364	1,083,182
Operating income	79,513	74,889	220,943	108,322
Other income (expense):				
Investment income	140	65	380	359
Interest and debt expense	(22,082)	(20,391)	(65,088)	(54,030)
Total other expense	(21,942)	(20,326)	(64,708)	(53,671)
Income before earnings from equity investments	57,571	54,563	156,235	54,651
Earnings from equity investments	3,391	3,807	8,807	9,031
Net income	60,962	58,370	165,042	63,682
Less: net income attributable to noncontrolling interests	(49,021)	(47,275)	(130,324)	(32,666)
Net income attributable to Buckeye GP Holdings L.P.	$ 11,941	$ 11,095	$ 34,718	$ 31,016

Earnings per partnership unit:								
Basic	$	0.42	$	0.39	$	1.23	$	1.10
Diluted	$	0.42	$	0.39	$	1.23	$	1.10
Weighted average number of common units outstanding:								
Basic		28,300		28,300		28,300		28,300
Diluted		28,300		28,300		28,300		28,300

See Notes to Unaudited Condensed Consolidated Financial Statements.

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BUCKEYE GP HOLDINGS L.P.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except unit amounts)
(Unaudited)

	September 30, 2010	December 31, 2009
Assets:		
Current assets:		
Cash and cash equivalents	$ 15,922	$ 37,574
Trade receivables, net	133,695	124,165
Construction and pipeline relocation receivables	8,844	14,095
Inventories	267,724	310,214
Derivative assets	2,600	4,959
Assets held for sale		22,000
Prepaid and other current assets	74,484	104,251
Total current assets	503,269	617,258
Property, plant and equipment, net	2,248,866	2,238,321
Equity investments	108,143	96,851
Goodwill	432,124	432,124
Intangible assets, net	41,817	45,157
Other non-current assets	37,732	56,860
Total assets	$ 3,371,951	$ 3,486,571
Liabilities and partners capital:		
Current liabilities:		
Line of credit	$ 211,800	$ 239,800
Current portion of long-term debt	3,059	6,178
Accounts payable	56,346	56,723
Derivative liabilities	10,978	14,665
Accrued and other current liabilities	115,489	113,474
Total current liabilities	397,672	430,840
Long-term debt	1,441,287	1,500,495
Long-term derivative liabilities	40,910	
Other non-current liabilities	109,521	102,942
Total liabilities	1,989,390	2,034,277
Commitments and contingent liabilities		
Partners capital:		

Buckeye GP Holdings L.P. capital:		
General Partner (2,830 common units outstanding as of September 30, 2010 and December 31, 2009)	7	7
Limited Partners (27,771,186 common units outstanding as of September 30, 2010 and December 31, 2009)	232,985	236,545
Management (525,984 units outstanding as of September 30, 2010 and December 31, 2009)	3,157	3,225
Equity gains on issuance of Buckeye Partners, L.P. limited partner units	2,557	2,557
Total Buckeye GP Holdings L.P. capital	238,706	242,334
Noncontrolling interests	1,143,855	1,209,960
Total partners capital	1,382,561	1,452,294
Total liabilities and partners capital	$ 3,371,951	$ 3,486,571

See Notes to Unaudited Condensed Consolidated Financial Statements.

BUCKEYE GP HOLDINGS L.P.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2010	**2009**
Cash flows from operating activities:		
Net income	$ 165,042	$ 63,682
Adjustments to reconcile net income to cash provided by operating activities:		
Value of ESOP shares released	3,480	768
Depreciation and amortization	44,259	40,061
Asset impairment expense		72,540
Net changes in fair value of derivatives	(16,152)	(5,632)
Non-cash deferred lease expense	3,176	3,375
Earnings from equity investments of Buckeye Partners, L.P.	(8,807)	(9,031)
Distributions from equity investments of Buckeye Partners, L.P.	11,027	4,281
Amortization of other non-cash items	7,552	4,765
Change in assets and liabilities:		
Trade receivables	(9,530)	(8,428)
Construction and pipeline relocation receivables	5,251	9,394
Inventories	56,657	(90,579)
Prepaid and other current assets	31,289	(19,804)
Accounts payable	(377)	(2,308)
Accrued and other current liabilities	(2,367)	8,196
Other non-current assets	3,059	(21,069)
Other non-current liabilities	2,548	14,469
Total adjustments from operating activities	131,065	998
Net cash provided by operating activities	296,107	64,680
Cash flows from investing activities:		
Capital expenditures	(49,275)	(58,803)
Acquisition of additional interest in equity investment	(13,512)	
Contributions to equity investments		(3,870)
Acquisitions	(1,269)	(10)
Net proceeds from disposal of property, plant and equipment	22,448	1,248
Net cash used in investing activities	(41,608)	(61,435)
Cash flows from financing activities:		
Net proceeds from issuance of Buckeye Partners, L.P. limited partner units		104,633
Proceeds from exercise of Buckeye Partners, L.P. unit options	4,275	1,901
Issuance of long-term debt		273,210

Repayment of long-term debt	(4,644)	(4,730)
Borrowings under credit facility	175,900	160,720
Repayments under credit facility	(233,900)	(458,987)
Net (repayments) borrowings under BES credit agreement	(28,000)	53,600
Debt issuance costs	(3,245)	(2,138)
Costs associated with agreement and plan of merger	(4,514)	
Distributions paid to noncontrolling partners of Buckeye Partners, L.P.	(145,516)	(133,104)
Distributions paid to partners	(36,507)	(29,716)
Net cash used in financing activities	(276,151)	(34,611)
Net decrease in cash and cash equivalents	(21,652)	(31,366)
Cash and cash equivalents Beginning of period	37,574	61,281
Cash and cash equivalents End of period	$ 15,922	$ 29,915

See Notes to Unaudited Condensed Consolidated Financial Statements.

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BUCKEYE GP HOLDINGS L.P.
CONDENSED CONSOLIDATED STATEMENTS OF PARTNERS CAPITAL
(In thousands)
(Unaudited)

	Buckeye GP Holdings L.P. Unitholders					
	General Partner Common Units	Limited Partner Common Units	Management Units	Equity Gains on Issuance of Buckeye s Limited Partner Units	Noncontrolling Interests	Total
Balance January 1, 2009	$ 7	$ 226,565	$ 3,037	$ 2,451	$ 1,166,774	$ 1,398,834
Net income*		30,434	582		32,666	63,682
Distributions paid to partners		(29,159)	(557)			(29,716)
Recognition of unit-based compensation charges		972	18			990
Equity gains on issuance of Buckeye s limited partner units				106	(106)	
Net proceeds from issuance of 3.0 million of Buckeye s limited partner units					104,633	104,633
Amortization of Buckeye s unit-based compensation awards					1,210	1,210
Exercise of limited partner unit options					1,901	1,901
Services Company s non-cash ESOP distributions					(4,740)	(4,740)
Distributions paid to noncontrolling interests					(133,104)	(133,104)
Adjustment to funded status of benefit plans					6,400	6,400
Other					3,261	3,261
Balance September 30, 2009	$ 7	$ 228,812	$ 3,080	$ 2,557	$ 1,178,895	$ 1,413,351
	$ 7	$ 236,545	$ 3,225	$ 2,557	$ 1,209,960	$ 1,452,294

Balance January 1, 2010						
Net income*		34,068	650		130,324	165,042
Costs associated with agreement and plan of merger		(2,746)	(52)		(4,129)	(6,927)
Distributions paid to partners		(35,823)	(684)			(36,507)
Recognition of unit-based compensation charges		941	18			959
Amortization of Buckeye s unit-based compensation awards					5,159	5,159
Exercise of limited partner unit options					4,275	4,275
Services Company s non-cash ESOP distributions					(2,639)	(2,639)
Distributions paid to noncontrolling interests					(145,516)	(145,516)
Change in value of derivatives					(58,772)	(58,772)
Investment in Buckeye s limited partner units					4,503	4,503
Other					690	690
Balance September 30, 2010	$ 7	$ 232,985	$ 3,157	$ 2,557	$ 1,143,855	$ 1,382,561

* Comprehensive income equals net income.

See Notes to Unaudited Condensed Consolidated Financial Statements.

BUCKEYE GP HOLDINGS L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

Partnership Organization

Buckeye GP Holdings L.P. is a publicly traded Delaware master limited partnership (MLP), the common units (Common Units) of which are listed on the New York Stock Exchange (NYSE) under the ticker symbol BGH. We were organized on June 15, 2006 and own 100% of Buckeye GP LLC (Buckeye GP), which is the general partner of Buckeye Partners, L.P. (Buckeye). Buckeye is also a publicly traded Delaware MLP which was organized in 1986, and its limited partner units (LP Units) are separately traded on the NYSE under the ticker symbol BPL. Approximately 62% of our outstanding equity, which includes Common Units and management units (Management Units), are owned by BGH GP Holdings, LLC (BGH GP) and approximately 38% by the public. BGH GP is owned by affiliates of ArcLight Capital Partners, LLC (ArcLight), Kelso & Company (Kelso), and certain investment funds along with certain members of senior management of Buckeye GP. MainLine Management LLC, a Delaware limited liability company (MainLine Management), is our general partner and is wholly owned by BGH GP. As used in these Notes to Unaudited Condensed Consolidated Financial Statements, unless the context requires otherwise, references to *we*, *us*, *our* or "*BGH* are intended to mean the business and operations of Buckeye GP Holdings L.P. on a consolidated basis, including those of Buckeye. References to *Buckeye* mean Buckeye Partners, L.P. and its consolidated subsidiaries.

Our only business is the ownership of Buckeye GP. Buckeye GP s only business is the management of Buckeye and its subsidiaries. At September 30, 2010, Buckeye GP owned an approximate 0.5% general partner interest in Buckeye.

Buckeye was formed in 1986 and owns and operates one of the largest independent refined petroleum products pipeline systems in the United States in terms of volumes delivered with approximately 5,400 miles of pipeline and 68 active products terminals that provide aggregate storage capacity of approximately 27.3 million barrels. In addition, Buckeye operates and maintains approximately 2,400 miles of other pipelines under agreements with major oil and gas, petrochemical and chemical companies, and performs certain engineering and construction management services for third parties. Buckeye also owns and operates a major natural gas storage facility in northern California, and is a wholesale distributor of refined petroleum products in the United States in areas also served by its pipelines and terminals. We, through Buckeye, operate and report in five business segments: Pipeline Operations; Terminalling & Storage; Natural Gas Storage; Energy Services; and Development & Logistics.

Buckeye Pipe Line Services Company (Services Company) was formed in 1996 in connection with the establishment of the Buckeye Pipe Line Services Company Employee Stock Ownership Plan (the ESOP). At September 30, 2010, Services Company owned approximately 2.9% of Buckeye s LP Units. Services Company employees provide services to Buckeye s operating subsidiaries. Pursuant to a services agreement entered into in December 2004 (the Services Agreement), Buckeye s operating subsidiaries reimburse Services Company for the costs of the services provided by Services Company.

Agreement and Plan of Merger

On August 18, 2010, we and our general partner entered into a First Amended and Restated Agreement and Plan of Merger (the Merger Agreement) with Buckeye, its general partner and Grand Ohio, LLC (Merger Sub), Buckeye s subsidiary. Pursuant to the Merger Agreement, Merger Sub will be merged into BGH, with BGH as the surviving entity (the Merger). In the transaction, the incentive compensation agreement (also referred to as the incentive distribution rights) held by Buckeye s general partner will be cancelled, the general partner units held by Buckeye s general partner (representing an approximate 0.5% general partner interest in Buckeye) will be converted to a non-economic general partner interest, all of the economic interest in us will be acquired by BPL and our unitholders will receive aggregate consideration of approximately 20 million of Buckeye s LP Units.

BUCKEYE GP HOLDINGS L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Merger Agreement is subject to, among other things, approval by the affirmative vote of the holders of a majority of Buckeye s LP Units outstanding and entitled to vote at a meeting of the holders of Buckeye s LP Units, approval by the (a) affirmative vote of holders of a majority of our Common Units and (b) affirmative vote of holders of a majority of our Common Units and management units, voting together as a single class.

The Merger will be accounted for as an equity transaction. Therefore, changes in our ownership interest as a result of the Merger will not result in gain or loss recognition. We will be considered the surviving consolidated entity for accounting purposes, while Buckeye will be the surviving consolidated entity for legal and reporting purposes.

We incurred a total of $2.8 million of costs associated with the Merger during the nine months ended September 30, 2010, of which $1.3 million has been paid. Together with Buckeye, the aggregate costs associated with the Merger incurred during the nine months ended September 30, 2010 were $6.9 million, of which $4.5 million has been paid. We charged these costs directly to partners capital.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements reflect all adjustments that are, in the opinion of our management, of a normal and recurring nature and necessary for a fair statement of our financial position as of September 30, 2010, and the results of our operations and cash flows for the periods presented. The results of operations for the three and nine months ended September 30, 2010 are not necessarily indicative of results of our operations for the 2010 fiscal year. The unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). We have eliminated all intercompany transactions in consolidation. The consolidated financial statements also include the accounts of wholly-owned subsidiaries, as well as the accounts of Buckeye and Services Company, on a consolidated basis. Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to those rules and regulations. These interim financial statements should be read in conjunction with our consolidated financial statements and notes thereto presented in our Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on March 2, 2010.

Reclassifications

Certain prior year amounts have been reclassified in the condensed consolidated statements of cash flows to conform to the current-year presentation. The reclassification in the condensed consolidated statements of cash flows is as follows:

We have separately disclosed cash flows from the issuance of long-term debt and borrowings under our credit facilities for the nine months ended September 30, 2009. These amounts had been included within the same line item in the 2009 period.

This reclassification had no impact on net income or cash flows from operating, investing or financing activities.

Recent Accounting Developments

Consolidation of Variable Interest Entities (VIEs). In June 2009, the Financial Accounting Standards Board (FASB) amended consolidation guidance for VIEs. The objective of this new guidance is to improve financial reporting by companies involved with VIEs. This guidance requires each reporting company to perform an analysis to determine whether the company s variable interest or interests give it a controlling financial interest in a VIE. The new guidance was effective for us on January 1, 2010. The adoption of this guidance did not have an impact on our consolidated financial statements.

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BUCKEYE GP HOLDINGS L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Fair Value Measurements. In January 2010, the FASB issued guidance that requires new disclosures related to fair value measurements. The new guidance requires expanded disclosures related to transfers between Level 1 and 2 activities and a gross presentation for Level 3 activity. The new accounting guidance is effective for fiscal years and interim periods beginning after December 15, 2009, except for the new disclosures related to Level 3 activities, which are effective for fiscal years beginning after December 15, 2010 and for interim periods within those years. The new guidance became effective for us on January 1, 2010, except for the new disclosures related to Level 3 activities, which will be effective for us on January 1, 2011. We have included the enhanced disclosure requirements regarding fair value measurements in Note 12.

2. ACQUISITIONS AND DISPOSITION

Refined Petroleum Products Terminals and Pipeline Assets Acquisition

On November 18, 2009, we acquired from ConocoPhillips certain refined petroleum product terminals and pipeline assets for approximately $47.1 million in cash. In addition, we acquired certain inventory on hand upon completion of the transaction for additional consideration of $7.3 million. The assets include over 300 miles of active pipeline that provide connectivity between the East St. Louis, Illinois and East Chicago, Indiana markets and three terminals providing 2.3 million barrels of storage tankage. ConocoPhillips entered into certain commercial contracts with us concurrent with our acquisition regarding usage of the acquired facilities. We believe the acquisition of these assets has given us greater access to markets and refinery operations in the Midwest and increased the commercial value of these assets and certain of our existing assets to our customers by offering enhanced distribution connectivity and flexible storage capabilities. The operations of these acquired assets are reported in the Pipeline Operations and Terminalling & Storage segments. The purchase price has been allocated to the tangible and intangible assets acquired, as follows (in thousands):

Inventory	$ 7,287
Property, plant and equipment	44,400
Intangible assets	4,580
Environmental and other liabilities	(1,834)
Allocated purchase price	$ 54,433

Acquisition of Additional Interest in West Shore Pipe Line Company

On August 2, 2010, in connection with our exercise of a right of first refusal, we completed the acquisition of additional shares of West Shore Pipe Line Company (West Shore) common stock from an affiliate of BP plc, resulting in an increase in our ownership interest in West Shore from 24.9% to 34.6%. We paid approximately $13.5 million for this additional interest. We exercised our right of first refusal to purchase the additional shares because of the favorable economics associated with the investment opportunity and our desire to increase our ownership in a successful joint venture pipeline that we currently operate.

Acquisition of Other Pipeline Assets

In August 2010, we acquired pipeline assets in western Pennsylvania for $1.3 million. These assets have been included in the Pipeline Operations segment.

Sale of Buckeye NGL Pipeline

Effective January 1, 2010, we sold our ownership interest in an approximately 350-mile natural gas liquids pipeline (the Buckeye NGL Pipeline) that runs from Wattenberg, Colorado to Bushton, Kansas for $22.0 million. The assets had been classified as Assets held for sale in our consolidated balance sheet at December 31, 2009 with a carrying amount equal to the proceeds received. Revenues for Buckeye NGL Pipeline for the three and nine months ended September 30, 2009 were $1.7 million and $8.2 million, respectively.

BUCKEYE GP HOLDINGS L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. COMMITMENTS AND CONTINGENCIES

Claims and Proceedings

In the ordinary course of business, we are involved in various claims and legal proceedings, some of which are covered by insurance. We are generally unable to predict the timing or outcome of these claims and proceedings. Based upon our evaluation of existing claims and proceedings and the probability of losses relating to such contingencies, we have accrued certain amounts relating to such claims and proceedings, none of which are considered material.

In April 2010, the Pipeline Hazardous Materials Safety Administration (PHMSA) proposed penalties totaling approximately $0.5 million in connection with a tank overfill incident that occurred at our facility in East Chicago, Indiana, in May 2005 and other related personnel qualification issues raised as a result of PHMSA s 2008 Integrity Inspection. We are contesting the proposed penalty. The timing or outcome of this appeal cannot reasonably be determined at this time.

On August 24, 2010, the District Court of Harris County, Texas, entered an order consolidating three previously filed putative class actions (*Broadbased Equities v. Forrest E. Wylie, et. al*., *Henry James Steward v. Forrest E. Wylie, et. al.*, and *JR Garrett Trust v. Buckeye GP Holdings L.P., et al.,* each of which were previously described in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2010) under the caption of *Broadbased Equities v. Forrest E. Wylie, et al.* and appointing interim co-lead class counsel and interim co-liaison counsel. The plaintiffs subsequently filed a consolidated amended class action and derivative complaint on September 1, 2010 (the Complaint). The Complaint purports to be a putative class and derivative action alleging that MainLine Management and its directors breached their fiduciary duties to our public unitholders in connection with the Merger by, among other things, accepting insufficient consideration and failing to disclose all material facts in order that our unitholders may cast an informed vote on the Merger Agreement, and that Buckeye, Buckeye GP, MainLine Management, Merger Sub, BGH GP, ArcLight and Kelso aided and abetted the breaches of fiduciary duty.

On October 29, 2010, the parties to the litigation entered into a Memorandum of Understanding (MOU) in connection with a proposed settlement of the class action and the Complaint. The MOU provides for dismissal with prejudice of the litigation and a release of the defendants from all present and future claims asserted in the litigation in exchange for, among other things, the agreement of the defendants to amend the Merger Agreement to reduce the termination fees payable by us upon termination of the Merger Agreement and to provide our unitholders with supplemental disclosure to Buckeye s and our joint proxy statement/prospectus, dated September 24, 2010. The supplemental disclosure is set forth in a joint proxy statement/prospectus supplement, dated October 29, 2010, that was filed with the SEC on November 1, 2010.

In addition, the MOU provides that, in settlement of the plaintiffs claims (including any claim against the defendants by the plaintiffs counsel for attorneys fees or expenses related to the litigation), the defendants (or their insurers) will pay a cash payment of $900,000, subject to final court approval of the settlement. The proposed settlement is subject to further definitive documentation and to a number of conditions, including, without limitation, completion of certain confirmatory discovery by the plaintiffs, the drafting and execution of a formal Stipulation of Settlement, the consummation of the Merger and court approval of the proposed settlement. There is no assurance that these conditions will be satisfied.

We and the other defendants vigorously deny all liability with respect to the facts and claims alleged in the Complaint, and specifically deny that any modifications to the Merger Agreement or any supplemental disclosure was required or advisable under any applicable rule, statute, regulation or law. However, to avoid the substantial burden, expense, risk, inconvenience and distraction of continuing the litigation, and to fully and finally resolve the claims alleged, we and the other defendants agreed to the proposed settlement described above.

BUCKEYE GP HOLDINGS L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Environmental Contingencies

In accordance with our accounting policy, we recorded operating expenses, net of insurance recoveries, of $2.2 million and $2.2 million during the three months ended September 30, 2010 and 2009, respectively, and $7.6 million and $8.8 million during the nine months ended September 30, 2010 and 2009, respectively, related to environmental expenditures unrelated to claims and proceedings**.**

Ammonia Contract Contingencies

On November 30, 2005, Buckeye Gulf Coast Pipe Lines, L.P. (BGC) purchased an ammonia pipeline and other assets from El Paso Merchant Energy-Petroleum Company (EPME), a subsidiary of El Paso Corporation (El Paso). As part of the transaction, BGC assumed the obligations of EPME under several contracts involving monthly purchases and sales of ammonia. EPME and BGC agreed, however, that EPME would retain the economic risks and benefits associated with those contracts until their expiration at the end of 2012. To effectuate this agreement, BGC passes through to EPME both the cost of purchasing ammonia under a supply contract and the proceeds from selling ammonia under three sales contracts. For the vast majority of monthly periods since the closing of the pipeline acquisition, the pricing terms of the ammonia contracts have resulted in ammonia costs exceeding ammonia sales proceeds. The amount of the shortfall generally increases as the market price of ammonia increases.

EPME has informed BGC that, notwithstanding the parties agreement, it will not continue to pay BGC for shortfalls created by the pass-through of ammonia costs in excess of ammonia revenues. EPME encouraged BGC to seek payment by invoking a $40.0 million guaranty made by El Paso, which guaranteed EPME s obligations to BGC. If EPME fails to reimburse BGC for these shortfalls for a significant period during the remainder of the term of the ammonia agreements, then such unreimbursed shortfalls could exceed the $40.0 million cap on El Paso s guaranty. To the extent the unreimbursed shortfalls significantly exceed the $40.0 million cap, the resulting costs incurred by BGC could adversely affect our financial position, results of operations and cash flows. To date, BGC has continued to receive payment for ammonia costs under the contracts at issue. BGC has not called on El Paso s guaranty and believes only BGC may invoke the guaranty. EPME, however, contends that El Paso s guaranty is the source of payment for the shortfalls, but has not clarified the extent to which it believes the guaranty has been exhausted. We have been working with EPME to terminate the ammonia sales contracts and ammonia supply contracts and, at no out of pocket cost to us, have terminated one of the ammonia sales contracts. Given, however, the uncertainty of future ammonia prices and EPME s future actions, we continue to believe we have risk of loss and, at this time, are unable to estimate the amount of any such losses we might incur in the future. We are assessing our options in the event that we and EPME are unable to terminate the remaining contracts or otherwise mitigate the remaining risk, including potential recourse against EPME and El Paso, with respect to this matter.

Customer Bankruptcy

One of our customers filed for bankruptcy in October 2009 and approximately $4.1 million remained payable to us from the customer pursuant to a pre-bankruptcy contract with that customer. In June 2010, we entered into a court approved settlement with the bankrupt customer and its largest creditor pursuant to which we were to be paid at least $2.0 million in cash, and we were released from both asserted and unasserted claims. In August 2010, we received a settlement payment of $2.0 million. As a result of this settlement, our Development & Logistics segment recognized approximately $2.1 million in expense related to the write-off of a portion of the outstanding receivable balance during the nine months ended September 30, 2010.

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4. INVENTORIES

Our inventory amounts were as follows at the dates indicated (in thousands):

	September 30, 2010	December 31, 2009
Refined petroleum products (1)	$ 257,124	$ 299,473
Materials and supplies	10,600	10,741
Total inventories	$ 267,724	$ 310,214

(1) Ending inventory was 115.8 million and 141.7 million gallons of refined petroleum products at September 30, 2010 and December 31, 2009, respectively.

At September 30, 2010 and December 31, 2009, approximately 93% and 99%, respectively, of our inventory was hedged. Hedged inventory is valued at current market prices with the change in value of the inventory reflected in our condensed consolidated statements of operations.

5. PREPAID AND OTHER CURRENT ASSETS

Prepaid and other current assets consist of the following at the dates indicated (in thousands):

	September 30, 2010	December 31, 2009
Prepaid insurance	$ 4,750	$ 7,088
Insurance receivables	9,942	13,544
Ammonia receivable	1,902	7,429
Margin deposits	11,807	21,037
Prepaid services	24,830	21,571
Unbilled revenue	3,425	13,201
Tax receivable	260	7,162
Prepaid taxes	7,197	2,213
Other	10,371	11,006
Total prepaid and other current assets	$ 74,484	$ 104,251

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6. EQUITY INVESTMENTS

We own interests in related businesses that are accounted for using the equity method of accounting. The following table presents our equity investments, all included within the Pipeline Operations segment, at the dates indicated (in thousands):

	Ownership (1)	September 30, 2010	December 31, 2009
Muskegon Pipeline LLC	40.0%	$ 14,536	$ 15,273
Transport4, LLC	25.0%	349	379
West Shore Pipe Line Company (2)	34.6%	43,500	30,320
West Texas LPG Pipeline Limited Partnership	20.0%	49,758	50,879
Total equity investments		$ 108,143	$ 96,851

(1) Represents ownership interest in equity investment at September 30, 2010.

(2) See Note 2 for a discussion of the acquisition of an additional interest in West Shore.

The following table presents earnings from equity investments for the periods indicated (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Muskegon Pipeline LLC	$ 488	$ 385	$ 1,059	$ 923
Transport4, LLC	51	31	120	101
West Shore Pipe Line Company	1,229	1,204	3,730	3,401
West Texas LPG Pipeline Limited Partnership	1,623	2,187	3,898	4,606
Total earnings from equity investments	$ 3,391	$ 3,807	$ 8,807	$ 9,031

Combined income statement data for the periods indicated for our equity method investments is summarized below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues	$ 36,546	$ 36,212	$ 103,845	$ 100,626
Costs and expenses	19,690	17,351	55,934	49,964
Non-operating expense	3,983	3,184	11,021	9,053
Net income	12,873	15,677	36,890	41,609

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7. INTANGIBLE ASSETS

Intangible assets consist of the following at the dates indicated (in thousands):

	September 30, 2010	December 31, 2009
Customer relationships	$ 38,300	$ 38,300
Accumulated amortization	(7,858)	(5,631)
Net carrying amount	30,442	32,669
Customer contracts	16,380	16,380
Accumulated amortization	(5,005)	(3,892)
Net carrying amount	11,375	12,488
Total intangible assets	$ 41,817	$ 45,157

For the three months ended September 30, 2010 and 2009, amortization expense related to intangible assets was $1.1 million and $0.9 million, respectively. For the nine months ended September 30, 2010 and 2009, amortization expense related to intangible assets was $3.3 million and $2.7 million, respectively. Amortization expense related to intangible assets is expected to be approximately $4.5 million for each of the next five years.

8. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following at the dates indicated (in thousands):

	September 30, 2010	December 31, 2009
Prepaid services	$ 8,051	$ 11,640
Derivative assets		17,204
Debt issuance costs	11,678	11,058
Insurance receivables	7,109	7,265
Other	10,894	9,693
Total other non-current assets	$ 37,732	$ 56,860

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9. ACCRUED AND OTHER CURRENT LIABILITIES

Accrued and other current liabilities consist of the following at the dates indicated (in thousands):

	September 30, 2010	December 31, 2009
Taxes other than income	$ 17,190	$ 15,487
Accrued employee benefit liability	3,287	3,287
Environmental liabilities	10,387	10,799
Accrued interest	18,429	30,613
Payable for ammonia purchase	2,215	7,015
Deferred revenue	19,395	6,829
Compensation and vacation	12,910	11,385
Accrued capital expenditures	2,639	1,611
Reorganization		2,133
Deferred consideration	2,010	1,675
Other	27,027	22,640
Total accrued and other current liabilities	$ 115,489	$ 113,474

10. DEBT OBLIGATIONS

Long-term debt consists of the following at the dates indicated (in thousands):

	September 30, 2010	December 31, 2009
BGH:		
BGH Credit Agreement	$	$
Services Company:		
3.60% ESOP Notes due March 28, 2011	3,076	7,790
Retirement premium	(17)	(87)
Buckeye:		
4.625% Notes due July 15, 2013 (1)	300,000	300,000
5.300% Notes due October 15, 2014 (1)	275,000	275,000
5.125% Notes due July 1, 2017 (1)	125,000	125,000
6.050% Notes due January 15, 2018 (1)	300,000	300,000
5.500% Notes due August 15, 2019 (1)	275,000	275,000
6.750% Notes due August 15, 2033 (1)	150,000	150,000
Credit Facility	20,000	78,000
BES Credit Agreement	211,800	239,800
Total debt	1,659,859	1,750,503
Other, including unamortized discounts and fair value hedges	(3,713)	(4,030)
Subtotal debt	1,656,146	1,746,473
Less: Current portion of long-term debt	(214,859)	(245,978)

Total long-term debt	$ 1,441,287	$ 1,500,495

(1) We make semi-annual interest payments on these notes based on the rates noted above with the principal balances outstanding to be paid on or before the due dates as shown above.

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The fair values of our aggregate debt and credit facilities were estimated to be $1,799.8 million and $1,769.8 million at September 30, 2010 and December 31, 2009, respectively. The fair values of the fixed-rate debt were estimated by observing market trading prices and by comparing the historic market prices of our publicly-issued debt with the market prices of other MLPs publicly-issued debt with similar credit ratings and terms. The fair values of the variable-rate debt are their carrying amounts, as the carrying amount reasonably approximates fair value due to the variability of the interest rates.

BGH

We have a five-year, $10.0 million unsecured revolving credit facility with SunTrust Bank, as both administrative agent and lender (the BGH Credit Agreement). The BGH Credit Agreement may be used for working capital and other partnership purposes. We have pledged all of the limited liability company interests in Buckeye GP as security for our obligations under the BGH Credit Agreement. Borrowings under the BGH Credit Agreement bear interest under one of two rate options, selected by us, equal to either (i) the greater of (a) the federal funds rate plus 0.5% and (b) SunTrust Bank s prime commercial lending rate; or (ii) the London Interbank Offered Rate (LIBOR), plus a margin which can range from 0.40% to 1.40%, based on the ratings assigned by Standard & Poor s Rating Services and Moody s Investor Service to our senior unsecured non-credit enhanced long-term debt. At September 30, 2010 and December 31, 2009, there were no amounts outstanding under the BGH Credit Agreement.

The BGH Credit Agreement requires us to maintain leverage and funded debt coverage ratios. The leverage ratio covenant requires us to maintain, as of the last day of each fiscal quarter, a ratio of the total funded indebtedness of us and our Restricted Subsidiaries (as defined below), measured as of the last day of each fiscal quarter, to the aggregate dividends and distributions received by us and the Restricted Subsidiaries from Buckeye, plus all other cash received by us and the Restricted Subsidiaries, measured for the preceding twelve months, less expenses, of not more than 2.50 to 1.00. The BGH Credit Agreement defines Restricted Subsidiaries as certain of our wholly owned subsidiaries. The funded debt coverage ratio covenant requires us to maintain, as of the last day of each fiscal quarter, a ratio of us and all of our consolidated subsidiaries total consolidated funded debt to the consolidated EBITDA, as defined in the BGH Credit Agreement, of us and all of our subsidiaries, measured for the preceding twelve months, of not more than 5.25 to 1.00, subject to a provision for increases to 5.75 to 1.00 in connection with future acquisitions. At September 30, 2010, our funded debt coverage ratio was 4.32 to 1.00.

The BGH Credit Agreement contains other covenants that prohibit us from taking certain actions, including but not limited to, declaring dividends or distributions if any default or event of default has occurred or would result from such a declaration and limiting our ability to incur additional indebtedness, creating negative pledges and granting certain liens, making certain loans, acquisitions, and investments, making material changes to the nature of us and our Restricted Subsidiaries business, and entering into a merger, consolidation, or sale of assets. At September 30, 2010, we were not aware of any instances of noncompliance with the covenants under the BGH Credit Agreement.

Services Company ESOP Notes

Services Company had total debt outstanding of $3.1 million and $7.7 million at September 30, 2010 and December 31, 2009, 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 returns to an amount that exceeds the 125% minimum. At September 30, 2010, the value of Buckeye s LP Units owned by Services Company exceeded the 125% requirement.

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Credit Facility

Buckeye has a borrowing capacity of $580.0 million under an unsecured revolving credit agreement (the Credit Facility) with SunTrust Bank, as administrative agent, which may be expanded up to $780.0 million subject to certain conditions and upon the further approval of the lenders. The Credit Facility s maturity date is August 24, 2012, which Buckeye may extend for up to two additional one-year periods. Borrowings under the Credit Facility bear interest under one of two rate options, selected by Buckeye, equal to either (i) the greater of (a) the federal funds rate plus 0.5% and (b) SunTrust Bank s prime rate plus an applicable margin, or (ii) LIBOR plus an applicable margin. The applicable margin is determined based on the current utilization level of the Credit Facility and ratings assigned by Standard & Poor s Rating Services and Moody s Investor Service for Buckeye s senior unsecured non-credit enhanced long-term debt. At September 30, 2010 and December 31, 2009, $20.0 million and $78.0 million, respectively, were outstanding under the Credit Facility. The weighted average interest rate for borrowings under the Credit Facility was 0.5% at September 30, 2010.

The Credit Facility requires Buckeye to maintain a specified ratio (the Funded Debt Ratio) of no greater than 5.00 to 1.00 subject to a provision that allows for increases to 5.50 to 1.00 in connection with certain future acquisitions. The Funded Debt Ratio is calculated by dividing consolidated debt by annualized EBITDA, which is defined in the Credit Facility as earnings before interest, taxes, depreciation, depletion and amortization, in each case excluding the income of certain of Buckeye s majority-owned subsidiaries and equity investments (but including distributions from those majority-owned subsidiaries and equity investments). At September 30, 2010, Buckeye s Funded Debt Ratio was approximately 3.77 to 1.00. As permitted by the Credit Facility, the $211.8 million of borrowings by Buckeye Energy Services LLC (BES) under its separate credit agreement (discussed below) was excluded from the calculation of the Funded Debt Ratio.

In addition, the Credit Facility contains other covenants including, but not limited to, covenants limiting Buckeye s ability to incur additional indebtedness, to create or incur liens on its property, to dispose of property material to its operations, and to consolidate, merge or transfer assets. At September 30, 2010, we were not aware of any instances of noncompliance with the covenants under Buckeye s Credit Facility.

At September 30, 2010 and December 31, 2009, Buckeye had committed $1.5 million and $1.4 million, respectively, in support of letters of credit. The obligations for letters of credit are not reflected as debt on our condensed consolidated balance sheets.

BES Credit Agreement

BES had a credit agreement (the BES Credit Agreement) that provided for borrowings of up to $250.0 million with a maturity date of May 20, 2011. On June 25, 2010, BES amended and restated the BES Credit Agreement to increase the total commitments for borrowings available to BES up to $500.0 million. However, the maximum amount available to be borrowed under the amended and restated BES Credit Agreement is initially limited to $350.0 million. An accordion feature provides BES the ability to increase the commitments under the BES Credit Agreement to $500.0 million, subject to obtaining the requisite commitments and satisfying other customary conditions. In addition to the accordion, subject to BES s satisfaction of certain financial covenants as set forth in the financial covenants table below, BES may, from time to time, elect to increase or decrease the maximum amount available for borrowing under the BES Credit Agreement in $5.0 million increments, but in no event below $150.0 million or above $500.0 million. The maturity date of the BES Credit Agreement is June 25, 2013. BES incurred $3.2 million of debt issuance costs related to the amendment, which will be amortized into interest expense over the term of the BES Credit Agreement.

Under the BES Credit Agreement, borrowings accrue interest under one of three rate options, at BES s election, equal to (i) the Administrative Agent s Cost of Funds (as defined in the BES Credit Agreement) plus 2.25%, (ii) the Eurodollar Rate (as defined in the BES Credit Agreement) plus 2.25% or (iii) the Prime Rate (as defined in the BES Credit Agreement) plus 1.25%. The BES Credit Agreement also permits Daylight Overdraft Loans (as defined in the BES Credit Agreement), Swingline Loans (as defined in the BES Credit Agreement) and letters of credit. Such

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alternative extensions of credit are subject to certain conditions as specified in the BES Credit Agreement. The BES Credit Agreement is secured by liens on certain assets of BES, including its inventory, cash deposits (other than certain accounts), investments and hedging accounts, receivables and intangibles.

The balances outstanding under the BES Credit Agreement were approximately $211.8 million and $239.8 million at September 30, 2010 and December 31, 2009, respectively, both of which were classified as current liabilities in our condensed consolidated balance sheets. The BES Credit Agreement requires BES to meet certain financial covenants, which are defined in the BES Credit Agreement and summarized below (in millions, except for the leverage ratio):

Borrowings outstanding on BES Credit Agreement	Minimum Consolidated Tangible Net Worth	Minimum Consolidated Net Working Capital	Maximum Consolidated Leverage Ratio
$150	$ 40	$ 30	7.0 to 1.0
Above $150 up to $200	$ 50	$ 40	7.0 to 1.0
Above $200 up to $250	$ 60	$ 50	7.0 to 1.0
Above $250 up to $300	$ 72	$ 60	7.0 to 1.0
Above $300 up to $350	$ 84	$ 70	7.0 to 1.0
Above $350 up to $400	$ 96	$ 80	7.0 to 1.0
Above $400 up to $450	$ 108	$ 90	7.0 to 1.0
Above $450 up to $500	$ 120	$ 100	7.0 to 1.0

At September 30, 2010, BES s Consolidated Tangible Net Worth and Consolidated Net Working Capital were $122.8 million and $72.8 million, respectively, and the Consolidated Leverage Ratio was 2.5 to 1.0. The weighted average interest rate for borrowings outstanding under the BES Credit Agreement was 2.5% at September 30, 2010.

In addition, the BES Credit Agreement contains other covenants, including, but not limited to, covenants limiting BES s ability to incur additional indebtedness, to create or incur certain liens on its property, to consolidate, merge or transfer its assets, to make dividends or distributions, to dispose of its property, to make investments, to modify its risk management policy, or to engage in business activities materially different from those presently conducted. At September 30, 2010, we were not aware of any instances of noncompliance with the covenants under the BES Credit Agreement.

11. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities consist of the following at the dates indicated (in thousands):

	September 30, 2010	December 31, 2009
Accrued employee benefit liabilities (see Note 13)	$ 45,274	$ 45,837
Accrued environmental liabilities	18,447	19,053
Deferred consideration	16,918	18,425
Deferred rent	12,334	9,158
Deferred revenue	7,269	1,532
Other	9,279	8,937
Total other non-current liabilities	$ 109,521	$ 102,942

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12. DERIVATIVE INSTRUMENTS, HEDGING ACTIVITIES AND FAIR VALUE MEASUREMENTS

We are exposed to certain risks, including changes in interest rates and commodity prices, in the course of our normal business operations. We use derivative instruments to manage risks associated with certain identifiable and anticipated transactions. Derivatives are financial instruments whose fair value is determined by changes in a specified benchmark such as interest rates or commodity prices. Typical derivative instruments include futures, forward contracts, swaps and other instruments with similar characteristics. We have no trading derivative instruments.

Our policy is to formally document all relationships between hedging instruments and hedged items, as well as our risk management objectives and strategies for undertaking the hedge. This process includes specific identification of the hedging instrument and the hedged transaction, the nature of the risk being hedged and how the hedging instrument s effectiveness will be assessed. Both at the inception of the hedge and on an ongoing basis, we assess whether the derivatives used in a transaction are highly effective in offsetting changes in cash flows or the fair value of hedged items. A discussion of our derivative activities by risk category follows.

Interest Rate Derivatives

Buckeye utilizes forward-starting interest rate swaps to manage interest rate risk related to forecasted interest payments on anticipated debt issuances. This strategy is a component in controlling its cost of capital associated with such borrowings. When entering into interest rate swap transactions, Buckeye becomes exposed to both credit risk and market risk. Buckeye is subject to credit risk when the value of the swap transaction is positive and the risk exists that the counterparty will fail to perform under the terms of the contract. Buckeye is subject to market risk with respect to changes in the underlying benchmark interest rate that impacts the fair value of the swaps. Buckeye manages its credit risk by only entering into swap transactions with major financial institutions with investment-grade credit ratings. Buckeye manages its market risk by associating each swap transaction with an existing debt obligation or a specified expected debt issuance generally associated with the maturity of an existing debt obligation.

Buckeye s practice with respect to derivative transactions related to interest rate risk has been to have each transaction in connection with non-routine borrowings authorized by the board of directors of Buckeye GP. In January 2009, Buckeye GP s board of directors adopted an interest rate hedging policy which permits Buckeye to enter into certain short-term interest rate swap agreements to manage its interest rate and cash flow risks associated with its Credit Facility. In addition, in July 2009 and May 2010, Buckeye GP s board of directors authorized Buckeye to enter into certain transactions, such as forward-starting interest rate swaps, to manage its interest rate and cash flow risks related to certain expected debt issuances associated with the maturity of existing debt obligations.

Buckeye expects to issue new fixed-rate debt (i) on or before July 15, 2013, to repay the $300.0 million of 4.625% Notes that are due on July 15, 2013, and (ii) on or before October 15, 2014, to repay the $275.0 million of 5.300% Notes that are due on October 15, 2014, although no assurances can be given that the issuance of fixed-rate debt will be possible on acceptable terms. During 2009, Buckeye entered into four forward-starting interest rate swaps with a total aggregate notional amount of $200.0 million related to the anticipated issuance of debt on or before July 15, 2013 and three forward-starting interest rate swaps with a total aggregate notional amount of $150.0 million related to the anticipated issuance of debt on or before October 15, 2014. During the nine months ended September 30, 2010, Buckeye entered into two forward-starting interest rate swaps with a total aggregate notional amount of $100.0 million related to the anticipated issuance of debt on or before July 15, 2013 and three forward-starting interest rate swaps with a total aggregate notional amount of $125.0 million related to the anticipated issuance of debt on or before October 15, 2014. The purpose of these swaps is to hedge the variability of the forecasted interest payments on these expected debt issuances that may result from changes in the benchmark interest rate until the expected debt is issued. During the three and nine months ended September 30, 2010, unrealized losses of $22.0 million and $58.1 million, respectively, were recorded in Buckeye s accumulated other comprehensive income (loss) to reflect the change in the fair values of the forward-starting interest rate swaps. Buckeye designated the swap agreements as cash flow hedges at inception and expects the changes in values to be highly correlated with the changes in value of the underlying borrowings.

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Over the next twelve months, Buckeye expects to reclassify $1.0 million of accumulated other comprehensive loss as an increase to interest expense that was generated by forward-starting interest rate swaps terminated in 2008 associated with its 6.050% Notes.

Commodity 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 physical commodity forward fixed-price purchase and sales contracts. The derivative contracts used to hedge refined petroleum product inventories are designated as fair value hedges. Accordingly, our method of measuring ineffectiveness compares the change in the fair value of New York Mercantile Exchange (NYMEX) futures contracts to the change in fair value of our hedged fuel inventory. Hedge accounting is discontinued when the hedged fuel inventory is sold or when the related derivative contracts expire. In addition, we periodically enter into offsetting exchange-traded futures contracts to economically close-out an existing futures contract based on a near-term expectation to sell a portion of our fuel inventory. These offsetting derivative contracts are not designated as hedging instruments and any resulting gains or losses are recognized in earnings during the period. The fair values of futures contracts for inventory designated as hedging instruments in the following tables have been presented net of these offsetting futures contracts.

Our Energy Services segment has not used hedge accounting with respect to its fixed-price contracts. Therefore, our fixed-price contracts and the related futures contracts used to offset the changes in fair value of the fixed-price sales contracts are all marked-to-market on the condensed consolidated balance sheets with gains and losses being recognized in earnings during the period.

In order to hedge the cost of natural gas used to operate our turbine engines at our Linden, New Jersey location, our Pipeline Operations segment bought natural gas futures contracts in March 2009 with terms that coincide with the remaining term of an ongoing natural gas supply contract (through July 2011). We designated the futures contract as a cash flow hedge at inception.

The following table summarizes our commodity derivative instruments outstanding at September 30, 2010 (amounts in thousands of gallons, except as noted):

	Volume (1)		**Accounting**
Derivative Purpose	**Current**	**Long-Term** (2)	**Treatment**
Derivatives NOT designated as hedging instruments:			
Fixed-price contracts	45,380	42	Mark-to-market
Futures contracts for fixed-price sales contracts	21,672		Mark-to-market
Futures contracts for inventory	14,448		Mark-to-market
Derivatives designated as hedging instruments:			
Futures contracts for inventory	107,730		Fair Value Hedge
Futures contracts for natural gas (BBtu) (3)	300		Cash Flow Hedge

(1) Volume represents absolute value of net notional volume position.

(2) The maximum term for derivatives included in the long-term column is October 2011.

(3) BBtu represents one billion British thermal units.

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The following table sets forth the fair value of each classification of derivative instruments at the dates indicated (in thousands):

	September 30, 2010			December 31, 2009		
	Assets Fair Value	(Liabilities) Fair Value	Derivative Net Carrying Value	Assets Fair Value	(Liabilities) Fair Value	Derivative Net Carrying Value
Derivatives NOT designated as hedging instruments:						
Fixed-price contracts	$ 2,747	$ (2,130)	$ 617	$ 4,959	$ (3,662)	$ 1,297
Futures contracts for fixed-price sales contracts	2,808	(398)	2,410	7,594	(384)	7,210
Futures contracts for inventory	25,241	(24,550)	691			
Derivatives designated as hedging instruments:						
Futures contracts for inventory	795	(12,530)	(11,735)	1,992	(20,517)	(18,525)
Futures contracts for natural gas		(361)	(361)	312		312
Interest rate contracts		(40,910)	(40,910)	17,204		17,204
Total			$ (49,288)			$ 7,498

Balance Sheet Locations:	September 30, 2010	December 31, 2009
Derivative assets	$ 2,600	$ 4,959
Other non-current assets		17,204
Derivative liabilities	(10,978)	(14,665)
Long-term derivative liabilities	(40,910)	
Total	$ (49,288)	$ 7,498

Our hedged inventory portfolio extends to the first quarter of 2011. The majority of the unrealized loss of $11.7 million at September 30, 2010 for futures contracts designated as inventory hedging instruments and unrealized gains in the fair values of the underlying hedged refined petroleum product inventories will be realized by the fourth quarter of 2010 as the inventory is sold. A loss of $1.5 million and a gain of $10.0 million were recorded on inventory hedges that were ineffective for the three months ended September 30, 2010 and 2009, respectively. For the nine months ended September 30, 2010 and 2009, gains recorded on inventory hedges that were ineffective were approximately $1.2 million and $17.7 million, respectively. At September 30, 2010, open refined petroleum product derivative contracts (represented by the fixed-price contracts and futures contracts for fixed-price sales contracts noted

above) varied in duration, but did not extend beyond October 2011. In addition, at September 30, 2010, we had refined petroleum product inventories which we intend to use to satisfy a portion of the fixed-price contracts.

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The gains and losses on our derivative instruments recognized in income were as follows for the periods indicated (in thousands):

		Gain (Loss) Recognized in Income on Derivatives			
		Three Months Ended September 30,		Nine Months Ended September 30,	
	Location	2010	2009	2010	2009
Derivatives NOT designated as hedging instruments:					
Fixed-price contracts	Product sales	$ (1,974)	$ 3,937	$ 6,704	$3,366
Futures contracts for fixed-price sales contracts	Cost of product sales and natural gas storage services	3,363	(3,972)	(103)	7,489
Futures contracts for inventory	Cost of product sales and natural gas storage services	65		331	
Derivatives designated as fair value hedging instruments:					
Futures contracts for inventory	Cost of product sales and natural gas storage services	$(18,509)	$ 4,273	$(5,296)	$ 670

The gains and losses reclassified from accumulated other comprehensive income (AOCI) to income and the change in value recognized in other comprehensive income (OCI) on our derivatives were as follows for the periods indicated (in thousands):

		Gain (Loss) Reclassified from AOCI to Income			
		Three Months Ended September 30,		Nine Months Ended September 30,	
	Location	2010	2009	2010	2009
Derivatives designated as cash flow hedging instruments:					
Futures contracts for natural gas	Cost of product sales and natural gas storage services	$(122)	$ (192)	$(291)	$ (407)
Futures contracts for refined petroleum products	Cost of product sales and natural gas storage services				(146)
Interest rate contracts		(241)	(1,393)	(723)	(2,049)

Interest and debt expense

	Change in Value Recognized in OCI on Derivatives			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Derivatives designated as cash flow hedging instruments:				
Futures contracts for natural gas	$ (337)	$ (1)	$ (949)	$ 162
Interest rate contracts	(21,957)	(3,849)	(58,114)	(4,006)

BUCKEYE GP HOLDINGS L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a specified measurement date. Our fair value estimates are based on either (i) actual market data or (ii) assumptions that other market participants would use in pricing an asset or liability, including estimates of risk. Recognized valuation techniques employ inputs such as product prices, operating costs, discount factors and business growth rates. These inputs may be either readily observable, corroborated by market data or generally unobservable. In developing our estimates of fair value, we endeavor to utilize the best information available and apply market-based data to the extent possible. Accordingly, we utilize valuation techniques (such as the income or market approach) that maximize the use of observable inputs and minimize the use of unobservable inputs.

A three-tier hierarchy has been established that classifies fair value amounts recognized or disclosed in the financial statements based on the observability of inputs used to estimate such fair values. The hierarchy considers fair value amounts based on observable inputs (Levels 1 and 2) to be more reliable and predictable than those based primarily on unobservable inputs (Level 3). At each balance sheet reporting date, we categorize our financial assets and liabilities using this hierarchy. The characteristics of fair value amounts classified within each level of the hierarchy are described as follows:

Level 1 inputs are based on quoted prices, which are available in active markets for identical assets or liabilities as of the reporting date. Active markets are defined as those in which transactions for identical assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are based on pricing inputs other than quoted prices in active markets and are either directly or indirectly observable as of the measurement date. Level 2 fair values include instruments that are valued using financial models or other appropriate valuation methodologies and include the following:

§ Quoted prices in active markets for similar assets or liabilities.

§ Quoted prices in markets that are not active for identical or similar assets or liabilities.

§ Inputs other than quoted prices that are observable for the asset or liability.

§ Inputs that are derived primarily from or corroborated by observable market data by correlation or other means.

Level 3 inputs are based on unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the reporting entity s own ideas about the assumptions that market participants would use in pricing an asset or liability (including assumptions about risk). Unobservable inputs are based on the best information available in the circumstances, which might include the reporting entity s internally developed data. The reporting entity must not ignore information about market participant assumptions that is reasonably available without undue cost and effort. Level 3 inputs are typically used in connection with internally developed valuation methodologies where management makes its best estimate of an instrument s fair value.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Recurring

The following table sets forth financial assets and liabilities, measured at fair value on a recurring basis, as of the measurement dates, September 30, 2010 and December 31, 2009, and the basis for that measurement, by level within the fair value hierarchy (in thousands):

	September 30, 2010		December 31, 2009	
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)
Financial assets:				
Fixed-price contracts	$	$ 2,497	$	$ 4,959
Futures contracts for inventory and fixed-price sales contracts	103			
Asset held in trust			1,793	
Interest rate derivatives				17,204
Financial liabilities:				
Fixed-price contracts		(1,880)		(3,662)
Futures contracts for inventory and fixed-price sales contracts	(8,737)		(11,003)	
Futures contracts for natural gas	(361)			
Interest rate derivatives		(40,910)		
Total	$ (8,995)	$ (40,293)	$ (9,210)	$ 18,501

The values of the Level 1 derivative assets and liabilities were based on quoted market prices obtained from the NYMEX. The value of the Level 1 asset held in trust was obtained from quoted market prices.

The values of the Level 2 interest rate derivatives were determined using expected cash flow models, which incorporated market inputs including the implied forward LIBOR yield curve for the same period as the future interest swap settlements.

The values of the Level 2 fixed-price contracts assets and liabilities were calculated using market approaches based on observable market data inputs, including published commodity pricing data, which is verified against other available market data, and market interest rate and volatility data. Level 2 fixed-price contracts assets are net of credit value adjustments (CVA) determined using an expected cash flow model, which incorporates assumptions about the credit risk of the fixed-price contracts based on the historical and expected payment history of each customer, the amount of product contracted for under the agreement and the customer s historical and expected purchase performance under each contract. The Energy Services segment determined CVA is appropriate because few of the Energy Services segment s customers entering into these fixed-price contracts are large organizations with nationally-recognized credit ratings. The Level 2 fixed-price contracts assets of $2.5 million and $5.0 million as of September 30, 2010 and December 31, 2009, respectively, are net of CVA of ($0.3) million and ($0.9) million, respectively.

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Non-Recurring

Certain nonfinancial assets and liabilities are measured at fair value on a nonrecurring basis and are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment. The following table presents the fair value of an asset carried on the condensed consolidated balance sheet by asset classification and by level within the valuation hierarchy (as described above) at the date indicated for which a nonrecurring change in fair value has been recorded during the nine months ended September 30, 2009 (in thousands):

	September 30, 2009	Level 1	Level 2	Level 3	Total Losses
Prepaid and other current assets (1)	$ 8,639	$	$	$ 8,639	$ 72,540

(1) Represents the property, plant and equipment of net assets held for sale that was included in prepaid and other current assets at September 30, 2009 (see Note 2).

As a result of a loss in the customer base utilizing the Buckeye NGL Pipeline, we recorded a non-cash impairment charge of $72.5 million during the nine months ended September 30, 2009. The estimated fair value was based on a probability-weighted combination of income and market approaches.

13. PENSIONS AND OTHER POSTRETIREMENT BENEFITS

Services Company, which employs the majority of our workforce, sponsors a retirement income guarantee plan (RIGP), which is a defined benefit plan that generally guarantees employees hired before January 1, 1986 a retirement benefit based on years of service and the employee s highest compensation for any consecutive 5-year period during the last 10 years of service or other compensation measures as defined under the respective plan provisions. The retirement benefit is subject to reduction at varying percentages for certain offsetting amounts, including benefits payable under a retirement and savings plan discussed further below. Services Company funds the plan through contributions to pension trust assets, generally subject to minimum funding requirements as provided by applicable law.

Services Company also sponsors an unfunded post-retirement benefit plan (the Retiree Medical Plan), which provides health care and life insurance benefits to certain of its retirees. To be eligible for these benefits, an employee must have been hired prior to January 1, 1991 and meet certain service requirements.

The components of the net periodic benefit cost for the RIGP and Retiree Medical Plan were as follows for the three months ended September 30, 2010 and 2009 (in thousands):

	RIGP Three Months Ended September 30,		Retiree Medical Plan Three Months Ended September 30,	
	2010	2009	2010	2009
Service cost	$ 66	$ (44)	$ 74	$ 37
Interest cost	226	146	495	419
Expected return on plan assets	(86)	(47)		
Amortization of prior service benefit	(11)	(47)	(741)	(679)
Amortization of unrecognized losses	241	90	223	220
Settlement/curtailment charge (1)				(1,571)
Net periodic benefit costs	$ 436	$ 98	$ 51	$ (1,574)

(1) In connection with Buckeye s reorganization in 2009, $6.4 million of the aggregate amount of $29.1 million of expenses incurred through September 30, 2009 was recorded as an adjustment to the funded status of the RIGP and the Retiree Medical Plan, which represent settlement and curtailment adjustments.

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The components of the net periodic benefit cost for the RIGP and Retiree Medical Plan were as follows for the nine months ended September 30, 2010 and 2009 (in thousands):

	RIGP Nine Months Ended September 30,		Retiree Medical Plan Nine Months Ended September 30,	
	2010	2009	2010	2009
Service cost	$ 199	$ 371	$ 221	$ 247
Interest cost	685	886	1,486	1,402
Expected return on plan assets	(260)	(427)		
Amortization of prior service benefit	(34)	(282)	(2,223)	(2,397)
Amortization of unrecognized losses	731	802	670	743
Settlement/curtailment charge (1)		7,171		(771)
Net periodic benefit costs	$ 1,321	$ 8,521	$ 154	$ (776)

(1) In connection with Buckeye s reorganization in 2009, $6.4 million of the aggregate amount of $29.1 million of expenses incurred through September 30, 2009 was recorded as an adjustment to the funded status of the RIGP and the Retiree Medical Plan, which represent settlement and curtailment adjustments.

During the nine months ended September 30, 2010, we contributed $2.7 million to the RIGP.

14. UNIT-BASED COMPENSATION PLANS

We have Management Units (see Note 1) and an equity compensation plan (GP Equity Compensation Plan) for certain members of our and BGH GP s senior management. The GP Equity Compensation Plan includes both time-based and performance-based participation in the equity of BGH GP (but not ours) referred to as override units. Compensation expense recorded with respect to the override units was $0.3 million and $0.3 million for the three months ended September 30, 2010 and 2009, respectively, and $0.9 million and $1.0 million for the nine months ended September 30, 2010 and 2009, respectively.

Buckeye awards unit-based compensation to employees and directors primarily under the 2009 Long-Term Incentive Plan of Buckeye Partners, L.P. (the LTIP), which became effective in March 2009. Buckeye formerly awarded options to acquire LP Units to employees pursuant to the Buckeye Partners, L.P. Unit Option and Distribution Equivalent Plan (the Option Plan). We recognized total unit-based compensation expense related to the LTIP and the Option Plan of $1.3 million and $0.5 million for the three months ended September 30, 2010 and 2009, respectively, and $3.8 million and $1.0 million for the nine months ended September 30, 2010 and 2009, respectively.

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BGH GP s Override Units

No override units were granted or forfeited during the nine months ended September 30, 2010. The following is a summary of the activity of the override units as of September 30, 2010 (in thousands):

	Number of Override Units			Total Number of Units
	Value A Units	Value B Units	Operating Units	Awarded
Unvested at December 31, 2009	1,699	1,699	812	4,210
Vested			(266)	(266)
Unvested at September 30, 2010	1,699	1,699	546	3,944

	Compensation Costs for Override Units			
	Value A Units	Value B Units	Operating Units	Totals
Total fair value of all outstanding override units	$ 3,587	$ 2,179	$ 5,808	$ 11,574
Less: Expense recorded from plan inception to September 30, 2010			(4,301)	(4,301)
Estimated future compensation costs at September 30, 2010	$ 3,587	$ 2,179	$ 1,507	$ 7,273

Buckeye s Long-Term Incentive Plan

The LTIP provides for the issuance of up to 1,500,000 LP Units, subject to certain adjustments. After giving effect to the issuance or forfeiture of phantom unit and performance unit awards through September 30, 2010, awards representing a total of 1,116,268 additional LP Units could be issued under the LTIP.

On December 16, 2009, the Compensation Committee approved the terms of the Buckeye Partners, L.P. Unit Deferral and Incentive Plan (Deferral Plan). The Compensation Committee is expressly authorized to adopt the Deferral Plan under the terms of the LTIP, which grants the Compensation Committee the authority to establish a program pursuant to which Buckeye s phantom units may be awarded in lieu of cash compensation at the election of the employee. At December 31, 2009, eligible employees were allowed to defer up to 50% of their 2009 compensation award under Buckeye s Annual Incentive Compensation Plan or other discretionary bonus program in exchange for grants of phantom units equal in value to the amount of their cash award deferral (each such unit, a Deferral Unit). Participants also receive one matching phantom unit for each Deferral Unit. Approximately $1.8 million of 2009 compensation awards had been deferred at December 31, 2009, for which 62,332 phantom units (including matching units) were granted during the three months ended March 31, 2010. These grants are included as granted in the LTIP activity table below.

Awards under the LTIP

During the nine months ended September 30, 2010, the Compensation Committee granted 123,669 phantom units to employees (including the 62,332 phantom units granted pursuant to the Deferral Plan discussed above), 12,000 phantom units to independent directors of Buckeye GP and MainLine Management, and 122,683 performance units to employees. The amount paid with respect to phantom unit distribution equivalents under the LTIP was $0.4 million for the nine months ended September 30, 2010.

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The following table sets forth the LTIP activity for the periods indicated (dollars in thousands):

	Number of LP Units	Weighted Average Grant Date Fair Value per LP Unit (1)	Total Value
Unvested at January 1, 2010	140,095	$ 39.81	$ 5,577
Granted	258,352	56.22	14,525
Vested	(18,518)	39.18	(725)
Forfeited	(15,234)	49.44	(753)
Unvested at September 30, 2010	364,695	$ 51.07	$ 18,624

(1) Determined by dividing the aggregate grant date fair value of awards by the number of awards issued. The weighted-average grant date fair value per LP Unit for forfeited and vested awards is determined before an allowance for forfeitures.

At September 30, 2010, approximately $10.8 million of compensation expense related to the LTIP is expected to be recognized over a weighted average period of approximately 1.9 years.

Buckeye s Unit Option and Distribution Equivalent Plan

Buckeye also sponsors the Option Plan, pursuant to which it historically granted options to employees to purchase LP Units at the market price of its LP Units on the date of grant. Generally, the options vest three years from the date of grant and expire ten years from the date of grant. As unit options are exercised, Buckeye issues new LP Units to the holder. Buckeye has not historically repurchased, and does not expect to repurchase in 2010, any of its LP Units.

The impact of Buckeye s Option Plan is immaterial to our condensed consolidated financial statements.

15. RELATED PARTY TRANSACTIONS

Approximately 62% of our outstanding equity, which includes Common Units and Management Units, is owned by BGH GP and approximately 38% by the public. BGH GP is owned by affiliates of ArcLight, Kelso and certain investment funds along with certain members of senior management of Buckeye GP. MainLine Management is our general partner and is wholly owned by BGH GP.

Services Company and Buckeye are considered related parties with respect to us. As discussed in Note 1, our condensed consolidated financial statements include the accounts of Services Company and Buckeye on a consolidated basis, and all intercompany transactions have been eliminated.

We incurred a senior administrative charge for certain management services performed by affiliates of Buckeye GP of $0.5 million for the three months ended March 31, 2009. The senior administrative charge was waived indefinitely on April 1, 2009 as these affiliates are currently not providing services to us that were contemplated as being covered by the senior administrative charge. As a result, there were no related charges recorded in the last nine months of 2009 or during the nine months ended September 30, 2010.

On August 18, 2010, we and our general partner entered into the Merger Agreement with Buckeye, its general partner and Merger Sub, Buckeye s subsidiary, pursuant to which Merger Sub will be merged into BGH, with BGH as the surviving entity. The Merger Agreement amends and restates an original Agreement and Plan of Merger, dated as of June 10, 2010, by and among the parties to the Merger Agreement. See Note 1 for further information regarding the Merger.

BUCKEYE GP HOLDINGS L.P.
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16. CASH DISTRIBUTIONS

We generally make quarterly cash distributions to unitholders of substantially all of our available cash, generally defined in our partnership agreement as consolidated cash receipts less consolidated cash expenditures and such retentions for working capital, anticipated cash expenditures and contingencies as our general partner deems appropriate. Cash distributions totaled $36.5 million and $29.7 million during the nine months ended September 30, 2010 and 2009, respectively.

On November 8, 2010, we announced a quarterly distribution of $0.47 per Common Unit that will be paid on November 30, 2010, to unitholders of record on November 15, 2010. Total cash distributed to unitholders on November 30, 2010 will total approximately $13.3 million.

17. EARNINGS PER PARTNERSHIP UNIT

Basic and diluted earnings per partnership unit is calculated by dividing net income, after deducting the amount allocated to Buckeye, by the weighted-average number of partnership units outstanding during the period.

The following table is a reconciliation of the weighted average number of Common Units used in the basic and diluted earnings per unit calculations for the periods indicated (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Basic:				
Weighted average common units outstanding	27,774	27,770	27,774	27,770
Weighted average management units outstanding	526	530	526	530
Units for basic	28,300	28,300	28,300	28,300
Diluted:				
Units used for basic calculation	28,300	28,300	28,300	28,300
Dilutive effect of additional management units				
Units for diluted	28,300	28,300	28,300	28,300

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18. BUSINESS SEGMENTS

We operate and report in five business segments: Pipeline Operations; Terminalling & Storage; Natural Gas Storage; Energy Services; and Development & Logistics.

Each segment uses the same accounting policies as those used in the preparation of our consolidated financial statements. All inter-segment revenues, operating income and assets have been eliminated. All periods are presented on a consistent basis. All of our operations and assets are conducted and located in the United States.

Financial information about each segment is presented below for the periods or at the dates indicated (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenue:				
Pipeline Operations	$ 103,621	$ 96,714	$ 299,497	$ 294,084
Terminalling & Storage	41,900	34,036	125,039	94,108
Natural Gas Storage	21,663	28,576	68,318	60,325
Energy Services	566,804	258,407	1,636,955	728,563
Development & Logistics	9,082	7,516	27,382	25,446
Intersegment	(8,213)	(1,805)	(23,884)	(11,022)
Total revenue	$ 734,857	$ 423,444	$ 2,133,307	$ 1,191,504
Operating income (loss):				
Pipeline Operations	$ 48,991	$ 41,846	$ 138,891	$ 35,208
Terminalling & Storage	23,656	17,323	70,695	39,095
Natural Gas Storage	2,795	7,591	9,548	19,572
Energy Services	2,581	5,620	(1,287)	10,404
Development & Logistics	1,490	2,509	3,096	4,043
Total operating income	$ 79,513	$ 74,889	$ 220,943	$ 108,322
Depreciation and amortization:				
Pipeline Operations	$ 9,263	$ 8,659	$ 27,295	$ 26,482
Terminalling & Storage	2,386	1,813	7,051	5,401
Natural Gas Storage	1,643	1,241	4,924	3,943
Energy Services	1,331	986	3,702	2,946
Development & Logistics	439	439	1,287	1,289
Total depreciation and amortization	$ 15,062	$ 13,138	$ 44,259	$ 40,061
Capital additions, net: (1)				
Pipeline Operations			$ 22,013	$ 20,813
Terminalling & Storage			16,116	15,186
Natural Gas Storage			7,466	18,884

Energy Services	2,835	2,973
Development & Logistics	845	947
Total capital additions, net	$ 49,275	$ 58,803

(1) Amount excludes $1.0 million and ($2.6) million of non-cash changes in accruals for capital expenditures for the nine months ended September 30, 2010 and 2009, respectively (see Note 19).

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	September 30, 2010	December 31, 2009
Total Assets:		
Pipeline Operations (1)	$ 1,543,935	$ 1,592,916
Terminalling & Storage	522,941	532,971
Natural Gas Storage	549,243	573,261
Energy Services	461,146	482,025
Development & Logistics	60,386	74,476
Consolidating level	234,300	230,922
Total assets	$ 3,371,951	$ 3,486,571
Goodwill:		
Pipeline Operations	$ 198,632	$ 198,632
Terminalling & Storage	49,618	49,618
Natural Gas Storage	169,560	169,560
Energy Services	1,132	1,132
Development & Logistics	13,182	13,182
Total goodwill	$ 432,124	$ 432,124

(1) All equity investments are included in the assets of the Pipeline Operations segment.

19. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flows and non-cash transactions were as follows for the periods indicated (in thousands):

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Cash paid for interest (net of capitalized interest)	$ 73,230	$ 59,101
Cash paid for income taxes	801	1,650
Capitalized interest	1,710	2,906
Non-cash changes in assets and liabilities:		
Change in capital expenditures in accounts payable	$ 1,028	$ (2,606)

20. SUBSEQUENT EVENTS

Terminal Acquisitions

On October 28, 2010, we entered into an agreement to acquire a refined petroleum products terminal on the southeast coast of Puerto Rico from an affiliate of Royal Dutch Shell plc (Shell). The terminal, located in Yabucoa, Puerto Rico, includes 44 storage tanks with approximately 4.6 million barrels of gasoline, jet fuel, diesel, fuel oil and crude oil storage capacity. Our investment will provide us with long-term fee-based revenues supported by multi-year commitments from Shell. The acquisition, which is subject to customary closing conditions, is expected to close in December 2010.

On November 5, 2010, we completed the purchase of a refined petroleum products terminal in Opelousas, Louisiana from Chevron U.S.A Inc. (Chevron) for $13.0 million in cash. The terminal includes seven storage tanks with approximately 135,000 barrels of total storage capacity and a truck rack. In addition, Chevron has agreed to enter into a commercial contract with us that is associated with the acquired facility.

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

The following information should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes included in this report. The following information and such unaudited condensed consolidated financial statements should also be read in conjunction with the consolidated financial statements and related notes, together with our discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the year ended December 31, 2009.

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

Cautionary Note Regarding Forward-Looking Statements

This discussion contains various forward-looking statements and information that are based on our beliefs, as well as assumptions made by us and information currently available to us. When used in this document, words such as proposed, anticipate, project, potential, could, should, continue, estimate, expect, may, believe, will, plan, seek, outlook and similar expressions and statements regarding our plans and objectives for future operations are intended to identify forward-looking statements. Although we believe that such expectations reflected in such forward-looking statements are reasonable, we cannot give any assurances that such expectations will prove to be correct. Such statements are subject to a variety of risks, uncertainties and assumptions as described in more detail in Item 1A Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2009 and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2010. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those anticipated, estimated, projected or expected. You should not put undue reliance on any forward-looking statements. The forward-looking statements in this Quarterly Report speak only as of the date hereof. Except as required by federal and state securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or any other reason.

Overview of Critical Accounting Policies and Estimates

A summary of the significant accounting policies we have adopted and followed in the preparation of our condensed consolidated financial statements is included in our Annual Report on Form 10-K for the year ended December 31, 2009. Certain of these accounting policies require the use of estimates. As more fully described therein, the following estimates, in our opinion, are subjective in nature, require the exercise of judgment and involve complex analysis: depreciation methods, estimated useful lives and disposals of property, plant and equipment; reserves for environmental matters; fair value of derivatives; measuring the fair value of goodwill; and measuring recoverability of long-lived assets and equity method investments. These estimates are based on our knowledge and understanding of current conditions and actions we may take in the future. Changes in these estimates will occur as a result of the passage of time and the occurrence of future events. Subsequent changes in these estimates may have a significant impact on our financial position, results of operations and cash flows.

Overview of BGH

Buckeye GP Holdings L.P. is a publicly traded Delaware master limited partnership (MLP), the common units (Common Units) of which are listed on the New York Stock Exchange (NYSE) under the ticker symbol BGH. We own 100% of Buckeye GP LLC (Buckeye GP), which is the general partner of Buckeye Partners, L.P. (Buckeye). Buckeye is also a publicly traded Delaware MLP which was organized in 1986, and its limited partner units (LP Units) are separately traded on the NYSE under the ticker symbol BPL. Approximately 62% of our outstanding equity, which includes Common Units and management units (Management Units) are owned by BGH GP Holdings, LLC (BGH GP) and approximately 38% by the public. BGH GP is owned by affiliates of ArcLight Capital Partners, LLC (ArcLight), Kelso & Company (Kelso), and certain investment funds along with certain members of senior management of Buckeye GP. MainLine Management LLC, a Delaware limited liability company (MainLine Management), is our general partner and is wholly owned by BGH GP. Unless the context requires otherwise, references to *we*, *us*, *our* or *BGH* are intended to mean the business and operations of Buckeye GP Holdings L.P. o consolidated basis, including those of Buckeye. References to *Buckeye* mean Buckeye Partners, L.P. and its consolidated subsidiaries.

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 Buckeye Pipe Line Services Company Employee Stock Ownership Plan (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 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 three and nine months ended September 30, 2010 and 2009 as a result of our partnership interests in Buckeye (in thousands, except unit amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Incentive payments from Buckeye	$ 12,886	$ 11,742	$ 37,804	$ 33,713
Distributions from the indirect 1% ownership in certain of Buckeye s operating subsidiaries	534	519	937	1,415
Distributions from the ownership of 243,914 of Buckeye s GP Units	235	223	695	659
Distributions from the ownership of 80,000 of Buckeye s LP Units	77	73	228	216
Cash received	$ 13,732	$ 12,557	$ 39,664	$ 36,003

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, improve operating efficiencies and allow increased cash distributions to its unitholders.

We, through Buckeye, operate and report in five business segments: Pipeline Operations; Terminalling & Storage; Natural Gas Storage; Energy Services; and Development & Logistics. Buckeye owns and operates one of the largest independent refined petroleum products pipeline systems in the United States in terms of volumes delivered with approximately 5,400 miles of pipeline and 68 active products terminals that provide aggregate storage capacity of approximately 27.3 million barrels. In addition, Buckeye operates and maintains approximately 2,400 miles of other pipelines under agreements with major oil and gas, petrochemical and chemical companies, and performs certain engineering and construction management services for third parties. Buckeye also owns and operates a major natural

gas storage facility in northern California, and is a wholesale distributor of refined petroleum products in the United States in areas also served by its pipelines and terminals.

Recent Developments

Agreement and Plan of Merger

On August 18, 2010, we and our general partner entered into a First Amended and Restated Agreement and Plan of Merger (the Merger Agreement) with Buckeye, its general partner and Grand Ohio, LLC (Merger Sub), Buckeye s subsidiary. Pursuant to the Merger Agreement, Merger Sub will be merged into BGH, with BGH as the surviving entity (the Merger). In the transaction, the incentive compensation agreement (also referred to as the incentive distribution rights) held by Buckeye s general partner will be cancelled, the general partner units held by Buckeye s general partner (representing an approximate 0.5% general partner interest in Buckeye) will be converted to a non-economic general partner interest, all of the economic interest in us will be acquired by BPL and our unitholders will receive aggregate consideration of approximately 20 million of Buckeye s LP Units.

The Merger Agreement is subject to, among other things, approval by the affirmative vote of the holders of a majority of Buckeye s LP Units outstanding and entitled to vote at a meeting of the holders of Buckeye s LP Units, approval by the (a) affirmative vote of holders of a majority of our Common Units and (b) affirmative vote of holders of a majority of our Common Units and management units, voting together as a single class.

The Merger will be accounted for as an equity transaction. Therefore, changes in our ownership interest as a result of the Merger will not result in gain or loss recognition. We will be considered the surviving consolidated entity for accounting purposes, while Buckeye will be the surviving consolidated entity for legal and reporting purposes.

We incurred a total of $2.8 million of costs associated with the Merger during the nine months ended September 30, 2010, of which $1.3 million has been paid. Together with Buckeye, the aggregate costs associated with the Merger incurred during the nine months ended September 30, 2010 were $6.9 million, of which $4.5 million has been paid. We charged these costs directly to partners capital.

Amendment to BES Credit Agreement

On June 25, 2010, Buckeye Energy Services LLC (BES) amended and restated its credit agreement (the BES Credit Agreement) to increase the total commitments for borrowings available to BES up to $500.0 million. However, the maximum amount available to be borrowed under the amended and restated BES Credit Agreement is initially limited to $350.0 million. An accordion feature provides BES the ability to increase the commitments under the BES Credit Agreement to $500.0 million, subject to obtaining the requisite commitments and satisfying other customary conditions. In addition to the accordion, subject to BES s satisfaction of certain financial covenants, BES may, from time to time, elect to increase or decrease the maximum amount available for borrowing under the BES Credit Agreement in $5.0 million increments, but in no event below $150.0 million or above $500.0 million. The maturity date of the BES Credit Agreement is June 25, 2013. BES incurred $3.2 million of debt issuance costs related to the amendment, which will be amortized into interest expense over the term of the BES Credit Agreement. See Note 10 in the Notes to Unaudited Condensed Consolidated Financial Statements for further discussion.

Purchase of Additional Interest in West Shore Pipe Line Company

On August 2, 2010, in connection with our exercise of a right of first refusal, we completed the acquisition of additional shares of West Shore Pipe Line Company (West Shore) common stock from an affiliate of BP plc, resulting in an increase in our ownership interest in West Shore from 24.9% to 34.6%. We paid approximately $13.5 million for this additional interest. We exercised our right of first refusal to purchase the additional shares because of the favorable economics associated with the investment opportunity and our desire to increase our ownership in a successful joint venture pipeline that we currently operate.

Sale of Buckeye NGL Pipeline

Effective January 1, 2010, we sold our ownership interest in an approximately 350-mile natural gas liquids pipeline (the Buckeye NGL Pipeline) that runs from Wattenberg, Colorado to Bushton, Kansas for $22.0 million. The assets had been classified as Assets held for sale in our consolidated balance sheet at December 31, 2009 with a carrying amount equal to the proceeds received.

Results of Operations

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

Interest of noncontrolling partners in Buckeye Our condensed 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 condensed consolidated statements of operations as income attributable to noncontrolling interests. These noncontrolling interest accounts are not reflected in Buckeye s condensed consolidated financial statements.

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

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Segment Results

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Revenues:				
Pipeline Operations	$ 103,621	$ 96,714	$ 299,497	$ 294,084
Terminalling & Storage	41,900	34,036	125,039	94,108
Natural Gas Storage	21,663	28,576	68,318	60,325
Energy Services	566,804	258,407	1,636,955	728,563
Development & Logistics	9,082	7,516	27,382	25,446
Intersegment	(8,213)	(1,805)	(23,884)	(11,022)
Total revenues	$ 734,857	$ 423,444	$ 2,133,307	$ 1,191,504
Total costs and expenses: (1)				
Pipeline Operations	$ 54,630	$ 54,868	$ 160,606	$ 258,876
Terminalling & Storage	18,244	16,713	54,344	55,013
Natural Gas Storage	18,868	20,985	58,770	40,753
Energy Services	564,223	252,787	1,638,242	718,159
Development & Logistics	7,592	5,007	24,286	21,403
Intersegment	(8,213)	(1,805)	(23,884)	(11,022)
Total costs and expenses	$ 655,344	$ 348,555	$ 1,912,364	$ 1,083,182
Depreciation and amortization:				
Pipeline Operations	$ 9,263	$ 8,659	$ 27,295	$ 26,482
Terminalling & Storage	2,386	1,813	7,051	5,401
Natural Gas Storage	1,643	1,241	4,924	3,943
Energy Services	1,331	986	3,702	2,946
Development & Logistics	439	439	1,287	1,289
Total depreciation and amortization	$ 15,062	$ 13,138	$ 44,259	$ 40,061
Asset impairment expense:				
Pipeline Operations	$	$	$	$ 72,540
Reorganization expense:				
Pipeline Operations	$	$ 518	$	$ 23,572
Terminalling and Storage		163		2,565
Natural Gas Storage		91		382
Energy Services		206		1,150
Development & Logistics		18		1,440
Total reorganization expense	$	$ 996	$	$ 29,109

Operating income (loss):				
Pipeline Operations	$ 48,991	$ 41,846	$ 138,891	$ 35,208
Terminalling & Storage	23,656	17,323	70,695	39,095
Natural Gas Storage	2,795	7,591	9,548	19,572
Energy Services	2,581	5,620	(1,287)	10,404
Development & Logistics	1,490	2,509	3,096	4,043
Total operating income	$ 79,513	$ 74,889	$ 220,943	$ 108,322

(1) Total costs and expenses 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):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Attributable to Buckeye	$ 653,261	$ 347,479	$ 1,906,852	$ 1,079,944
Elimination of Buckeye deferred charge	(1,174)	(1,174)	(3,523)	(3,523)
Net effect of ESOP charges	1,400	564	3,486	1,209
Attributable to BGH	1,857	1,686	5,549	5,552
Total costs and expenses	$ 655,344	$ 348,555	$ 1,912,364	$ 1,083,182

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Payroll and payroll benefits	$ 1,109	$ 1,086	$ 3,334	$ 3,455
Professional fees	272	103	704	759
Other	476	497	1,511	1,338
Total	$ 1,857	$ 1,686	$ 5,549	$ 5,552

Payroll and benefits costs include salaries and benefits for the four highest paid executives performing services on behalf of Buckeye based on a negotiated fee, as well as allocations of the cost of Buckeye personnel performing administrative services directly for us.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Pipeline Operations (average bpd):				
Gasoline	663,900	666,900	647,400	661,700
Jet fuel	350,700	350,000	337,500	342,900
Diesel fuel	237,000	199,900	229,200	205,000
Heating oil	35,000	33,600	61,400	72,000
LPGs	16,700	17,700	19,500	17,000
NGLs		9,600		17,100
Other products	3,300	5,000	2,600	9,400
Total Pipeline Operations	1,306,600	1,282,700	1,297,600	1,325,100
Terminalling & Storage (average bpd):				
Products throughput (1)	566,200	472,000	564,200	470,800

Energy Services (in thousands of gallons):				
Sales volumes	278,000	138,500	780,000	455,500

(1) Reported quantities exclude transfer volumes, which are non-revenue generating transfers among our various terminals, and include volumes from the Albany terminal, which had not been previously reported in the 2009 periods. For the three and nine months ended September 30, 2009, we previously reported total products throughput of 486.5 thousand and 491.9 thousand, respectively, which included transfer volumes and excluded volumes from the Albany terminal.

Three Months Ended September 30, 2010 Compared to Three Months Ended September 30, 2009

Consolidated

Consolidated income attributable to unitholders. Consolidated income attributable to our unitholders was $11.9 million for the three months ended September 30, 2010 compared to $11.1 million for the three months ended September 30, 2009. The increase in income attributable to our unitholders was due to increases in Buckeye s quarterly cash 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 cause increases in income attributable to our unitholders. During the three months ended September 30, 2010, Buckeye paid a $0.9625 per LP Unit distribution as compared to a $0.9125 per LP Unit distribution in the three months ended September 30, 2009, which resulted in an increase of $1.1 million in incentive distributions in the 2010 period as compared to the corresponding period in 2009.

Revenue. Revenue was $734.9 million for the three months ended September 30, 2010, which is an increase of $311.5 million, or 73.5%, from the three months ended September 30, 2009. The increase in revenue for the three months ended September 30, 2010 as compared to the corresponding period in 2009 was caused primarily by the following:

- an increase of $308.4 million in revenue from the Energy Services segment, resulting from an overall increase in refined petroleum product prices and volumes of product sold during the three months ended September 30, 2010 as compared to the corresponding period in 2009;

- an increase of $7.9 million in revenue from the Terminalling & Storage segment, resulting from increased revenue from terminals acquired in November 2009, internal growth projects and increased throughput volumes, including $1.4 million in storage fees from previously underutilized tankage identified in connection with our best practices initiative and other marketing opportunities;

- an increase of $6.9 million in revenue from the Pipeline Operations segment, resulting from the benefit of higher tariff rates, increased revenues from the contribution of pipeline assets acquired in November 2009, increased other revenues and more favorable settlement experience; and

- an increase of $1.6 million in revenue from the Development & Logistics segment, resulting primarily from the assignment of certain service contracts from the Pipeline Operations segment to the Development & Logistics segment in April 2010.

The increase in revenue was partially offset by:

- a decrease of $6.9 million in revenue from the Natural Gas Storage segment, resulting primarily from lower fees from hub services transactions as a result of general market conditions, including reduced market-based fees charged for storage services as a result of low natural gas prices, compressed seasonal spreads, lower recontracting rates, above normal temperatures and general uncertainty regarding the economic recovery.

Total Costs and Expenses. Total costs and expenses were $655.3 million for the three months ended September 30, 2010, which is an increase of $306.7 million, or 88.0%, from the corresponding period in 2009. Total costs and expenses reflect:

- an increase of $310.4 million in the Energy Services segment s cost of product sales in the 2010 period as compared to the 2009 period, primarily as a result of increased refined petroleum product prices and increased volumes sold;

- an increase of $2.6 million in costs and expenses of the Development & Logistics segment, primarily due to the assignment of certain service contracts from the Pipeline Operations segment to the Development & Logistics segment and higher income tax expense, partially offset by reduced construction contract activity;

an increase of $1.5 million in costs and expenses of the Terminalling & Storage segment, resulting primarily from higher operating expenses for terminals acquired in November 2009 and certain environmental remediation expenses; and

an increase of $2.0 million in depreciation and amortization, primarily on assets placed in service in the second half of 2009 in connection with the Kirby Hills Phase II expansion project, certain internal-use software placed in service in the fourth quarter of 2009 and on assets acquired in November 2009, and an increase of $0.7 million in non-cash unit-based compensation expense.

Total costs and expenses in the 2009 period includes the recognition of $1.0 million of expenses across all segments associated with organizational restructuring. Total costs and expenses for the three months ended September 30, 2010 reflect the effectiveness of cost management efforts we implemented in 2009. As a result of these efforts, costs and expenses reflected a savings of approximately $2.3 million during the three months ended September 30, 2010 as compared to the corresponding period in 2009.

Total costs and expenses also reflect the following decreases:

a decrease of $2.1 million in costs and expenses of the Natural Gas Storage segment, resulting from lower costs associated with hub services transactions recognized as an expense; and

a decrease of $0.3 million in costs and expenses of the Pipeline Operations segment, resulting substantially from a decrease related to the organizational restructuring charges recognized in the 2009 period as discussed above, lower environmental expenses and lower operating power costs, partially offset by increased project costs.

Operating Income. Operating income was $79.5 million for the three months ended September 30, 2010 compared to operating income of $74.9 million for the three months ended September 30, 2009. Interest and debt expense increased by $1.7 million for the three months ended September 30, 2010 as compared to the corresponding period in 2009, which increase was largely attributable to the issuance in August 2009 of $275.0 million aggregate principal amount of 5.500% Notes due 2019 and higher outstanding borrowings under the BES Credit Agreement, partially offset by lower outstanding borrowings under Buckeye s unsecured revolving credit agreement (the Credit Facility). Income from equity investments decreased by $0.4 million for the three months ended September 30, 2010 as compared to the corresponding period in 2009. Other revenue and expense items impacting operating income are discussed above.

Income attributable to noncontrolling interests. 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 $49.0 million for the three months ended September 30, 2010 as compared to $47.3 million in the corresponding period in 2009.

For a more detailed discussion of the above factors affecting our results, see the following discussion by segment.

Pipeline Operations

Revenue. Revenue from the Pipeline Operations segment was $103.6 million for the three months ended September 30, 2010, which is an increase of $6.9 million, or 7.1%, from the corresponding period in 2009. Revenues increased due to favorable settlement experience of $2.8 million, a $2.6 million benefit from higher tariff rates resulting from overall average tariff rate increases of approximately 2.6% implemented on May 1, 2010, an increase of $1.9 million in other pipeline revenues, increased revenue of $0.6 million from pipeline assets acquired in November 2009 and a 1.9% increase in transportation volumes, resulting in an increase of $0.3 million in transportation revenues. These increases in revenue were partially offset by reduced revenues of $1.3 million from contract service activities at customer facilities connected to our refined petroleum products pipelines pursuant to the assignment of such service contracts to the Development & Logistics segment. In addition, the increase in transportation volumes were partially offset by a decrease in transportation volumes related to the sale of the Buckeye NGL Pipeline on January 1, 2010 (see Note 2 in the Notes to Unaudited Condensed Consolidated Financial Statements).

Total Costs and Expenses. Total costs and expenses from the Pipeline Operations segment were $54.6 million for the three months ended September 30, 2010, which is a decrease of $0.3 million, or 0.4%, from the corresponding period in 2009. Total costs and expenses for the 2009 period include $0.5 million of expense related to an organizational restructuring. This charge in the 2009 period was the primary reason that costs and expenses in the 2009 period were 0.4% higher than in the 2010 period. Total costs and expenses for the three months ended September 30, 2010 also reflect a decrease of $1.3 million in contract service activities due to the assignment of certain service contracts from the Pipeline Operations segment to the Development & Logistics segment, a decrease of $0.6 million in environmental expenses, a decrease of $0.3 million in pipeline integrity program expenses, a decrease of $0.2 million in operating power costs, primarily due to power contract renegotiations as part of our best practices initiative and a decrease of $0.2 million in property taxes. These decreases were offset by an increase of $1.6 million in professional fees, outside service costs and other project costs and an increase of $0.7 million in depreciation and amortization expense as a result of pipeline assets acquired in November 2009.

Operating Income. Operating income from the Pipeline Operations segment was $49.0 million for the three months ended September 30, 2010 compared to operating income of $41.8 million for the three months ended September 30, 2009. Income from equity investments decreased by $0.4 million for the three months ended September 30, 2010 as compared to the corresponding period in 2009. Other revenue and expense items impacting operating income are discussed above.

Terminalling & Storage

Revenue. Revenue from the Terminalling & Storage segment was $41.9 million for the three months ended September 30, 2010, which is an increase of $7.9 million, or 23.1%, from the corresponding period in 2009. The increase resulted primarily from terminals acquired in November 2009, internal growth projects, increased throughput volumes, higher fees, higher storage and rental revenue, including $1.4 million in storage fees from previously underutilized tankage identified in connection with our best practices initiative and other marketing opportunities. In addition to the 15.6% increase in volumes resulting from the acquisition of terminals in November 2009, terminalling volumes increased 4.4% for the three months ended September 30, 2010 as compared to the corresponding period in 2009, primarily due to increased jet fuel, diesel and ethanol throughput volumes.

Total Costs and Expenses. Total costs and expenses from the Terminalling & Storage segment were $18.2 million for the three months ended September 30, 2010, which is an increase of $1.5 million, or 9.2%, from the corresponding period in 2009. The increase in total costs and expenses in the 2010 period as compared to the 2009 period is due to a $0.9 million increase in operating expenses and a $0.6 million increase in depreciation and amortization, both as a result of the terminals acquired in November 2009, and a $0.4 million increase in environmental remediation expenses. These increases in total costs and expenses were partially offset by a $0.5 million decrease in payroll and benefits costs primarily related to our best practices initiative in 2009.

Operating Income. Operating income from the Terminalling & Storage segment was $23.7 million for the three months ended September 30, 2010 compared to operating income of $17.3 million for the three months ended September 30, 2009. Other revenue and expense items impacting operating income are discussed above.

Natural Gas Storage

Revenue. Revenue from the Natural Gas Storage segment was $21.7 million for the three months ended September 30, 2010, which is a decrease of $6.9 million, or 24.2%, from the corresponding period in 2009. This overall decrease is attributable to lower underlying volume and lower fees recognized as revenue for hub services provided during the three months ended September 30, 2010. The fees for hub services agreements are based on the relative market prices of natural gas over different delivery periods. A positive market price spread results in receipt of a fee from the customer that is reflected as transportation and other services revenue. A negative market price spread results in payment of a fee to the customer that is reflected as cost of natural gas storage services. These fees are recognized as revenue or cost of natural gas storage services ratably as the underlying services are provided or utilized. Such agreements allow us to maximize the daily utilization of the natural gas storage facility and to attempt to capture value from seasonal price differences in the natural gas markets. During the three months ended September 30, 2010 and 2009, there were 174 and 119 outstanding hub service contracts, respectively, for which revenue was being recognized ratably. Market conditions resulted in lower fees of $6.3 million for hub service

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agreements recognized as revenue during the three months ended September 30, 2010 compared to the same period in 2009, including reduced market-based fees charged for storage services as a result of low natural gas prices, compressed seasonal spreads, lower recontracting rates, above normal temperatures and general uncertainty regarding the economic recovery. Additionally, lease revenue decreased $0.6 million for the three months ended September 30, 2010, as a decrease in the fee charged for each volumetric unit of storage capacity leased was partially offset by increased storage capacity from the commissioning of the Kirby Hills Phase II expansion project, which was placed in service in June 2009.

Total Costs and Expenses. Total costs and expenses from the Natural Gas Storage segment were $18.9 million for the three months ended September 30, 2010, which is a decrease of $2.1 million, or 10.1%, from the corresponding period in 2009. The primary driver of the decrease in expenses is a decrease in hub services fees paid to customers for hub service activities. As stated above, hub service fees are based on the relative market prices of natural gas over different delivery periods; a negative market price spread results in payment of a fee to the customer that is reflected as cost of natural gas storage services ratably as those services are provided. Other operating expenses decreased $3.2 million, primarily due to lower fuel costs and professional fees. Total costs and expenses also include an increase of $0.4 million in depreciation and amortization, primarily related to assets placed in service in the second half of 2009 in connection with the Kirby Hills Phase II expansion project.

Operating Income. Operating income from the Natural Gas Storage segment was $2.8 million for the three months ended September 30, 2010 compared to operating income of $7.6 million for the three months ended September 30, 2009. Other revenue and expense items impacting operating income are discussed above.

Energy Services

Revenue. Revenue from the Energy Services segment was $566.8 million for the three months ended September 30, 2010, which is an increase of $308.4 million, or 119.3%, from the corresponding period in 2009. This increase was primarily due to an increase in refined petroleum product prices, which correspondingly increased the cost of product sales, and an increase of 100.7% in sales volumes.

Total Costs and Expenses. Total costs and expenses from the Energy Services segment were $564.2 million for the three months ended September 30, 2010, which is an increase of $311.4 million, or 123.2%, from the corresponding period in 2009. The increase in total costs and expenses was primarily due to an increase of $310.4 million in cost of product sales as a result of increases in volumes sold, refined petroleum product prices and payroll related costs. Depreciation and amortization increased by $0.3 million for the three months ended September 30, 2010 from the corresponding period in 2009 due to amortization of certain internal-use software placed in service in the fourth quarter of 2009.

Operating Income. Operating income from the Energy Services segment was $2.6 million for the three months ended September 30, 2010 compared to operating income of $5.6 million for the three months ended September 30, 2009. Other revenue and expense items impacting operating income are discussed above.

Development & Logistics

Revenue. Revenue from the Development & Logistics segment was $9.1 million for the three months ended September 30, 2010, which is an increase of $1.6 million, or 20.8%, from the corresponding period in 2009. The increase in revenue was primarily due to an increase of $1.5 million in operating service revenues and an increase of $0.4 million in construction contract and other revenues from the 2009 period. Both increases were primarily due to the assignment of certain service contracts from the Pipeline Operations segment to the Development & Logistics segment, and an increase of $0.5 million in rental and other revenues. These increases in revenue were partially offset by the completion and non-replacement of certain construction projects in 2009, resulting in a $0.8 million reduction in construction contract revenues.

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Total Costs and Expenses. Total costs and expenses from the Development & Logistics segment were $7.6 million for the three months ended September 30, 2010, which is an increase of $2.6 million, or 51.6%, from the corresponding period in 2009. The increase in total costs and expenses was the result of the increased operating services activities discussed above and higher income tax expense of $0.6 million due to higher earnings in the current period, partially offset by reduced construction contract activity.

Operating Income. Operating income from the Development & Logistics segment was $1.5 million for the three months ended September 30, 2010 compared to operating income of $2.5 million for the three months ended September 30, 2009. Other revenue and expense items impacting operating income are discussed above.

Nine Months Ended September 30, 2010 Compared to Nine Months Ended September 30, 2009

Consolidated

Consolidated income attributable to our unitholders was $34.7 million for the nine months ended September 30, 2010 compared to $31.0 million for the nine months ended September 30, 2009. The increase in income attributable to our unitholders was due to increases in Buckeye s quarterly cash 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 cause increases in income attributable to our unitholders. During the nine months ended September 30, 2010, Buckeye paid aggregate distributions of $2.85 per LP Unit as compared to $2.70 per LP Unit in the nine months ended September 30, 2009, which resulted in an increase of $4.1 million in incentive distributions in the first nine months of 2010 as compared to the corresponding period in 2009.

Revenue. Revenue was $2,133.3 million for the nine months ended September 30, 2010, which is an increase of $941.8 million, or 79.0%, from the nine months ended September 30, 2009. The increase in revenue for the nine months ended September 30, 2010 as compared to the corresponding period in 2009 was caused primarily by the following:

- an increase of $908.4 million in revenue from the Energy Services segment, resulting from an overall increase in refined petroleum product prices and volumes of product sold during the nine months ended September 30, 2010 as compared to the corresponding period in 2009;
- an increase of $30.9 million in revenue from the Terminalling & Storage segment, resulting from increased revenue from terminals acquired in November 2009, increased throughput volumes, increased fees, storage and rental revenue, including $4.6 million in storage fees from previously underutilized tankage identified in connection with our best practices initiative and other marketing opportunities and favorable settlement experience;
- an increase of $8.0 million in revenue from the Natural Gas Storage segment, resulting primarily from higher fees from hub services transactions recognized as revenue;
- an increase of $5.4 million in revenue from the Pipeline Operations segment, resulting primarily from the benefit of higher tariff rates, favorable settlement experience and increased revenues from pipeline assets acquired in November 2009, partially offset by the impact of lower transportation volumes; and
- an increase of $2.0 million in revenue from the Development & Logistics segment, resulting primarily from the sale of ammonia linefill and from the assignment of certain service contracts from the Pipeline Operations segment to the Development & Logistics segment in April 2010.

Total Costs and Expenses. Total costs and expenses were $1,912.3 million for the nine months ended September 30, 2010, which is an increase of $829.0 million, or 76.6%, from the corresponding period in 2009. Total costs and expenses reflect:

- an increase in refined petroleum product prices, which, coupled with an increase in volume sold, resulted in a $920.0 million increase in the Energy Services segment s cost of product sales in the 2010 period as compared to the 2009 period;

an increase of $18.0 million in costs and expenses of the Natural Gas Storage segment, resulting from higher costs associated with hub services transactions recognized as expense caused primarily by general market conditions;

an increase of $4.2 million in depreciation and amortization, primarily on assets placed in service in the second half of 2009 in connection with the Kirby Hills Phase II expansion project, certain internal-use software placed in service in the fourth quarter of 2009 and on assets acquired in November 2009, and an increase of $3.0 million in non-cash unit-based compensation expense; and

an increase of $2.9 million in costs and expenses of the Development & Logistics segment, primarily resulting from $2.4 million of expenses related to the write-off in the 2010 period of a portion of an outstanding receivable balance and other costs associated with a customer bankruptcy and due to the assignment of certain service contracts from the Pipeline Operations segment to the Development & Logistics segment in April 2010.

Total costs and expenses in the 2009 period include the recognition of a non-cash $72.5 million asset impairment expense in the Pipeline Operations segment, related to the Buckeye NGL Pipeline and $29.1 million of expenses across all segments associated with organizational restructuring. These two charges were the primary cause of a partially offsetting decrease in total costs and expenses for the 2010 period as compared to the 2009 period. Total costs and expenses for the nine months ended September 30, 2010 also reflect the effectiveness of cost management efforts we implemented in 2009. Largely as result of these efforts, costs decreased by approximately $11.7 million during the nine months ended September 30, 2010 as compared to the corresponding period in 2009.

Total costs and expenses also reflect the following decreases:

a decrease in costs and expenses of the Pipeline Operations segment, resulting substantially from a decrease related to the asset impairment expense and the organizational restructuring charges recognized in the 2009 period as discussed above and lower payroll and benefits costs, which were primarily attributable to the organizational restructuring that occurred in 2009 and resulted in reduced headcount, as well as from lower environmental remediation expenses, lower operating power costs due to lower transportation volumes and power contract renegotiations as part of our best practices initiative and lower contract service activities, partially offset by higher pipeline integrity program expenses and higher project costs; and

a decrease in costs and expenses of the Terminalling & Storage segment, resulting primarily from a decrease related to expenses for organizational restructuring recognized in the 2009 period, lower environmental remediation expenses and lower payroll and benefits costs, partially offset by higher operating expense for terminals acquired in November 2009 and higher bad debt expense.

Operating Income. Operating income was $220.9 million for the nine months ended September 30, 2010 compared to operating income of $108.3 million for the nine months ended September 30, 2009. Interest and debt expense increased by $11.1 million for the nine months ended September 30, 2010 as compared to the corresponding period in 2009, which increase was largely attributable to the issuance in August 2009 of $275.0 million aggregate principal amount of 5.500% Notes due 2019, higher outstanding borrowings under the BES Credit Agreement and lower interest capitalized on construction projects, partially offset by lower outstanding borrowings under Buckeye s Credit Facility. Income from equity investments decreased by $0.2 million for the nine months ended September 30, 2010 as compared to the corresponding period in 2009. Other revenue and expense items impacting operating income are discussed above.

Income attributable to noncontrolling interests. 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 $130.3 million for the nine months ended September 30, 2010 as compared to $32.7 million in the corresponding period in 2009. The increase is primarily due to the recognition of the asset impairment expense and the organizational restructuring charges in the 2009 period.

For a more detailed discussion of the above factors affecting our results, see the following discussion by segment.

Pipeline Operations

Revenue. Revenue from the Pipeline Operations segment was $299.5 million for the nine months ended September 30, 2010, which is an increase of $5.4 million, or 1.8%, from the corresponding period in 2009. Revenues increased due to a $7.3 million benefit of higher tariff rates resulting from overall average tariff rate increases of approximately 3.8% implemented on July 1, 2009 and 2.6% implemented on May 1, 2010, favorable settlement experience of $5.8 million, increased revenues of $2.0 million from pipeline assets acquired in November 2009 and an increase of $3.4 million in other pipeline revenues. These increases were partially offset by a 2.1% decrease in transportation volumes, which resulted in an $8.7 million decrease in transportation revenues, due in part to the sale of the Buckeye NGL Pipeline on January 1, 2010, and a $4.5 million decrease in revenue from a product supply arrangement with a wholesale distributor and contract service activities at customer facilities connected to our refined petroleum products pipelines pursuant to the assignment of such service contract to the Development & Logistics segment.

Total Costs and Expenses. Total costs and expenses from the Pipeline Operations segment were $160.6 million for the nine months ended September 30, 2010, which is a decrease of $98.3 million, or 38.0%, from the corresponding period in 2009. Total costs and expenses for the 2009 period include a $72.5 million non-cash asset impairment expense and $23.6 million of expense related to organizational restructuring. These charges in the nine months ended September 30, 2009 were the primary reason that total costs and expenses in the 2009 period were 38.0% higher than in the 2010 period. In addition, total costs and expenses in the 2010 period were lower than in the 2009 period as a result of a $3.5 million decrease in contract service activities due to the assignment of certain service contracts from the Pipeline Operations segment to the Development & Logistics segment, a $2.0 million reduction in environmental remediation expenses, a $1.7 million decrease in payroll and benefits costs, resulting primarily from our best practices initiative, a $1.2 million decrease in operating power costs due to lower transportation volumes and power contract renegotiations as part of our best practices initiative, a $0.8 million decrease in product costs, resulting from reduced volumes of product sold to a wholesale distributor and a decrease of $0.6 million in property taxes. These decreases in total costs and expenses were partially offset by an increase of an increase of $3.7 million in professional fees, outside services and other project expenses, an increase of $2.4 million in pipeline integrity program expenses, an increase of $0.6 million in bad debt expense and an increase of $0.8 million in depreciation and amortization as a result of pipeline assets acquired in November 2009.

Operating Income. Operating income from the Pipeline Operations segment was $138.9 million for the nine months ended September 30, 2010 compared to operating income of $35.2 million for the nine months ended September 30, 2009. Income from equity investments decreased by $0.2 million for the nine months ended September 30, 2010 as compared to the corresponding period in 2009. Other revenue and expense items impacting operating income are discussed above.

Terminalling & Storage

Revenue. Revenue from the Terminalling & Storage segment was $125.0 million for the nine months ended September 30, 2010, which is an increase of $30.9 million, or 32.9%, from the corresponding period in 2009. Approximately $27.6 million of the increase resulted primarily from terminals acquired in November 2009, internal growth projects, increased throughput volumes, higher fees, higher storage and rental revenue, including $4.6 million in storage fees from previously underutilized tankage identified in connection with our best practices initiative and other marketing opportunities, and increased butane-blending revenue. Also contributing to the improved revenue was an increase of $3.3 million in settlement experience, reflecting the favorable impact of higher refined petroleum product prices during the nine months ended September 30, 2010 as compared to the corresponding period in 2009. In addition to the 13.3% increase in volumes resulting from the acquisition of terminals in November 2009, terminalling volumes increased 6.5% for the nine months ended September 30, 2010 as compared to the corresponding period in 2009, primarily due to increased diesel, ethanol and jet fuel throughput volumes.

Total Costs and Expenses. Total costs and expenses from the Terminalling & Storage segment were $54.3 million for the nine months ended September 30, 2010, which is a decrease of $0.7 million, or 1.2%, from the corresponding period in 2009. The decrease in total costs and expenses in the 2010 period as compared to the 2009 period is due to a $2.6 million decrease related to expenses for organizational restructuring recognized in the 2009

period, a $1.6 million decrease in payroll and benefits costs primarily related to our best practices initiative in 2009 and a $1.2 million decrease in environmental remediation expenses, partially offset by a $2.2 million increase in operating expenses for terminals acquired in November 2009, a $0.6 million increase in bad debt expense and a $1.7 million increase in depreciation and amortization, primarily on terminals acquired in November 2009.

Operating Income. Operating income from the Terminalling & Storage segment was $70.7 million for the nine months ended September 30, 2010 compared to operating income of $39.1 million for the nine months ended September 30, 2009. Other revenue and expense items impacting operating income are discussed above.

Natural Gas Storage

Revenue. Revenue from the Natural Gas Storage segment was $68.3 million for the nine months ended September 30, 2010, which is an increase of $8.0 million, or 13.2%, from the corresponding period in 2009. This overall increase is attributable to greater underlying volume and higher fees recognized as revenue for hub services provided during the nine months ended September 30, 2010. During the nine months ended September 30, 2010 and 2009, there were 310 and 283 outstanding hub service contracts, respectively, for which revenue was being recognized ratably. Market conditions resulted in lower fees of $7.8 million for hub service agreements recognized as revenue during the nine months ended September 30, 2010 as compared to the corresponding period in 2009. Lease revenue increased $0.2 million for the nine months ended September 30, 2010, as increased storage capacity from the commissioning of the Kirby Hills Phase II expansion project, which was placed in service in June 2009, was partially offset by a decrease in the fee charged for each volumetric unit of storage capacity leased.

Total Costs and Expenses. Total costs and expenses from the Natural Gas Storage segment were $58.8 million for the nine months ended September 30, 2010, which is an increase of $18.0 million, or 44.2%, from the corresponding period in 2009. The primary driver of the increase in expenses is an increase in hub services fees paid to customers for hub service activities. Total costs and expenses also include an increase of $1.0 million in depreciation and amortization primarily due to assets placed in service in the second half of 2009 in connection with the Kirby Hills Phase II expansion project, partially offset by a decrease of $0.4 million related to organizational restructuring charges recognized in the 2009 period. Other operating expenses decreased by $2.5 million, primarily due to decreased outside service costs and other expenses, partially offset by increased fuel costs, maintenance materials expense and supplies and rental expenses.

Operating Income. Operating income from the Natural Gas Storage segment was $9.5 million for the nine months ended September 30, 2010 compared to operating income of $19.6 million for the nine months ended September 30, 2009. Other revenue and expense items impacting operating income are discussed above.

Energy Services

Revenue. Revenue from the Energy Services segment was $1,637.0 million for the nine months ended September 30, 2010, which is an increase of $908.4 million, or 124.7%, from the corresponding period in 2009. This increase was primarily due to an increase in refined petroleum product prices in the 2010 period, which correspondingly increased the cost of product sales, and an increase of 71.2% in sales volumes.

Total Costs and Expenses. Total costs and expenses from the Energy Services segment were $1,638.2 million for the nine months ended September 30, 2010, which is an increase of $920.0 million, or 128.1%, from the corresponding period in 2009. The increase in total costs and expenses was primarily due to an increase of $920.0 million in cost of product sales as a result of increased volumes sold and an increase in refined petroleum product prices. The increase in expenses was a result of lower rack margins driven by competitive pricing at the rack as inventory levels have remained at higher than normal levels while product demand has declined. Additionally, the contango opportunities that existed during 2009 have not existed through the first nine months in 2010. These negative factors were partially offset by a 71.2% increase in Energy Services sales volume. Total costs and expenses also increased due to an increase of $0.7 million in bad debt expense and an increase of $1.2 million in payroll related costs, including an increase of $0.6 million in non-cash unit-based compensation expense, partially offset by a decrease of $1.2 million in repairs and maintenance expense and professional fees. Total costs and expenses also include an increase of $0.7 million in depreciation and amortization related primarily to certain internal-use software placed in service in the fourth quarter of 2009, partially offset by a decrease of $1.2 million related to an organizational restructuring recognized in the 2009 period.

Operating Income (Loss). Operating loss from the Energy Services segment was $1.3 million for the nine months ended September 30, 2010 compared to operating income of $10.4 million for the nine months ended September 30, 2009. Other revenue and expense items impacting operating income (loss) are discussed above.

Development & Logistics

Revenue. Revenue from the Development & Logistics segment was $27.4 million for the nine months ended September 30, 2010, which is an increase of $2.0 million, or 7.6%, from the corresponding period in 2009. The increase in revenue was partially due to the recognition of $1.2 million of revenue related to the sale of ammonia linefill. In addition, the increase in revenue was due to an increase of $3.8 million in operating service revenues and other revenues from the 2009 period, primarily due to the assignment of certain service contracts from the Pipeline Operations segment to the Development & Logistics segment, an increase of $0.9 million in rental and transportation revenues and an increase of $0.6 million in operating service revenues as a result of higher fees and increased reimbursable costs. These increases in revenue were partially offset by reduced construction contract activity following completion of certain construction projects in 2009, resulting in a $4.5 million reduction in construction contract revenues.

Total Costs and Expenses. Total costs and expenses from the Development & Logistics segment were $24.3 million for the nine months ended September 30, 2010, which is an increase of $2.9 million, or 13.5%, from the corresponding period in 2009. Total costs and expenses include $1.4 million of expense related to an organizational restructuring recognized in the 2009 period. Total costs and expenses increased as a result of the recognition of $2.4 million of expenses related to the write-off in the 2010 period of a portion of an outstanding receivable balance and other costs associated with a customer bankruptcy, and increased operating services activities discussed above, partially offset by reduced contract construction activity discussed above and lower income tax expense.

Operating Income. Operating income from the Development & Logistics segment was $3.1 million for the nine months ended September 30, 2010 compared to operating income of $4.0 million for the nine months ended September 30, 2009. Income tax expense decreased by $0.1 million for the nine months ended September 30, 2010, primarily due to the recognition of a tax benefit of $0.6 million primarily related to the write-off of a portion of an outstanding receivable balance and other costs associated with a customer bankruptcy as discussed above, partially offset by higher earnings. 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.

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 the nine months ended September 30, 2010 and 2009, we paid cash distributions of $1.29 and $1.05 per Common Unit, respectively. Total cash distributed to our unitholders for the nine months ended September 30, 2010 and 2009 was approximately $36.5 million and $29.7 million, respectively.

At September 30, 2010 and December 31, 2009, we had no amounts outstanding under our unsecured revolving credit facility (the BGH Credit Agreement). See Note 10 in the Notes to Unaudited Condensed Consolidated Financial Statements for a description of the terms of the BGH Credit Agreement.

Services Company

At September 30, 2010 and December 31, 2009, Services Company had total debt outstanding of $3.1 million and $7.7 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 returns to an amount that exceeds the 125% minimum. At September 30, 2010, the value of Buckeye s LP Units owned by Services Company exceeded the 125% requirement.

Buckeye

Buckeye s primary cash requirements, in addition to normal operating expenses and debt service, are for working capital, capital expenditures, business acquisitions and distributions to its partners. Buckeye s principal 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 its Credit Facility. BES funds its working capital needs principally from its 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 Buckeye s 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.

As a result of Buckeye s actions to minimize external financing requirements and the fact that no debt facilities mature prior to 2011, Buckeye believes that availabilities under its credit facilities, coupled with ongoing cash flows from operations, will be sufficient to fund its operations for the remainder of 2010. Buckeye 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.

At September 30, 2010, Buckeye had $13.3 million of cash and cash equivalents on hand and approximately $580.0 million of available credit under its Credit Facility, after application of the facility s funded debt ratio covenant. In addition, at September 30, 2010, BES had $53.5 million of available credit under the BES Credit Agreement, pursuant to certain borrowing base calculations under that agreement.

At September 30, 2010, Buckeye had an aggregate face amount of $1,656.8 million of debt, which consisted of the following:

- $300.0 million of 4.625% Notes due 2013 (the 4.625% Notes);
- $275.0 million of 5.300% Notes due 2014 (the 5.300% Notes);
- $125.0 million of 5.125% Notes due 2017 (the 5.125% Notes);
- $300.0 million of 6.050% Notes due 2018 (the 6.050% Notes);
- $275.0 million of 5.500% Notes due 2019 (the 5.500% Notes);
- $150.0 million of 6.750% Notes due 2033 (the 6.750% Notes);
- $20.0 million outstanding under the Credit Facility; and
- $211.8 million outstanding under the BES Credit Agreement.

See Note 10 in the Notes to Unaudited Condensed Consolidated Financial Statements for more information about the terms of the debt discussed above.

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The fair values of Buckeye s aggregate debt and credit facilities were estimated to be $1,796.7 million and $1,762.1 million at September 30, 2010 and December 31, 2009, respectively. The fair values of the fixed-rate debt were estimated by observing market trading prices and by comparing the historic market prices of its 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 rates.

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 U.S. Securities and Exchange Commission (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):

	Nine Months Ended September 30,	
	2010	**2009**
Cash provided by (used in):		
Operating activities	$ 296,107	$ 64,680
Investing activities	(41,608)	(61,435)
Financing activities	(276,151)	(34,611)

Operating Activities

Net cash flow provided by operating activities was $296.1 million for the nine months ended September 30, 2010 compared to $64.7 million for the nine months ended September 30, 2009. The following were the principal factors resulting in the $231.4 million increase in net cash flows provided by operating activities:

The net change in fair values of derivatives was a decrease of $16.2 million to cash flows from operating activities for the nine months ended September 30, 2010, resulting from the increase in value related to fixed-price 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 an increase of $80.9 million to cash flows from operating activities for the nine months ended September 30, 2010. The principal factors affecting the working capital changes were:

- Inventories decreased by $56.7 million due to a decrease in volume of hedged inventory stored by the Energy Services segment. From time to time, the Energy Services segment stores hedged inventory to attempt to capture value when market conditions are economically favorable.

- Prepaid and other current assets decreased by $31.3 million primarily due to a decrease in margin deposits on futures contracts in our Energy Services segment as a result of increased commodity prices during the nine months ended September 30, 2010 (increased commodity prices result in an increase in our broker equity account and therefore less margin deposit is required), a decrease in unbilled revenue within our Natural Gas Storage segment reflecting billings to counterparties in accordance with terms of their storage agreements, a decrease in receivables related to ammonia contracts, a decrease in tax receivables due to the collection of an amount outstanding from a regulatory agency and a decrease in prepaid insurance due to continued amortization of the balance over the policy period, partially offset by an increase in prepaid fuel taxes in our Energy Services segment.

- o Construction and pipeline relocation receivables decreased by $5.3 million primarily due to a decrease in construction activity in the 2010 period.

- o Accounts payable decreased by $0.4 million primarily due to higher payable balances at September 30, 2010 as a result of increased trading activity at BES resulting from increased volumes and increased commodity prices during the period.

- o Trade receivables increased by $9.5 million primarily due to the timing of collections from customers, including increased activity from our Energy Services segment due to higher volumes and higher commodity prices in the 2010 period.

- o Accrued and other current liabilities decreased by $2.4 million primarily due to a decrease in accrued interest as a result of interest payments made during the period, a decrease due to the payment of accrued ammonia purchases during the period and a reduction in the reorganization accrual, partially offset by increases in unearned revenue primarily in the Natural Gas Storage segment as a result of increased hub services contracts during the nine months ended September 30, 2010 for which the customer is billed up front for services provided over the entire term of the contract.

Investing Activities

Net cash flow used in investing activities was $41.6 million for the nine months ended September 30, 2010 compared to $61.4 million for the nine months ended September 30, 2009. The following were the principal factors resulting in the $19.8 million decrease in net cash flows used in investing activities:

Capital expenditures decreased by $9.5 million for the nine months ended September 30, 2010 compared with the nine months ended September 30, 2009. See below for a discussion of capital spending.

We acquired additional shares of West Shore common stock from an affiliate of BP plc for $13.5 million, resulting in an increase in our ownership interest in West Shore from 24.9% to 34.6%.

We contributed $3.9 million to West Texas LPG Pipeline Limited Partnership in the nine months ended September 30, 2009 for our pro-rata share of an expansion project required to meet increased pipeline demand caused by increased product production in the Fort Worth basin and East Texas regions.

We acquired pipeline assets for $1.3 million during the nine months ended September 30, 2010.

Cash proceeds from the sale of the Buckeye NGL Pipeline were $22.0 million during the nine months ended September 30, 2010.

Capital expenditures, net of non-cash changes in accruals for capital expenditures, were as follows for the periods indicated (in thousands):

	Nine Months Ended September 30,	
	2010	**2009**
Sustaining capital expenditures	$ 18,513	$ 11,869
Expansion and cost reduction	30,762	46,934
Total capital expenditures, net	$ 49,275	$ 58,803

Expansion and cost reduction projects in the first nine months of 2010 included terminal ethanol and butane blending, new pipeline connections, natural gas storage well recompletions, continued progress on a new pipeline and terminal billing system as well as various other operating infrastructure projects. In the first nine months of 2009,

expansion and cost reduction projects included the Kirby Hills Phase II expansion project, terminal ethanol and butane blending, 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.

We expect to spend approximately $70.0 million to $90.0 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 $45.0 million to $55.0 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, various terminal expansions and upgrades and pipeline and terminal automation projects.

Financing Activities

Net cash flow used in financing activities was $276.2 million for the nine months ended September 30, 2010 compared to $34.6 million for the nine months ended September 30, 2009. The following were the principal factors resulting in the $241.6 million increase in net cash flows used in financing activities:

- Buckeye borrowed $175.9 million and $160.7 million and repaid $233.9 million and $459.0 million under its Credit Facility during the nine months ended September 30, 2010 and 2009, respectively.

- Net repayments under the BES Credit Agreement were $28.0 million during the nine months ended September 30, 2010, while net borrowings under the BES Credit Agreement were $53.6 million during the nine months ended September 30, 2009.

- We incurred $3.2 million of debt issuance costs during the nine months ended September 30, 2010 related to the amendment to the BES Credit Agreement in June 2010 (see Note 10 in the Notes to Unaudited Condensed Consolidated Financial Statements).

- Buckeye received $273.2 million (net of debt issuance costs of $2.1 million) from the 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 the Credit Facility.

- Buckeye received $4.3 million and $1.9 million in net proceeds from the exercise of its LP Unit options during the nine months ended September 30, 2010 and 2009, respectively. Buckeye received $104.6 million in net proceeds from an underwritten equity offering in March and April of 2009 for its public issuance of 3.0 million LP Units.

- Cash distributions paid to our partners increased by $6.8 million period-to-period due to an increase in our quarterly cash distribution rate per Common Unit. We paid cash distributions of $36.5 million ($1.29 per Common Unit) and $29.7 million ($1.05 per Common Unit) during the nine months ended September 30, 2010 and 2009, respectively.

- We paid $4.5 million of costs associated with the Merger during the nine months ended September 30, 2010.

Derivatives

See Item 3. Quantitative and Qualitative Disclosures About Market Risk Market Risk Non Trading Instruments for a discussion of commodity derivatives used by our Energy Services segment.

Other Considerations

Contractual Obligations

With the exception of routine fluctuations in the balance of Buckeye s Credit Facility and the BES Credit Agreement, there have been no material changes in our scheduled maturities of our debt obligations since those reported in our Annual Report on Form 10-K for the year ended December 31, 2009.

Total rental expense for the three months ended September 30, 2010 and 2009 was $5.7 million and $5.3 million, respectively. For the nine months ended September 30, 2010 and 2009, total rental expense was $16.2 million and $15.7 million, respectively. There have been no material changes in our operating lease commitments since those reported in our Annual Report on Form 10-K for the year ended December 31, 2009.

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Off-Balance Sheet Arrangements

There have been no material changes with regard to our off-balance sheet arrangements since those reported in our Annual Report on Form 10-K for the year ended December 31, 2009.

Related Party Transactions

With respect to related party transactions, see Note 15 in the Notes to Unaudited Condensed Consolidated Financial Statements.

Recent Accounting Pronouncements

See Note 1 in the Notes to Unaudited Condensed Consolidated Financial Statements for a description of certain new accounting pronouncements that will or may affect our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Trading Instruments

We have no trading derivative instruments.

Market Risk Non-Trading Instruments

We are exposed to financial market risk resulting from changes in commodity prices and interest rates. We do not currently have foreign exchange risk.

Commodity Risk

Natural Gas Storage

The Natural Gas Storage segment enters into interruptible natural gas storage hub service agreements in order to maximize the daily utilization of the natural gas storage facility, while also attempting to capture value from seasonal price differences in the natural gas markets. Although the Natural Gas Storage segment does not purchase or sell natural gas, the Natural Gas Storage segment is subject to commodity risk because the value of natural gas storage hub services generally fluctuates based on changes in the relative market prices of natural gas over different delivery periods.

As of September 30, 2010, the Natural Gas Storage segment has recorded the following assets and liabilities related to its hub services agreements (in thousands):

	September 30, 2010
Assets:	
Hub service agreements	$ 37,100
Liabilities:	
Hub service agreements	(25,510)
Total	$ 11,590

Energy Services

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 physical commodity forward fixed-price purchase and sales contracts. The derivative contracts used to hedge refined petroleum product inventories are classified as fair value hedges. Accordingly, our method of measuring ineffectiveness compares the

changes in the fair value of the New York Mercantile Exchange (NYMEX) futures contracts to the change in fair value of our hedged fuel inventory.

Our Energy Services segment has not used hedge accounting with respect to its fixed-price contracts. Therefore, our fixed-price contracts and the related futures contracts used to offset the changes in fair value of the fixed-price sales contracts are all marked-to-market on the condensed consolidated balance sheets with gains and losses being recognized in earnings during the period.

As of September 30, 2010, the Energy Services segment had derivative assets and liabilities as follows (in thousands):

	September 30, 2010
Assets:	
Fixed-price contracts	$ 2,497
Futures contracts for inventory and fixed-price sales contracts	103
Liabilities:	
Fixed-price sales contracts	(1,880)
Futures contracts for inventory and fixed-price sales contracts	(8,737)
Futures contracts for natural gas	(361)
Total	$ (8,378)

Our hedged inventory portfolio extends to the first quarter of 2011. The majority of the unrealized loss at September 30, 2010 for futures contracts designated as inventory hedging instruments and unrealized gains in the fair values of the underlying hedged refined petroleum product inventories will be realized by the fourth quarter of 2010 as the inventory is sold. A loss of $1.5 million and a gain of $1.2 million were recorded on inventory hedges that were ineffective for the three and nine months ended September 30, 2010, respectively. At September 30, 2010, open refined petroleum product derivative contracts (represented by the fixed-price contracts and futures contracts for fixed-price sales contracts and inventory noted above) varied in duration, but did not extend beyond October 2011. In addition, at September 30, 2010, we had refined petroleum product inventories which we intend to use to satisfy a portion of the fixed-price contracts.

Based on a hypothetical 10% movement in the underlying quoted market prices of the commodity financial instruments outstanding at September 30, 2010, the estimated fair value of the portfolio of commodity financial instruments would be as follows (in thousands):

Scenario	Resulting Classification	Commodity Financial Instrument Portfolio Fair Value
Fair value assuming no change in underlying commodity prices (as is)	Liability	$ (8,378)
Fair value assuming 10% increase in underlying commodity prices	Liability	$(32,115)
Fair value assuming 10% decrease in underlying commodity prices	Asset	$ 15,359

The value of the open futures contract positions noted above were based upon quoted market prices obtained from NYMEX. The value of the fixed-price contracts was based on observable market data related to the obligation to provide refined petroleum products to customers.

As discussed above, these commodity financial instruments are used primarily to manage the risk of market price volatility on the Energy Services segment refined petroleum product inventories and its fixed-price contracts. The derivative contracts used to hedge refined petroleum product inventories are classified as fair value hedges and are, therefore, expected to be highly effective in offsetting changes in the fair value of the refined petroleum product inventories.

Interest Rate Risk

Buckeye utilizes forward-starting interest rate swaps to manage interest rate risk related to forecasted interest payments on anticipated debt issuances. This strategy is a component in controlling its cost of capital associated with such borrowings. When entering into interest rate swap transactions, Buckeye becomes exposed to both credit risk and market risk. Buckeye is subject to credit risk when the value of the swap transaction is positive and the risk exists that the counterparty will fail to perform under the terms of the contract. Buckeye is subject to market risk with respect to changes in the underlying benchmark interest rate that impact the fair value of the swaps. Buckeye manages its credit risk by only entering into swap transactions with major financial institutions with investment-grade credit ratings. Buckeye manages its market risk by associating each swap transaction with an existing debt obligation or a specified expected debt issuance generally associated with the maturity of an existing debt obligation.

Buckeye s practice with respect to derivative transactions related to interest rate risk has been to have each transaction in connection with non-routine borrowings authorized by the board of directors of Buckeye GP. In January 2009, Buckeye GP s board of directors adopted an interest rate hedging policy which permits Buckeye to enter into certain short-term interest rate hedge agreements to manage its interest rate and cash flow risks associated with its Credit Facility. In addition, in July 2009 and May 2010, Buckeye GP s board of directors authorized Buckeye to enter into certain transactions, such as forward starting interest rate swaps, to manage its interest rate and cash flow risks related to certain expected debt issuances associated with the maturity of existing debt obligations.

At September 30, 2010, Buckeye had total fixed-rate debt obligations at face value of $1,425.0 million, consisting of $125.0 million of the 5.125% Notes, $275.0 million of the 5.300% Notes, $300.0 million of the 4.625% Notes, $150.0 million of the 6.750% Notes, $300.0 million of the 6.050% Notes and $275.0 million of the 5.500% Notes. The fair value of these fixed-rate debt obligations at September 30, 2010 was approximately $1,564.9 million. Buckeye estimates that a 1% decrease in rates for obligations of similar maturities would increase the fair value of its fixed-rate debt obligations by approximately $91.3 million.

At September 30, 2010, Buckeye s variable-rate obligations were $20.0 million under its Credit Facility and $211.8 million under the BES Credit Agreement. Based on the balances outstanding at September 30, 2010, we estimate that a 1% increase or decrease in interest rates would increase or decrease annual interest expense by approximately $2.3 million.

Buckeye expects to issue new fixed-rate debt (i) on or before July 15, 2013, to repay the $300.0 million of 4.625% Notes that are due on July 15, 2013, and (ii) on or before October 15, 2014, to repay the $275.0 million of 5.300% Notes that are due on October 15, 2014, although no assurances can be given that the issuance of fixed-rate debt will be possible on acceptable terms. During 2009, Buckeye entered into four forward-starting interest rate swaps with a total aggregate notional amount of $200.0 million related to the anticipated issuance of debt on or before July 15, 2013 and three forward-starting interest rate swaps with a total aggregate notional amount of $150.0 million related to the anticipated issuance of debt on or before October 15, 2014. During the nine months ended September 30, 2010, Buckeye entered into two forward-starting interest rate swaps with a total aggregate notional amount of $100.0 million related to the anticipated issuance of debt on or before July 15, 2013 and three forward-starting interest rate swaps with a total aggregate notional amount of $125.0 million related to the anticipated issuance of debt on or before October 15, 2014. The purpose of these swaps is to hedge the variability of the forecasted interest payments on these expected debt issuances that may result from changes in the benchmark interest rate until the expected debt is issued. During the three and nine months ended September 30, 2010, unrealized losses of $22.0 million and $58.1 million, respectively, were recorded in Buckeye s accumulated other comprehensive income (loss) to reflect the change in the fair values of the forward-starting interest rate swaps. Buckeye designated the swap agreements as cash flow hedges at inception and expects the changes in values to be highly correlated with the changes in value of the underlying borrowings.

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The following table presents the effect of hypothetical price movements on the estimated fair value of Buckeye s interest rate swap portfolio and the related change in fair value of the underlying debt at September 30, 2010 (in thousands):

Scenario	Resulting Classification	Financial Instrument Portfolio Fair Value
Fair value assuming no change in underlying interest rates (as is)	Liability	$(40,910)
Fair value assuming 10% increase in underlying interest rates	Liability	$(22,382)
Fair value assuming 10% decrease in underlying interest rates	Liability	$(60,046)

Item 4. ***Controls and Procedures***

(a) Evaluation of Disclosure Controls and Procedures.

Our management, with the participation of our Chief Executive Officer (the CEO) and Chief Financial Officer (the CFO), evaluated the design and effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the CEO and CFO concluded that our disclosure controls and procedures as of the end of the period covered by this report are designed and operating effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and (ii) accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Change in Internal Control Over Financial Reporting.

During the third quarter of 2010, we implemented a new revenue accounting system.

PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings***

For information on legal proceedings, see Part 1, Item 1, Financial Statements, Note 3, Commitments and Contingencies in the Notes to Unaudited Condensed Consolidated Financial Statements included in this quarterly report, which is incorporated into this item by reference.

Item 1A. ***Risk Factors***

Security holders and potential investors in our securities should carefully consider the risk factors set forth in Part 1, Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2009 and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 in addition to other information in such reports and in this quarterly report. We have identified these risk factors as important factors that could cause our actual results to differ materially from those contained in any written or oral forward-looking statements made by us or on our behalf.

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Item 6. ***Exhibits***

(a) Exhibits

2.1	First Amended and Restated Agreement and Plan of Merger, dated August 18, 2010, by and among Buckeye Partners, L.P., Buckeye GP LLC, Buckeye GP Holdings L.P., MainLine Management LLC and Grand Ohio, LLC (Incorporated by reference to Annex A to Buckeye Partners, L.P. s Registration Statement on Form S-4/A filed on August 19, 2010).
2.2	First Amendment to First Amended and Restated Agreement and Plan of Merger, dated October 29, 2010, by and among Buckeye Partners, L.P., Buckeye GP LLC, Buckeye GP Holdings L.P., MainLine Management LLC and Grand Ohio, LLC (Incorporated by reference to Exhibit 2.1 of Buckeye GP Holdings L.P. s Current Report on Form 8-K filed on November 3, 2010).
3.1	Certificate of Limited Partnership of Buckeye GP Holdings L.P., dated as of 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 Current Report on Form 8-K filed on August 14, 2006).
10.1	Amendment No. 1 to the Amended and Restated Agreement of Limited Partnership of Buckeye Partners, L.P. (Incorporated by reference to Exhibit 3.1 of Buckeye Partners, L.P. s Current Report on Form 8-K filed on August 11, 2010).
10.2	Form of Amended and Restated Agreement of Limited Partnership of Buckeye Partners, L.P. (Incorporated by reference to Annex B to the Joint Proxy Statement/Prospectus in Part I of Buckeye Partners, L.P. s Registration Statement on Form S-4 filed on September 14, 2010).
10.3	Sixth Amendment to Credit Agreement, dated September 29, 2010, 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 Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010).
**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.

** Filed herewith.

Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. BGH agrees to furnish supplementally a copy of the omitted schedules to the SEC upon request.

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SIGNATURES

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

By: BUCKEYE GP HOLDINGS L.P.
(Registrant)

By: MainLine Management LLC,
as General Partner

Date: November 8, 2010

By: /s/ Keith E. St.Clair
Keith E. St.Clair
Senior Vice President and Chief
Financial Officer *(Principal Accounting Officer and Principal Financial Officer)*