

Holly Energy Partners, L.P.

Acquisition of Holly Corporation Intermediate Pipelines



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Intermediate Pipeline Acquisition Overview

- ◆ The HEP and Holly Boards have approved HEP's acquisition of Holly's 8-inch and 10-inch pipelines that connect Holly's Lovington, NM and Artesia, NM refining facilities.
- ◆ This acquisition comes from the exercise of an option that HEP was granted in July 2004 at the time of the HEP IPO.
- ◆ These pipelines are 65 miles in length and have a current throughput capacity of 84,000 bpd.
- ◆ These pipelines transport crude oil, raw feedstocks, and partially finished refined products from Holly's Lovington refining facility to its Artesia facility.



Transaction Purchase & Financial Information

- ◆ The total purchase price for these intermediate pipelines is \$81.5 million.
- ◆ After the acquisition, HEP plans to expend approximately \$3.5 million to expand the capacity of the pipelines.
- ◆ Expected incremental EBITDA to HEP resulting from the transaction is approximately \$10 million annually after one-year ramp-up period in which incremental EBITDA is expected to be approximately \$9 million.
- ◆ Annual maintenance capital expenditures for these pipelines are approximately \$150,000.
- ◆ The transaction is expected to be immediately accretive to HEP.
- ◆ The transaction is expected to close in July 2005.



Consideration Paid to Holly

- ◆ At least 90% (\$73.35 million) in cash, and
- ◆ Up to 10% (\$8.15 million) in HEP common units.



Transaction Financing Detail

HEP plans to:

- ◆ Issue approximately 1.2 common units in a private sale to institutional investors.
- ◆ Finance most of the remainder of the transaction either through issuance of up to approximately \$35 million of privately placed debt securities or through a drawing of \$25 million under HEP's existing credit facility.



Holly Energy Partners



Over 1,500 miles of product pipelines

11 Terminals in 5 states (*3 of the terminals are 50% owned*)

70% interest in Rio Grande Pipeline Company, a joint venture with BP

Artesia/Lovington Navajo Refining Facility

Intermediate pipelines originate at the Lovington facility and terminate at the Artesia facility



Transaction Summary

- ◆ *HEP will acquire intermediate pipelines from Holly Corporation.*
- ◆ *The total value of the transaction is \$81.5 million, at least 90% to be paid in cash and up to 10% in HEP common units to Holly.*
- ◆ *After the acquisition , HEP plans to expend approximately \$3.5 million to expand the capacity of the pipelines.*
- ◆ *The transaction will be financed primarily through a private sale of common units, and either a private placement of debt securities or a drawing under HEP's credit facility.*
- ◆ *Expected incremental EBITDA from transaction is approximately \$10 million after a one-year ramp-up period in which incremental EBITDA is expected to be approximately \$9 million.*
- ◆ *The transaction is expected to be immediately accretive to HEP.*

