HOLLY ENERGY PARTNERS LP
Form 424B5
November 02, 2009

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The information in this preliminary prospectus supplement and accompanying base prospectus is not complete and may be changed. This preliminary prospectus supplement and accompanying base prospectus is not an offer to sell these securities nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
Registration Statement 333-155537

Subject to Completion, Dated November 2, 2009,
Preliminary Prospectus Supplement to Prospectus dated December 4, 2008

1,900,000 Common Units
Representing Limited Partner Interests

HOLLY ENERGY PARTNERS, L.P.

Holly Energy Partners, L.P. is offering 1,900,000 common units to be sold in this offering.

The common units are listed on the New York Stock Exchange under the symbol HEP . The last reported sale price of the common units on October 30, 2009 was $38.30 per common unit.

See Risk Factors in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2008, as amended, and on page S-14 of this prospectus supplement to read about factors you should consider before buying common units.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying base prospectus. Any representation to the contrary is a criminal offense.

	Per Common Unit	Total
Initial public offering price	$	$
Underwriting discount	$	$

Proceeds, before expenses, to Holly Energy Partners, L.P.	$	$

To the extent that the underwriters sell more than 1,900,000 common units, the underwriters have the option to purchase up to an additional 285,000 common units from Holly Energy Partners, L.P. at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the common units against payment in New York, New York on November , 2009.

Goldman, Sachs & Co. **UBS Investment Bank**

SMH Capital

Prospectus Supplement dated November , 2009

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This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of and other information relating to this offering. The second part is the accompanying base prospectus, which gives more general information, some of which may not apply to this offering. Generally, when we refer only to the prospectus , we are referring to both parts combined. If information varies between the prospectus supplement and the accompanying base prospectus, you should rely on the information in this prospectus supplement.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus supplement and the accompanying prospectus. You must not rely on any unauthorized information or representations. This prospectus supplement is an offer to sell only the common

units offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus supplement and the accompanying prospectus is current only as of its date.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement or the documents incorporated by reference herein. It does not contain all of the information that you should consider before investing in the common units. You should carefully read the entire prospectus supplement, the accompanying base prospectus and the other documents incorporated by reference to understand fully the terms of the common units, as well as the tax and other considerations that are important in making your investment decision. Unless otherwise indicated, the information in this prospectus supplement assumes no exercise of the underwriters over-allotment option.

You should read Risk Factors beginning on page S-14 of this prospectus supplement as well as the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2008, as amended, incorporated by reference herein for more information about important factors that you should consider before purchasing the common units. References in this prospectus supplement to Holly Energy Partners , we , our , us , or similar terms refer either to Holly Energy Partners, L.P. or to Holly Energy Partners, L.P. and its subsidiaries collectively, as the context requires.

Holly Energy Partners, L.P.

Holly Energy Partners, L.P. is a Delaware limited partnership engaged principally in the business of operating a system of refined product and crude oil pipelines, storage tanks, distribution terminals and loading rack assets in west Texas, New Mexico, Utah, Oklahoma, Arizona, Idaho, and Washington. We generate revenues by charging tariffs for transporting refined product and crude oil through our pipelines and by charging fees for terminalling refined products and other hydrocarbons, and storing and providing other services at our terminals. We do not take ownership of products that we transport or terminal, and therefore, we are not directly exposed to changes in commodity prices. We serve refineries of Holly Corporation in New Mexico and Utah under four long-term pipeline, throughput, tankage and/or terminal agreements with Holly Corporation. The first of these agreements relates to the pipelines and terminals contributed to us by Holly Corporation at the time of our initial public offering and expires in 2019. The second of these agreements relates to the intermediate pipelines acquired from Holly Corporation in July 2005 that serve Holly Corporation s Lovington and Artesia, New Mexico refinery facilities and, as amended, expires in 2024. The third agreement relates to the crude pipelines and tankage assets acquired from Holly Corporation in February 2008 and expires in 2023. The fourth agreement relates to the truck and rail loading/unloading facilities located at Holly Corporation s Tulsa, Oklahoma refinery and expires in 2024. Holly Corporation controls our general partner and owns a 41% interest in us (before we issue the common units offered hereby or the common units to be issued to Sinclair Tulsa Refining Company See Recent Developments below), including the 2% general partner interest. We also serve Alon USA, Inc. s, or Alon s, Big Spring Refinery in Texas under a pipelines and terminals agreement expiring 2020. Our assets currently include:

Pipelines:

- approximately 820 miles of refined product pipelines, including 340 miles of leased pipelines, that transport gasoline, diesel and jet fuel principally from Holly Corporation s Navajo Refinery in New Mexico to its customers in the metropolitan and rural areas of Texas, New Mexico, Arizona, Colorado, Utah and northern Mexico;
- approximately 510 miles of refined product pipelines that transport refined products from Alon s Big Spring Refinery in Texas to its customers in Texas and Oklahoma;

three 65-mile pipelines that transport intermediate feedstocks and crude oil from Holly Corporation s Lovington, New Mexico refinery facilities to Holly Corporation s Artesia, New Mexico refinery facilities;

approximately 860 miles of crude oil trunk, gathering and lease connection pipelines which service Holly Corporation s Lovington and Artesia refining facilities;

approximately 10 miles of crude oil and refined product pipelines that support Holly Corporation s Woods Cross Refinery near Salt Lake City, Utah;

a 70% interest in Rio Grande Pipeline Company (Rio Grande), a joint venture that owns a 249-mile refined product pipeline that transports liquid petroleum gases, or LPGs, from west Texas to the Texas/Mexico border near El Paso for further transport into northern Mexico (see Recent Developments regarding the sale of our 70% interest in Rio Grande, which is expected to close in December 2009); and

a 25% interest in the joint venture that owns and operates the Salt Lake City Pipeline, a new 95 mile intrastate crude oil pipeline system which transports crude oil into the Salt Lake City, Utah area from the Utah terminus of the Frontier Pipeline as well as crude oil flowing from Wyoming and Utah via Plains All American Pipeline, L.P. s Rocky Mountain Pipeline.

Refined Product Terminals and Refinery Tankage:

four refined product terminals, located in El Paso, Texas; Moriarty and Bloomfield, New Mexico; and Tucson, Arizona, with an aggregate capacity of approximately 1.0 million barrels, that are integrated with our refined product pipeline system that serves Holly Corporation s Navajo Refinery;

three refined product terminals (two of which are 50% owned), located in Burley and Boise, Idaho and Spokane, Washington, with an aggregate capacity of approximately 500,000 barrels, that serve third-party common carrier pipelines;

one refined product terminal near Mountain Home, Idaho with a capacity of 120,000 barrels, that serves a nearby United States Air Force Base;

two refined product terminals, located in Wichita Falls and Abilene, Texas, and one tank farm in Orla, Texas with aggregate capacity of 480,000 barrels, that are integrated with our refined product pipelines that serve Alon s Big Spring Refinery;

two refined product truck loading racks, one located within Holly Corporation s Navajo Refinery that is permitted to load over 40,000 barrels per day (bpd) of light refined products, and one located within Holly Corporation s Woods Cross Refinery, that is permitted to load over 25,000 bpd of light refined products;

a Roswell, New Mexico jet fuel terminal leased through September 2011;

on-site crude oil tankage at Holly Corporation s Navajo and Woods Cross Refineries having an aggregate storage capacity of approximately 600,000 barrels; and

truck and rail loading/unloading facilities located at Holly Corporation s Tulsa, Oklahoma refinery.

Recent Developments

On October 19, 2009, our wholly-owned subsidiary, HEP Tulsa LLC, entered into an asset sale and purchase agreement with Sinclair Tulsa Refining Company, or Sinclair, pursuant to which HEP Tulsa LLC will purchase tankage, loading racks and pipeline assets at Sinclair s refining facility in Tulsa, Oklahoma for a total purchase price of $75 million, consisting of 1,373,609 of our common units to be issued by us to Sinclair (which under the asset sale and purchase agreement are valued at $53.5 million based on the average price of common units during the 20 trading

day period prior to the date of the asset sale and purchase agreement) and $21.5 million in cash from HEP Tulsa LLC. We intend to use a portion of the net proceeds of this offering to fund HEP Tulsa LLC s payment of the $21.5 million cash portion of the total purchase price. For more detailed information regarding the use of proceeds from this offering, see Use of Proceeds .

We refer to the acquisition by HEP Tulsa LLC of tankage, loading racks and pipeline assets from Sinclair as the acquisition of the Sinclair logistics assets.

Simultaneously with the acquisition of the Sinclair logistics assets and under the same asset sale and purchase agreement, Holly Refining & Marketing-Tulsa LLC, an affiliate of our general partner, will purchase Sinclair s refining facility in Tulsa, Oklahoma for an aggregate consideration of $128.5 million, consisting of $74 million of Holly Corporation common stock to be issued by Holly Corporation to Sinclair and $54.5 million in cash from Holly Corporation. In addition, Holly Refining & Marketing-Tulsa LLC will purchase the inventory at the site.

In connection with the closing of the acquisition of the Sinclair logistics assets, we anticipate that Holly Refining & Marketing-Tulsa LLC will enter into a 15 year pipelines, tankage and loading rack throughput agreement with HEP Tulsa LLC, to pay us, subject to various adjustments:

- a pipeline tariff of $.10 for each barrel of refined products moved on the pipelines acquired in connection with the Sinclair logistics assets with a guaranteed minimum throughput of 60,000 bpd of crude oil or refined products moved;

- a tankage base tariff of $.30 for each barrel of refined products stored using tankage acquired in connection with the Sinclair logistics assets with a guaranteed minimum throughput of 80,000 bpd of refined products, $.10 per barrel for volumes in excess of 80,000 bpd to 120,000 bpd, and $.22 per barrel for volumes in excess of 120,000 bpd; and

- a loading racks tariff of $.30 for each barrel of refined products, LPG, and heavy products loaded over the loading racks acquired in connection with the Sinclair logistics assets with a guaranteed minimum throughput of 26,000 bpd.

The assets acquired from Sinclair include tanks with a combined capacity of 1,362,500 bbls of refined products, a light products truck loading rack, a propane truck loading rack, and an asphalt truck loading rack, as well as refined products delivery pipelines which are connected to common carrier pipelines serving the Sinclair Tulsa refinery.

On October 19, 2009, BP Plc, our Rio Grande joint venture partner, consented to an agreement between us, HEP Navajo Southern, L.P. (one of our wholly-owned subsidiaries) and Enterprise Products Operating LLC (Enterprise) under which we have agreed to sell HEP Navajo Southern, L.P. s 70% ownership interest in Rio Grande to Enterprise for $35.0 million. We expect the closing of this transaction to occur in December 2009.

On August 18, 2009, 7,000,000 of our subordinated units held by a subsidiary of Holly Corporation converted into an equal number of our common units. Holly Corporation has the right to cause us to register for resale under the Securities Act of 1933 those common units held by Holly Corporation.

On August 1, 2009, we acquired from Holly Refining & Marketing-Tulsa LLC, for a purchase price of $17.5 million, certain truck and rail loading/unloading facilities located at Holly Corporation s Tulsa, Oklahoma refinery.

Competitive Strengths

We believe our business possesses the following competitive strengths:

We operate a substantial part of our business under long-term contracts, which provides significant stability to our future cash flows. We conduct a significant portion of our operations pursuant to long-term contracts, which we believe will enhance the stability and predictability of our revenues and cash flows. Revenues from contracts

extending beyond one year constituted approximately 88% of our revenues for the fiscal year ended December 31, 2008. We have entered into four long-term contracts with Holly Corporation expiring in 2019, 2023, and two expiring in 2024, not including the contract with Holly Corporation relating to the Sinclair logistics assets. We also have

long-term contracts with Alon. The long-term contracts representing a majority of our revenue stream from Alon expire between 2018 and 2020. In addition, where we operate under contracts with terms of less than one year, we believe our long-standing customer relationships will lead to ongoing business and the renewal of such short-term contracts.

Our assets are efficient and well maintained. We continually invest in the maintenance and integrity of our assets, including state-of-the-art internal mechanical integrity inspection and repair programs to comply with federal regulations. Since 1998, we have inspected and, to the extent required, repaired 100% of the total miles of the pipelines that we owned upon our initial public offering in 2004, 100% of the intermediate pipelines acquired from Holly Corporation in 2005 and 100% of the pipelines acquired from Alon in 2005 using internal inspection devices known as smart pigs , which have instruments capable of detecting cracks, line erosion and other structural deficiencies. The operating pressures of these lines have been hydrotested as required by the Department of Transportation. All of our existing pipeline and terminal assets are operated via satellite communications systems from our control center in Artesia, New Mexico. The control center operates with state-of-the-art computer systems designed to continuously monitor real time operational data, including product quantities, flow rates and pressures.

We have a strategic relationship with Holly Corporation, which provides us with access to stable volumes, growth opportunities and management expertise. A substantial majority of our existing petroleum pipelines are directly linked to Holly Corporation s refineries and provide Holly Corporation with the safest and most cost-effective means to transport and distribute petroleum products to its major markets. Following our acquisition from Holly Corporation of certain pipeline and tankage assets effective March 1, 2008, Holly Corporation now transports through our petroleum pipelines or loading racks 100% of the refined products from its Navajo Refinery and its Woods Cross Refinery, 100% and 15% of the crude oil coming into its Navajo Refinery and Woods Cross Refinery, respectively, and 100% of the intermediate products between Navajo Refinery s Artesia and Lovington facilities. Holly Corporation has agreed to continue using our assets to transport, terminal and store petroleum products pursuant to three separate pipelines and terminals agreements expiring in 2019, 2023 and 2024. In addition, in connection with our acquisition from Holly Corporation of certain truck and rail loading/unloading facilities located at Holly Corporation s existing Tulsa, Oklahoma refinery, Holly Corporation has agreed to use these facilities with a minimum guaranteed throughput of 12,500 bpd for 15 years. Furthermore, Holly Corporation has a significant economic interest to see that our pipeline and terminal assets are managed in the best interests of unitholders because it and its affiliates own the 2% general partner interest and a 39% limited partner interest in us (before we issue the common units offered hereby and the issuance of common units to Sinclair in connection with the acquisition of the Sinclair logistics assets) and certain incentive distribution rights. Our recent investment in the Salt Lake City Pipeline, and our investment in the previously announced UNEV Pipeline (which will run from Salt Lake City, Utah to Las Vegas, Nevada), assuming in the case of the UNEV Pipeline that such pipeline is completed and we exercise our option to purchase Holly Corporation s 75% interest in such pipeline, along with our proposed purchase of the Sinclair logistics assets, will serve to further strengthen our relationship with Holly Corporation.

We are contractually and strategically positioned to benefit from growth initiatives by Holly Corporation. In the past four years, we benefited from Holly Corporation s expansions of its Navajo and Woods Cross Refineries as well as Holly Corporation s purchase of Sunoco Inc. s Tulsa refinery. In the event that Holly Corporation further expands its Navajo or Woods Cross Refineries, we believe that the additional production may also be transported, stored and distributed through our existing pipelines and terminals. We recently benefited from two such projects. On July 22, 2008, Holly Corporation announced an agreement by one of its subsidiaries to transport crude oil on Centurion Pipeline L.P. s pipeline from Cushing, Oklahoma to Centurion s Slaughter station in west Texas. In connection with such agreement, Holly Corporation approved capital expenditures of up to $90.0 million to build the necessary infrastructure, including a 70-mile pipeline from Centurion s Slaughter station in west Texas to Lovington, New Mexico that was recently completed and is

expected to be fully operational in November 2009, a recently completed 37-mile pipeline project that connects our Artesia crude gathering system to Holly Corporation s Lovington facility, and a 65-mile pipeline from Lovington to Artesia, New Mexico which has been completed and was recently acquired by us. Under provisions of our omnibus agreement with Holly Corporation we will have an option to purchase Holly Corporation s investment in these additional transportation assets at a purchase price to be negotiated with Holly Corporation. On August 1, 2009, after Holly Corporation s purchase of Sunoco Inc. s Tulsa refinery, we purchased certain truck and rail loading/unloading facilities located at that refinery for a purchase price of $17.5 million. Holly Refining & Marketing-Tulsa LLC entered into a 15-year equipment and throughput agreement with us to pay us a per barrel fee for each barrel loaded or unloaded at the truck and rail loading facilities.

Substantially all of our assets serve markets with above average population growth. Our pipelines and terminals serve our customers marketing operations in the Southwest and Rocky Mountain regions of the United States as well as northern Mexico and the Mid-Continent region. In many of our customers core markets, demand for petroleum products exceeds local production, due in part to population growth rates that are higher than the national average. We expect that the population growth in the states of Texas, New Mexico, Colorado, Utah, Washington, Nevada, Arizona, Idaho, and the Mid-Continent region will result in increased demand for petroleum products shipped on our pipelines and through our terminals.

We have an experienced management team. We benefit from the experience and long-standing industry relationships of our senior management team. Our senior management has an average of over 25 years of experience in the energy industry.

Partnership Structure and Management

As is common with publicly traded limited partnerships and in order to maximize operational flexibility, we conduct our operations through subsidiaries. We have three direct subsidiaries: Holly Energy Finance Corp., Holly Energy Partners Operating, L.P., a limited partnership that conducts all of our operations through itself and its subsidiaries, and HEP Logistics GP, L.L.C., its general partner. Holly Energy Partners Operating, L.P. owns directly or indirectly 100% of the membership or partnership interests in its subsidiaries, other than Rio Grande Pipeline Company, in which it indirectly owns a 70% interest, and SLC Pipeline LLC in which it indirectly owns a 25% interest.

Holly Logistic Services, L.L.C., as the general partner of HEP Logistics Holdings, L.P., our general partner, manages our operations and activities. Neither our general partner nor the board of directors of Holly Logistic Services, L.L.C. are elected by our unitholders. Unlike shareholders in a publicly traded corporation, our unitholders are not entitled to elect the directors of Holly Logistic Services, L.L.C.

The chart on page S-6 depicts the current structure and ownership of Holly Energy Partners, L.P., our operating partnership and its subsidiaries prior to this offering of common units and the issuance of common units to Sinclair in connection with the acquisition of the Sinclair logistics assets.

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The Offering

The summary below describes the principal terms of the common units offered hereby. Certain of the terms and conditions described below are subject to important limitations and exceptions. You should read the full text and more specific details contained elsewhere in this prospectus supplement and in the base prospectus under the heading Description of Our Common Units And Preferred Units .

Common units offered	1,900,000 common units (or 2,185,000 common units if the underwriters over-allotment option is exercised in full).
Units outstanding before this offering	17,582,400 common units and 937,500 Class B subordinated units.
Units outstanding after this offering	19,482,400 common units, or 19,767,400 common units if the underwriters over-allotment option is exercised in full, and 937,500 Class B subordinated units. We will issue an additional 1,373,609 common units to Sinclair as a portion of the aggregate consideration for the acquisition of the Sinclair logistics assets.
Use of proceeds	We will receive net proceeds of approximately $ million from the sale of the 1,900,000 common units we are offering after deducting underwriting discounts but before paying offering expenses, or approximately $ million if the underwriters over-allotment option is exercised in full. We intend to use a portion of the net proceeds of this offering, including any exercise of the underwriters over-allotment option, to fund HEP Tulsa LLC s payment of the $21.5 million cash portion of the $75.0 million total purchase price for the pending acquisition of the Sinclair logistics assets and to pay costs related to that acquisition. We intend to use the remaining net proceeds either to pay a portion of the purchase price for our potential acquisition from Holly Corporation of its investments in two pipeline projects pursuant to our option to purchase those investments at prices to be negotiated with Holly Corporation or, instead, to repay bank debt incurred under our credit agreement, for other potential future acquisitions or for general partnership purposes. If the acquisition of the Sinclair logistics assets does not close, we intend to use the net proceeds of this offering for one or more of the following: to pay for all or substantially all of the purchase price and related costs for the potential acquisitions from Holly Corporation described above, to repay bank debt incurred under our credit agreement, for other potential future acquisitions or for general partnership purposes. For more detailed information regarding the use of proceeds from this offering, see Use of Proceeds .
Cash distributions	Under our partnership agreement, we must distribute all of our cash on hand within 45 days after the end of each quarter, after payment of fees and expenses and the establishment of cash reserves by our general partner in its discretion. We refer to this cash as available cash and we define this term in our partnership agreement.

If cash distributions per common unit exceed $0.50 in any quarter, our general partner will receive, in addition to amounts associated with its 2% general partner interest, increasing percentages, up to 50%, of the cash we distribute

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in excess of that amount. We refer to the general partner s right to receive such distributions as incentive distribution rights . The most recent cash distribution declared of $0.795 per common unit will provide unitholders and our general partner each with 50% of the marginal percentage interest in distributions. For a description of our cash distribution policy and the incentive distribution rights, please read Cash Distribution Policy in the accompanying base prospectus.

Subordination period

In addition to our common units, we previously issued two separate classes of subordinated units representing limited partnership interests, and the rights of the holders of each class of subordinated units to participate in distributions are subordinated to the rights of the holders of the common units. When the subordination period for any class of subordinated units ends, all remaining subordinated units of such class will convert into common units on a one-for-one basis and will thereafter participate pro rata with the other common units in distributions of available cash. For more information regarding the effects of the end of the subordination period applicable to each class of subordinated units, see the discussion under Cash Distribution Policy Subordination Periods Effect of Expiration of the Subordination Period in the base prospectus accompanying this prospectus supplement.

In August 2009, all of the conditions necessary to end the subordination period for the 7,000,000 subordinated units owned by our general partner were met and the units were converted into our common units on a one-for-one basis. In addition, under our partnership agreement, because the subordination period for this class of subordinated units has expired, we may issue an unlimited number of limited partner interests of any type without the approval of our unitholders.

With respect to the 937,500 subordinated units held by Alon USA (all of which are designated as our Class B subordinated units), the subordination period will end on the last day of any quarter ending on or after March 31, 2010 if Alon USA has not defaulted on its minimum volume commitment payment obligations under our pipelines and terminals agreement with Alon USA for certain prior periods, subject to certain grace periods. In addition, the subordination period for units held by Alon USA will terminate if our general partner is removed without cause.

Estimated ratio of taxable income to distributions

We estimate that if you own the common units you purchase in this offering through the record date for distributions with respect to the quarter ending December 31, 2011, you will be allocated, on a cumulative basis, an amount of federal taxable income for the taxable years 2009 through 2011 that will be 25% or less of the cash distributed with respect to such common units for that period. Please read Certain United States Federal Income Tax Considerations in this prospectus supplement for the basis of this estimate.

New York Stock Exchange Symbol

HEP

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Summary Selected Historical Financial and Operating Data

The table on the following page sets forth summary selected historical financial and operating data as of and for each of the years ended December 31, 2006, 2007 and 2008 and for the nine months ended September 30, 2008 and 2009. The summary financial data presented is derived from (i) the audited financial statements of Holly Energy Partners, L.P., which are included in our Annual Report on Form 10-K for the year ended December 31, 2008, except that the information presented herein has been adjusted to present the impact of our adoption of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standard No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB 51 and Emerging Issues Task Force Issue No. 07-4, Application of the Two-Class Method under FASB Statement No. 128 to Master Limited Partnerships , both of which were effective for us as of January 1, 2009 and (ii) the unaudited financial statements included in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009. The results of operations for the nine months ended September 30, 2009 are not necessarily indicative of the operating results for the entire year or any future period. Our Annual Report on Form 10-K for the year ended December 31, 2008 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 are incorporated herein by reference.

The summary selected historical financial and operating data should be read together with, and is qualified in its entirety by reference to, our historical financial statements and the accompanying notes and Management s Discussion and Analysis of Financial Condition and Results of Operations , which are set forth in our Annual Report on Form 10-K for the year ended December 31, 2008 and in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009.

Summary Selected Historical Financial and Operating Data (continued)

	Year Ended December 31, 2006	Year Ended December 31, 2007	Year Ended December 31, 2008	Nine Months Ended September 30, 2008 (unaudited)	2009 (unaudited)
	(In thousands, except per unit and barrels per day data)				
Statement of Income Data:					
Revenue	$ 89,194	$ 105,407	$ 118,088	$ 83,562	$ 115,470
Operating costs and expenses:					
Operations	28,630	32,911	41,270	30,745	33,332
General and administrative	4,854	5,043	6,377	4,241	4,990
Depreciation and amortization	15,330	14,382	22,889	16,259	19,929
Total operating costs and expenses	48,814	52,336	70,536	51,245	58,251
Operating income	40,380	53,071	47,552	32,317	57,219
Equity in earnings of SLC Pipeline					1,309
SLC Pipeline acquisition costs					(2,500)
Interest expense[(1)]	(13,056)	(13,289)	(21,763)	(14,201)	(16,225)
Interest income	899	533	159	146	10
Gain on sale of assets		298	36	36	
Other Income			996	1,007	65
	(12,157)	(12,458)	(20,572)	(13,012)	(17,341)
Income before income taxes	28,223	40,613	26,980	19,305	39,878
State income tax		(275)	(335)	(237)	(317)
Net income	28,223	40,338	26,645	19,068	39,561
Less noncontrolling interest in net income	680	1,067	1,278	834	1,191
Net income attributable to Holly Energy Partners, L.P.	27,543	39,271	25,367	18,234	38,370
Less general partner interest in net income attributable to Holly Energy Partners, L.P.	1,710	2,932	3,543	2,736	5,163
Limited partners interest in net income attributable to Holly Energy Partners, L.P.	$ 25,833	$ 36,339	$ 21,824	$ 15,498	$ 33,207
Limited partners per unit interest in net income attributable to Holly Energy Partners, L.P. basic and	$ 1.59	$ 2.24	$ 1.32	$ 0.95	$ 1.89

diluted					
Weighted average limited partners units outstanding	16,108	16,108	16,291	16,279	17,546

Summary Selected Historical Financial and Operating Data (continued)

	Year Ended December 31, 2006	Year Ended December 31, 2007	Year Ended December 31, 2008	Nine Months Ended September 30, 2008 (unaudited)	Nine Months Ended September 30, 2009 (unaudited)
	(In thousands, except per unit and barrels per day data)				
Other Financial Data:					
EBITDA	$ 55,030	$ 66,684	$ 70,195	$ 48,785	$ 74,831
Distributable cash flow	$ 47,219	$ 51,012	$ 60,365	$ 43,452	$ 51,677
Distributions to unitholders	$ 43,670	$ 47,974	$ 52,426	$ 38,908	$ 44,393
Cash flows from operating activities	$ 45,853	$ 59,056	$ 63,651	$ 38,090	$ 44,788
Cash flows from investing activities	$ (9,107)	$ (9,632)	$ (213,267)	$ (199,988)	$ (98,978)
Cash flows from financing activities	$ (45,774)	$ (50,658)	$ 144,564	$ 153,695	$ 52,971
Maintenance capital expenditures	$ 1,095	$ 1,863	$ 3,133	$ 2,418	$ 2,262
Expansion capital expenditures	8,012	8,094	39,170	26,606	25,216
Total capital expenditures	$ 9,107	$ 9,957	$ 42,303	$ 29,024	$ 27,478
Operating Data (barrels per day):					
Pipeline throughput	189,584	205,167	291,814	272,966	345,769
Refined product terminal throughput	161,487	165,367	142,276	139,684	149,842
Balance Sheet Data (at period end):					
Net property, plant and equipment	$ 160,484	$ 158,600	$ 290,284	$ 283,628	$ 349,062
Total assets	245,771	238,904	439,688	430,086	518,965
Long-term debt	180,660	181,435	355,793	354,522	429,819
Total liabilities	198,582	200,348	431,568	402,127	459,896
Total equity	47,189	38,556	8,120	27,959	59,069

(1) Includes amortization of discount and deferred debt issuance costs.

Non-GAAP Financial Measures

Earnings before interest, taxes, depreciation and amortization (EBITDA) is calculated as net income attributable to Holly Energy Partners, L.P. plus (i) interest expense net of interest income, (ii) state income tax and (iii) depreciation and amortization. EBITDA is not a calculation based upon U.S. GAAP. EBITDA is used as a supplemental financial measure by management and by external users of our financial statements, such as investors and commercial banks, to assess:

the financial performance of our assets without regard to financing methods, capital structure or historical cost basis;

the ability of our assets to generate cash sufficient to pay interest on our indebtedness and to make distributions to our partners;

our operating performance and return on invested capital as compared to those of other companies in the pipelines and terminals business, without regard to financing methods, capital structure or historical cost basis; and

our compliance with certain financial covenants included in our debt agreements.

EBITDA should not be considered an alternative to net income, operating income, cash flow from operating activities or any other measure of financial performance or liquidity presented in accordance with U.S. GAAP. EBITDA excludes some, but not all, items that affect net income and operating income, and these measures may vary among other companies. Therefore, EBITDA as presented below may not be comparable to similarly titled measures of other companies.

The following table presents a reconciliation of EBITDA to the most directly comparable GAAP financial measure for each of the periods indicated.

	Year Ended December 31, 2006	Year Ended December 31, 2007	Year Ended December 31, 2008	Nine Months Ended September 30, 2008 (unaudited)	Nine Months Ended September 30, 2009 (unaudited)
			(In thousands)		
Reconciliation of EBITDA to net income attributable to Holly Energy Partners, L.P.:					
Net income attributable to Holly Energy Partners, L.P.	$ 27,543	$ 39,271	$ 25,367	$ 18,234	$ 38,370
Add (Subtract):					
Depreciation and amortization	15,330	14,382	22,889	16,259	19,929
Amortization of discount and deferred debt issuance costs	968	1,008	1,002	739	529
Increase in interest expense change in fair value of interest rate swaps			2,282		300

Interest expense		12,088		12,281		18,479		13,462		15,396
State income tax				275		335		237		317
		55,929		67,217		70,354		48,931		74,841
Less:										
Interest income		899		533		159		146		10
EBITDA	$	55,030	$	66,684	$	70,195	$	48,785	$	74,831

Distributable cash flow is used as a supplemental financial measure by our management and is presented here because it is a widely accepted financial indicator used by investors to compare

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partnership performance. We believe that this measure provides investors an enhanced perspective of the operating performance of our assets and the cash our business is generating.

Distributable cash flow is not a calculation based upon U.S. GAAP. However, the amounts included in the calculation are derived from amounts separately presented in our consolidated financial statements, with the exception of maintenance capital expenditures. Distributable cash flow should not be considered in isolation or as an alternative to net income or operating income, as an indication of our operating performance or as an alternative to operating cash flow as a measure of liquidity. Distributable cash flow is not necessarily comparable to similarly titled measures of other companies.

The following table presents a reconciliation of distributable cash flow to the most directly comparable GAAP financial measure for each of the periods indicated.

	Year Ended December 31, 2006	Year Ended December 31, 2007	Year Ended December 31, 2008	Nine Months Ended September 30, 2008 (unaudited)	Nine Months Ended September 30, 2009 (unaudited)
			(In thousands)		
Reconciliation of Distributable cash flow to net income attributable to Holly Energy Partners, L.P.:					
Net income attributable to Holly Energy Partners, L.P.	$ 27,543	$ 39,271	$ 25,367	$ 18,234	$ 38,370
Add depreciation and amortization	15,330	14,382	22,889	16,259	19,929
Add amortization of discount and deferred debt issuance costs	968	1,008	1,002	739	529
Add (subtract) increase (decrease) in deferred revenue	4,473	(1,786)	11,958	10,638	(8,076)
Add increase in interest expenses change in fair value of interest rate swaps			2,282		300
Add equity in excess cash flows over earnings of SLC Pipeline					387
Add SLC Pipeline acquisition costs(1)					2,500
Subtract maintenance capital expenditures(2)	(1,095)	(1,863)	(3,133)	(2,418)	(2,262)
Distributable cash flow	$ 47,219	$ 51,012	$ 60,365	$ 43,452	$ 51,677

(1) Under provisions of accounting standards codification (ASC) topic Business Combinations (previously statement of financial accounting standards (SFAS) No. 141(R)), effective January 1, 2009, we were required to expense rather than capitalize acquisition costs of $2.5 million paid to Holly Corporation associated with our joint venture agreement with Plains All American Pipeline, L.P. that closed in March 2009. As these costs directly related to our interest in the new joint venture pipeline and are similar to expansion capital expenditures, we have added

back those costs to arrive at distributable cash flow.

(2) Maintenance capital expenditures represent capital expenditures made to replace partially or fully depreciated assets in order to maintain the existing operating capacity of our assets and to extend their useful lives. Maintenance capital expenditures include expenditures required to maintain equipment reliability, tankage and pipeline integrity, and safety and to comply with environmental regulations.

RISK FACTORS

This offering involves a high degree of risk, including the risks described below and other risks described in our Annual Report on Form 10-K for the year ended December 31, 2008, our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009, June 30, 2009, and September 30, 2009, and the risks described in any other documents incorporated by reference into this prospectus. You should carefully consider all of these risks together with all of the other information included in this prospectus and the documents incorporated by reference herein before deciding to invest in the common units offered hereby. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. If any of the following risks actually occurs, our business, financial condition or results of operations could be materially and adversely affected. In that case, our ability to pay distributions on our common units may be reduced, the trading price of our securities could decline, and you could lose all or part of your investment.

We depend on Holly Corporation and particularly its Navajo Refinery for a majority of our revenues; if those revenues were significantly reduced or if Holly Corporation s financial condition materially deteriorated, there would be a material adverse effect on our results of operations.

For the year ended December 31, 2008, Holly Corporation accounted for 72% of the revenues of our petroleum product and crude pipelines and 70% of the revenues of our terminals and truck loading racks. We expect to continue to derive a majority of our revenues from Holly Corporation for the foreseeable future, and the percentage of revenues from Holly Corporation are expected to increase following the acquisition of the Sinclair logistics assets and the disposition of our interest in the Rio Grande pipeline. If Holly Corporation satisfies only its minimum obligations under the four pipeline, throughput, tankage and/or terminal agreements we entered into with Holly Corporation or is unable to meet its minimum annual payment commitment for any reason, including due to prolonged downtime or a shutdown at the Navajo Refinery, the Woods Cross Refinery or the Tulsa refinery, our revenues and cash flow would decline.

Any significant curtailing of production at the Navajo Refinery could, by reducing throughput in our pipelines and terminals, result in our realizing materially lower levels of revenues and cash flow for the duration of the shutdown. For the year ended December 31, 2008, production from the Navajo Refinery accounted for 67% of the throughput volumes transported by our refined product and crude pipelines. The Navajo Refinery also received 100% of the petroleum products shipped on our intermediate pipelines. Operations at the Navajo Refinery could be partially or completely shut down, temporarily or permanently, as the result of:

- competition from other refineries and pipelines that may be able to supply the refinery s end-user markets on a more cost-effective basis;
- operational problems such as catastrophic events at the refinery, labor difficulties or environmental proceedings or other litigation that compel the cessation of all or a portion of the operations at the refinery;
- planned maintenance or capital projects;
- increasingly stringent environmental laws and regulations, such as the U.S. Environmental Protection Agency s gasoline and diesel sulfur control requirements that limit the concentration of sulfur in motor gasoline and diesel fuel for both on-road and non-road usage as well as various state and federal emission requirements that may affect the refinery itself and potential future climate change regulations;

an inability to obtain crude oil for the refinery at competitive prices; or

- a general reduction in demand for refined products in the area due to:
  - a local or national recession or other adverse economic condition that results in lower spending by businesses and consumers on gasoline and diesel fuel;
  - higher gasoline prices due to higher crude oil prices, higher taxes or stricter environmental laws or regulations; or
  - a shift by consumers to more fuel-efficient or alternative fuel vehicles or an increase in fuel economy, whether as a result of technological advances by manufacturers, legislation either mandating or encouraging higher fuel economy or the use of alternative fuel or otherwise.

The magnitude of the effect on us of any shutdown would depend on the length of the shutdown and the extent of the refinery operations affected by the shutdown. We have no control over the factors that may lead to a shutdown or the measures Holly Corporation may take in response to a shutdown. Holly Corporation makes all decisions at the Navajo Refinery concerning levels of production, regulatory compliance, refinery turnarounds (planned shutdowns of individual process units within a refinery to perform major maintenance activities), labor relations, environmental remediation, emission control, and capital expenditures; is responsible for all related costs; and is under no contractual obligation to us to maintain operations at the Navajo Refinery.

Furthermore, Holly Corporation s obligations under our three pipeline, tankage and/or terminal agreements with Holly Corporation, would be temporarily suspended during the occurrence of a force majeure that renders performance impossible with respect to an asset for at least 30 days. If such an event were to continue for a year, we or Holly Corporation could terminate the agreements. The occurrence of any of these events could reduce our revenues and cash flows.

We depend on Alon and particularly its Big Spring Refinery for a substantial portion of our revenues; if those revenues were significantly reduced, there would be a material adverse effect on our results of operations.

For the year ended December 31, 2008, Alon accounted for 16% of the combined revenues of our petroleum product and crude pipelines and of our terminals and truck loading racks, including revenues we received from Alon under a capacity lease agreement.

On February 18, 2008, Alon experienced an explosion and fire at its Big Spring Refinery that resulted in the shutdown of production. In early April 2008, Alon reopened its Big Spring Refinery and resumed production at one-half of refinery capacity until late September when production was restored to full capacity. Lost production and reduced operations attributable to this incident resulted in a significant decrease in third party shipments and related revenues on our refined product pipelines during the first nine months of 2008. As a result of related contractual minimum commitments and resulting shortfall billings, the incidents did not materially affect our distributable cash flow.

Another decline in production at Alon s Big Spring Refinery would materially reduce the volume of refined products we transport and terminal for Alon. As a result, our revenues would be materially adversely affected. The Big Spring Refinery could partially or completely shut down its operations, temporarily or permanently, due to factors affecting its ability to produce refined products or for planned maintenance or capital projects. Such factors would include the factors discussed above under the discussion of risk factors for the Navajo Refinery.

The magnitude of the effect on us of any shutdown depends on the length of the shutdown and the extent of the refinery operations affected. We have no control over the factors that may lead to a shutdown or the measures Alon

may take in response to a shutdown. Alon makes all decisions and is responsible for all costs at the Big Spring Refinery concerning levels of production, regulatory compliance, refinery turnarounds, labor relations, environmental remediation, emission control, and capital expenditures.

In addition, under the Alon pipelines and terminals agreement, if we are unable to transport or terminal refined products that Alon is prepared to ship, then Alon has the right to reduce its minimum volume commitment to us during the period of interruption. If a force majeure event occurs beyond the control of either of us, we or Alon could terminate the Alon pipelines and terminals agreement after the expiration of certain time periods. The occurrence of any of these events could reduce our revenues and cash flows.

Our leverage may limit our ability to borrow additional funds, comply with the terms of our indebtedness or capitalize on business opportunities.

As of September 30, 2009, the principal amount of our total outstanding debt was $430.0 million. See Capitalization for additional information. Our results of operations, cash flows and financial position could be adversely affected by significant increases in interest rates above current levels. Various limitations in our Credit Agreement and the indentures for our outstanding 61/4% senior notes due 2015 may reduce our ability to incur additional debt, to engage in some transactions and to capitalize on business opportunities. Any subsequent refinancing of our current indebtedness or any new indebtedness could have similar or greater restrictions.

Our leverage could have important consequences. We will require substantial cash flow to meet our payment obligations with respect to our indebtedness. Our ability to make scheduled payments, to refinance our obligations with respect to our indebtedness or our ability to obtain additional financing in the future will depend on our financial and operating performance, which, in turn, is subject to prevailing economic conditions and to financial, business and other factors. We believe that we will have sufficient cash flow from operations and available borrowings under our Credit Agreement to service our indebtedness. However, a significant downturn in our business or other development adversely affecting our cash flow could materially impair our ability to service our indebtedness. If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to refinance all or a portion of our debt or sell assets. We cannot assure you that we would be able to refinance our existing indebtedness at maturity or otherwise or sell assets on terms that are commercially reasonable.

The instruments governing our debt contain restrictive covenants that may prevent us from engaging in certain beneficial transactions. The agreements governing our debt generally require us to comply with various affirmative and negative covenants including the maintenance of certain financial ratios and restrictions on incurring additional debt, entering into mergers, consolidations and sales of assets, making investments and granting liens. Additionally, our contribution agreements with Alon, and our purchase and contribution agreements with Holly Corporation with respect to the intermediate pipelines and the crude pipelines and tankage assets, restrict us from selling the pipelines and terminals acquired from Alon or Holly Corporation, as applicable, and from prepaying more than $30.0 million of our outstanding 61/4% senior notes due 2015 until 2015 and any of the $171.0 million borrowed under the Credit Agreement for the purchase of the crude pipelines and tankage assets until 2018, subject to certain limited exceptions. Our leverage may adversely affect our ability to fund future working capital, capital expenditures and other general partnership requirements, future acquisitions, construction or development activities, or to otherwise fully realize the value of our assets and opportunities because of the need to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness or to comply with any restrictive terms of our indebtedness. Our leverage may also make our results of operations more susceptible to adverse economic and industry conditions by limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate and may place us at a competitive disadvantage as compared to our competitors that have less debt.

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We may not be able to obtain funding on acceptable terms or at all because of volatility and uncertainty in the credit and capital markets. This may hinder or prevent us from meeting our future capital needs.

While the domestic capital markets have shown signs of improvement in 2009, global financial markets and economic conditions have been, and continue to be, disrupted and volatile due to a variety of factors, including significant write-offs in the financial services sector, declining consumer confidence, increased unemployment, geopolitical issues, and the current weak economic conditions. In addition, the fixed-income markets have experienced periods of extreme volatility which negatively impacted market liquidity conditions. As a result, the cost of raising money in the debt and equity capital markets has increased volatility, while the availability of funds from those markets has diminished significantly at times. In particular, as a result of concerns about the stability of financial markets generally and the solvency of lending counterparties specifically, the cost of obtaining money from the credit markets generally may increase as many lenders and institutional investors increase interest rates, enact tighter lending standards, refuse to refinance existing debt on similar terms or at all and reduce, or in some cases cease, to provide funding to borrowers. In addition, lending counterparties under existing revolving credit facilities and other debt instruments may be unwilling or unable to meet their funding obligations. Due to these factors, we cannot be certain that new debt or equity financing will be available on acceptable terms. If funding is not available when needed, or is available only on unfavorable terms, we may be unable to meet our obligations as they come due. Moreover, without adequate funding, we may be unable to execute our growth strategy, complete future acquisitions or announced and future pipeline construction projects, take advantage of other business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our revenues and results of operations.

We may not be able to fully execute our growth strategy if we encounter illiquid capital markets or increased competition for investment opportunities.

Our strategy contemplates growth through the development and acquisition of crude, intermediate and refined products transportation and storage assets while maintaining a strong balance sheet. This strategy includes constructing and acquiring additional assets and businesses to enhance our ability to compete effectively and diversifying our asset portfolio, thereby providing more stable cash flow. We regularly consider and enter into discussions regarding, and are currently contemplating and/or pursuing, potential joint ventures, stand alone projects or other transactions that we believe will present opportunities to realize synergies, expand our role in our chosen businesses and increase our market position.

We will require substantial new capital to finance the future development and acquisition of assets and businesses. Any limitations on our access to capital will impair our ability to execute this strategy. If the cost of such capital becomes too expensive, our ability to develop or acquire accretive assets will be limited. We may not be able to raise the necessary funds on satisfactory terms, if at all. The primary factors that influence our cost of equity include market conditions, fees we pay to underwriters and other offering costs, which include amounts we pay for legal and accounting services. The primary factors influencing our cost of borrowing include interest rates, credit spreads, covenants, underwriting or loan origination fees and similar charges we pay to lenders.

In addition, we are experiencing increased competition for the types of assets and businesses we have historically purchased or acquired. Increased competition for a limited pool of assets could result in our losing to other bidders more often or acquiring assets at less attractive prices. Either occurrence would limit our ability to fully execute our growth strategy. Our inability to execute our growth strategy may materially adversely affect our ability to maintain or pay higher distributions in the future.

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USE OF PROCEEDS

We will receive net proceeds of approximately $ million from the sale of the 1,900,000 common units we are offering after deducting underwriting discounts but before paying offering expenses, or approximately $ million if the underwriters over-allotment option is exercised in full.

We intend to use a portion of the net proceeds of this offering, including any exercise of the underwriters over-allotment option, to fund HEP Tulsa LLC s payment of the $21.5 million cash portion of the $75.0 million total purchase price for the pending acquisition of the Sinclair logistics assets and to pay costs related to that acquisition. We intend to use the remaining net proceeds either to pay a portion of the purchase price for our potential acquisition from Holly Corporation of its investments in two pipeline projects (a 70-mile pipeline from Centurion Pipeline L.P. s Slaughter station in west Texas to Lovington, New Mexico and a 37-mile pipeline that connects our Artesia crude gathering system to Holly Corporation s Lovington facility) pursuant to our option to purchase those investments at prices to be negotiated with Holly Corporation or, instead, to repay bank debt incurred under our credit agreement, for other potential future acquisitions or for general partnership purposes.

The pending acquisition of the Sinclair logistics assets is subject to customary closing conditions, including regulatory approval. If that acquisition does not close, we intend to use the net proceeds of this offering for one or more of the following: to pay for all or substantially all of the purchase price and related costs for our potential acquisitions from Holly Corporation of its investments in the two pipeline projects described above, to repay bank debt incurred under our credit agreement, for other potential future acquisitions or for general partnership purposes. For more information regarding the acquisition of the Sinclair logistics assets, see Recent Developments .

The bank debt that may be repaid with the net proceeds of this offering was incurred primarily to fund capital expenditures, including the acquisition from Holly Corporation of a newly constructed intermediate pipeline from their Lovington facility to their Artesia, New Mexico facility in June 2009 for $34.2 million and the truck and rail loading/unloading facilities at Holly Corporation s Tulsa refinery in August 2009 for $17.5 million. Indebtedness under the Credit Agreement bears interest, at our option, at either (a) the reference rate as announced by the administrative agent plus an applicable margin (ranging from 0.25% to 1.50%) or (b) at a rate equal to the London Interbank Offered Rate (LIBOR) plus an applicable margin (ranging from 1.00% to 2.50%). In each case, the applicable margin is based upon the ratio of our funded debt (as defined in the Credit Agreement) to EBITDA (earnings before interest, taxes, depreciation and amortization, as defined in the Credit Agreement). The Credit Agreement matures on August 27, 2011. At September 30, 2009, we had $245 million of borrowings outstanding under our credit agreement.

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2009:

on a historical basis; and

as adjusted to give effect to

the sale of 1,900,000 common units offered hereby at an assumed public offering price of $38.30 per common unit, the last reported sales price of our common units on the New York Stock Exchange on October 30, 2009, not including estimated offering expenses and underwriting discounts and commissions;

the use of net proceeds from this offering to fund HEP Tulsa LLC s payment of the $21.5 million cash portion of the $75.0 million total purchase price for the acquisition of the Sinclair logistics assets and to pay costs related to that acquisition; and

the issuance by us to Sinclair of 1,373,609 of our common units as payment of the remainder of the $75.0 million total purchase price for the acquisition of the Sinclair logistics assets.

This table should be read in conjunction with our financial statements (including the accompanying notes) and Management s Discussion and Analysis of Financial Condition and Results of Operations set forth in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 incorporated by reference in this prospectus supplement. The table does not reflect the application of any proceeds of this offering for any purpose other than in connection with the acquisition of the Sinclair logistics assets.

	As of September 30, 2009	
	Actual	**As Adjusted**
	(In thousands, unaudited)	
Cash and cash equivalents	$ 4,050	$ 57,897
Debt:		
Revolving credit agreement	$ 245,000	$ 245,000(1)
61/4% senior notes due 2015	184,819(2)	184,819
Total debt	429,819	429,819
Equity:		
Common units	136,746	263,016
Class B subordinated units	21,054	21,054
General partner interest	(99,359)	(96,782)(3)
Accumulated other comprehensive loss	(10,181)	(10,181)
Noncontrolling interest	10,809	10,809
Total equity	59,069	187,916

Total capitalization	$ 488,888	$ 617,735

(1) A total of approximately $239.0 million was outstanding under our Credit Agreement as of October 30, 2009.

(2) Principal amount outstanding was $185.0 million as of September 30, 2009.

(3) This number includes an estimated $2.6 million capital contribution by our general partner in connection with this offering and in connection with the issuance of 1,373,609 common units to Sinclair in order to maintain its 2.0% general partner interest in us.

This table does not reflect the issuance of up to 285,000 common units that may be sold to the underwriters upon exercise of their option to purchase additional common units, the proceeds of which will be used in the manner described under Use of Proceeds .

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PRICE RANGE OF COMMON UNITS AND DISTRIBUTIONS

As of November 2, 2009, there were 17,582,400 common units outstanding, held by approximately 120 holders of record, including our general partner. Our common units are traded on the New York Stock Exchange under the symbol HEP .

As of November 2, 2009, there were 937,500 Class B subordinated units outstanding. These subordinated units are privately held and are not publicly traded.

The following table sets forth, for the periods indicated, the high and low sales prices for our common units, as reported on the New York Stock Exchange, and quarterly cash distributions declared and paid to our unitholders. The last reported closing sales price of our common units on the New York Stock Exchange on October 30, 2009 was $38.30 per common unit.

	Sales Price Ranges		Cash Distributions
	High	Low	Per Unit[1]
2009			
Fourth Quarter (through October 30, 2009)	$ 41.65	$ 36.00	
Third Quarter	$ 40.05	$ 31.30	$ 0.795[2]
Second Quarter	$ 33.29	$ 23.19	$ 0.785
First Quarter	$ 30.43	$ 20.96	$ 0.775
2008			
Fourth Quarter	$ 33.46	$ 14.93	$ 0.765
Third Quarter	$ 39.16	$ 26.01	$ 0.755
Second Quarter	$ 47.03	$ 37.33	$ 0.745
First Quarter	$ 44.23	$ 36.06	$ 0.735
2007			
Fourth Quarter	$ 48.09	$ 42.04	$ 0.725
Third Quarter	$ 57.24	$ 43.10	$ 0.715
Second Quarter	$ 56.69	$ 46.55	$ 0.705
First Quarter	$ 49.97	$ 39.50	$ 0.690

(1) Represents cash distributions attributable to the quarter and declared or to be paid within 45 days after quarter end to all holders of common, subordinated and general partner units on the record date, including incentive distributions to our general partner.

(2) This distribution will be paid November 13, 2009 to all unitholders of record on November 2, 2009. Accordingly, investors in this offering will not receive this distribution.

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CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The tax consequences to you of an investment in our common units will depend in part on your own tax circumstances. For a discussion of the principal federal income tax considerations associated with our operations and the purchase, ownership and disposition of our common units, please read Material Tax Consequences beginning on page 38 in the accompanying base prospectus, as updated and supplemented by the paragraphs included herein. You are urged to consult with your own tax advisor about the federal, state, local and foreign tax consequences particular to your circumstances.

Tax Opinion of Fulbright & Jaworski L.L.P.

Subject to the representations, assumptions, qualifications and limitations stated in the accompanying prospectus and as modified and supplemented by this prospectus supplement, Fulbright & Jaworski L.L.P. concurs with the statements contained in the section captioned Material Tax Consequences beginning on page 38 of the accompanying base prospectus, to the extent that such statements constitute matters of law and legal conclusions. In rendering its opinion that we will be classified as a partnership and our operating partnership will be disregarded as an entity separate from us for federal income tax purposes, Fulbright & Jaworski L.L.P. (1) has assumed the accuracy of the opinion of Vinson & Elkins L.L.P. to the effect that we were classified as a partnership and our operating partnership was disregarded as an entity separate from us for each taxable year ending prior to January 1, 2009, as stated in the accompanying base prospectus and (2) has relied on factual representations made by us and our general partner including that (a) neither we, the general partner of the operating partnership nor the operating partnership has elected or will elect to be classified as an association taxable as a corporation for federal income tax purposes, and (b) for each taxable year ending after January 1, 2009, at least 90% of our gross income has been and will be income from activities that Fulbright & Jaworski L.L.P. has opined or will opine is qualifying income within the meaning of Section 7704(d) of the Internal Revenue Code, as amended (the Internal Revenue Code).

Partnership Status

The anticipated after-tax economic benefit of an investment in our common units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested, and do not plan to request, a ruling from the IRS on this or any other tax matter affecting us. Instead, we will rely on the opinion of Fulbright & Jaworski, L.L.P. that we will be classified as a partnership for federal income tax purposes.

Current law may change so as to cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to entity-level taxation. At the federal level, legislation has been proposed that would eliminate partnership tax treatment for certain publicly traded partnerships. Although such legislation would not apply to us as currently proposed, it could be amended prior to enactment in a manner that does apply to us. We are unable to predict whether any of these changes, or other proposals will ultimately be enacted. Any such changes could negatively impact the value of an investment in our common units. Moreover, any such changes may or may not be applied retroactively. At the state level, because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. For example, we are required to pay Texas franchise tax at a maximum effective rate of 0.7% of our gross income apportioned to Texas in the prior year. Imposition of such a tax on us by Texas and, if applicable, by any other state will reduce the cash available for distribution to you.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35%, and would likely pay state income tax at

varying rates. Distributions to you would generally be taxed

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again as corporate distributions, and no income, gains, losses or deductions would flow through to you. Because a tax would be imposed upon us as a corporation, our cash available for distribution to you would be substantially reduced. Therefore, treatment of us as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to the unitholders, likely causing a substantial reduction in the value of our common units. Please read Material Tax Consequences Partnership Status in the accompanying base prospectus for additional information regarding our partnership status.

Tax Consequences of Unit Ownership

Tax Rates. In general, the highest marginal federal income tax rate applicable to ordinary income of individuals is currently 35%, and the highest marginal federal income tax rate applicable to long-term capital gains (generally, capital gains on certain assets held for more than 12 months) of individuals is 15%. However, absent new legislation extending the current rates, beginning January 1, 2011, the highest marginal federal income tax rate applicable to ordinary income and long-term capital gains of individuals will increase to 39.6% and 20%, respectively.

Allocation of Income, Gain, Loss and Deduction. In general, if we have a net profit, our items of income, gain, loss and deduction will be allocated among our general partner and the unitholders in accordance with their percentage interests in us. At any time that distributions are made to the common units in excess of distributions to the subordinated units, or incentive distributions are made to our general partner, gross income will be allocated to the recipients to the extent of these distributions. If we have a net loss, that loss will be allocated first to our general partner and the unitholders in accordance with their percentage interests in us to the extent of their positive capital accounts and, second, to our general partner.

Specified items of our income, gain, loss and deduction will be allocated to account for (i) any difference between the tax basis and fair market value of our assets that exists at the time of an offering and (ii) any difference between the tax basis and fair market value of any property contributed to us by our general partner and its affiliates that exists at the time of contribution, referred to in this discussion as the Adjusted Property . The effect of these allocations, referred to as Section 704(c) Allocations , to a unitholder purchasing common units from us in an offering will be essentially the same as if the tax bases of our assets were equal to their fair market value at the time of such offering. In the event we issue additional common units or engage in certain other transactions in the future, reverse Section 704(c) Allocations , similar to the Section 704(c) Allocations described above, will be made to our general partner and persons that hold our units immediately prior to such issuance or other transactions to account for the difference between the book basis for purposes of maintaining capital accounts and the fair market value of all property held by us at the time of such future issuance or other transaction. In addition, items of recapture income will be allocated to the extent possible to the unitholder who was allocated the deduction giving rise to the treatment of that gain as recapture income in order to minimize the recognition of ordinary income by some unitholders. Finally, although we do not expect that our operations will result in the creation of negative capital accounts, if negative capital accounts nevertheless result, items of our income and gain will be allocated in an amount and manner sufficient to eliminate the negative balance as quickly as possible.

An allocation of items of our income, gain, loss or deduction, other than an allocation required by the Internal Revenue Code to eliminate the difference between a partner s book capital account, credited with the fair market value of Adjusted Property, and tax capital account, credited with the tax basis of Adjusted Property, referred to in this discussion as the Book-Tax Disparity , will generally be given effect for federal income tax purposes in determining a partner s share of an item of income, gain, loss or deduction only if the allocation has substantial economic effect. In any other case, a

partner s share of an item will be determined on the basis of his interest in us, which will be determined by taking into account all the facts and circumstances, including:

- his relative contributions to us;
- the interests of all the partners in profits and losses;
- the interest of all the partners in cash flow; and
- the rights of all the partners to distributions of capital upon liquidation.

Ratio of Taxable Income to Distributions. We estimate that if you purchase common units in this offering and hold those common units through the record date for distributions with respect to the quarter ending December 31, 2011, you will be allocated, on a cumulative basis, an amount of federal taxable income for the taxable years 2009 through 2011, that will be 25% or less of the cash distributed to you with respect to such common units. This estimate is based upon many assumptions regarding our business and operations, including assumptions with respect to capital expenditures, cash flows, net working capital and anticipated cash distributions. These estimates and assumptions are subject to, among other things, numerous business, economic, regulatory, competitive and political uncertainties beyond our control. Further, the estimates are based on current tax law and tax reporting positions that we will adopt and with which the IRS could disagree. Accordingly, we cannot assure you that these estimates will prove to be correct. The actual percentage of distributions that will constitute taxable income could be higher or lower than expected, and any differences could be material and could materially affect the value of the common units. For example, the ratio of allocable taxable income to cash distributions to a purchaser of common units in this offering will be greater, and perhaps substantially greater, than our estimate with respect to the period described above if:

- gross income from operations exceeds the amount required to make the current level of quarterly distributions on all units, yet we only distribute the current level of quarterly distributions on all units; or
- we make a future offering of common units and use the proceeds of the offering in a manner that does not produce substantial additional deductions during the period described above, such as to repay indebtedness outstanding at the time of this offering or to acquire property that is not eligible for depreciation or amortization for federal income tax purposes or that is depreciable or amortizable at a rate significantly slower than the rate applicable to our assets at the time of this offering.

Tax-Exempt Organizations and Other Investors.

Ownership of common units by tax-exempt entities and non-U.S. persons raises issues unique to such persons. Such tax exempt entities or non-U.S. persons should consult an independent tax advisor before investing in our common units. Please read Material Tax Consequences Tax-Exempt Organizations and Other Investors in the accompanying base prospectus.

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UNDERWRITING

We and the underwriters named below have entered into an underwriting agreement with respect to the common units being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of common units indicated in the following table. Goldman, Sachs & Co. and UBS Securities LLC are acting as the representatives of the underwriters.

Underwriters	**Number of Common Units**
Goldman, Sachs & Co.	
UBS Securities LLC	
SMH Capital Inc.	
Total	1,900,000

The underwriters are committed to take and pay for all of the common units being offered, if any are taken, other than the common units covered by the option described below unless and until this option is exercised.

If the underwriters sell more common units than the total number set forth in the table above, the underwriters have an option to buy up to an additional 285,000 common units from us. They may exercise that option for 30 days. If any common units are purchased pursuant to this option, the underwriters will severally purchase common units in approximately the same proportion as set forth in the table above.

The following table shows the per common unit and total underwriting discounts and commissions to be paid to the underwriters by us. Such amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase an additional 285,000 common units.

	No Exercise	**Full Exercise**
Per Common Unit	$	$
Total	$	$

Common units sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus supplement. Any common units sold by the underwriters to securities dealers may be sold at a discount of up to $ per common unit from the initial public offering price. If all the common units are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters right to reject any order in whole or in part.

We, certain of our affiliates (including our general partner and Holly Logistic Services, L.L.C., which is the general partner of our general partner) and the officers and directors of Holly Logistic Services, L.L.C. have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any common units or securities convertible into or exchangeable for common units during the period from the date of this prospectus supplement continuing through

the date 90 days after the date of this prospectus supplement, except with the prior written consent of Goldman, Sachs & Co. and UBS Securities LLC. This agreement does not apply to any existing employee benefit plans and will permit the issuance of our common units by us to Sinclair in connection with the acquisition of the Sinclair logistics assets.

In connection with the offering, the underwriters may purchase and sell common units in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of common units than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriters option to purchase additional common units from us in the offering. The underwriters may close out any covered short position by either

exercising their option to purchase additional common units or purchasing common units in the open market. In determining the source of common units to close out the covered short position, the underwriters will consider, among other things, the price of common units available for purchase in the open market as compared to the price at which they may purchase additional common units pursuant to the option granted to it. Naked short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing common units in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common units in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the common units while the offering is in progress.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased common units sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts may have the effect of preventing or retarding a decline in the market price of the common units, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common units. As a result, the price of the common units may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the NYSE, in the over-the-counter market or otherwise.

We estimate that our total expenses for the offering, excluding underwriting discounts and commissions, will be approximately $250,000.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the issuer, for which they received or will receive customary fees and expenses.

Because the Financial Industry Regulatory Authority (FINRA) views the common units offered hereby as interests in a direct participation program, the offering is being made in compliance with FINRA Rule 2310.

LEGAL MATTERS

The validity of the common units is being passed upon for us by Fulbright & Jaworski L.L.P., as our counsel. Certain legal matters are being passed upon for the underwriters by Latham & Watkins LLP.

EXPERTS

The consolidated financial statements of Holly Energy Partners, L.P. appearing in Holly Energy Partners, L.P. s Annual Report on Form 10-K for the year ended December 31, 2008, as amended, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, included or incorporated by reference in this prospectus supplement are forward-looking statements, including, but not limited to, statements identified by the words anticipate , believe , estimate , expect , plan , intend and forecast , and similar expressions and statements rega business strategy, plans and objectives for future operations. These statements reflect our current views with respect to future events, based on what we believe are reasonable assumptions. Certain factors could cause actual results to differ materially from results anticipated in the forward-looking statements. These factors include, but are not limited to:

- risks and uncertainties with respect to the actual quantities of petroleum products and crude oil shipped on our pipelines and/or terminalled in our terminals;
- the successful acquisition of the Sinclair logistics assets;
- the successful closing of the UNEV pipeline transaction and the future performance of such asset;
- the grant to us of an option to purchase, and our exercise of such option, with respect to Holly Corporation s recently constructed pipeline from Centurion Pipeline, L.P. s Slaughter station in west Texas to Lovington, New Mexico, and a pipeline project that connects our Artesia crude gathering system to Holly Corporation s Lovington facility, and the performance of such assets;
- the economic viability of Holly Corporation, Alon USA, Inc. and our other customers;
- the demand for refined petroleum products in markets we serve;
- our ability to successfully purchase and integrate additional operations in the future;
- our ability to complete previously announced pending or contemplated acquisitions and dispositions;
- the availability and cost of additional debt and equity financing;
- the possibility of reductions in production or shutdowns at refineries utilizing our pipeline and terminal facilities;
- the effects of current and future government regulations and policies;
- our operational efficiency in carrying out routine operations and capital construction projects;
- the possibility of terrorist attacks and the consequences of any such attacks;
- general economic conditions; and
- other financial, operations and legal risks and uncertainties set forth in Item 1A Risk Factors in our 2008 Annual Report on Form 10-K and the other documents incorporated by reference herein.

Other factors described herein, or factors that are unknown or unpredictable, could also have a material adverse effect on future results. Please read Risk Factors in Item 1A of our Annual Report on Form 10-K for the year ended

December 31, 2008 and beginning on page S-14 of this prospectus supplement. Except as required by securities laws, we do not intend to update these forward-looking statements and information.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934 (the Exchange Act) and in accordance therewith file reports and other information with the Securities and Exchange Commission (SEC). For further information regarding us, you may desire to review reports and other information filed under the Exchange Act, including the reports and other information incorporated by reference into this prospectus. Such reports and other information may be inspected and copied at the public reference room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies can be obtained by mail at prescribed rates by writing to the public reference room mentioned above. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330.

INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference into this prospectus the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, and later information that we file with the SEC will automatically update and supersede this information. Therefore, before you decide to invest in the common units offered hereby, you should always check for reports we may have filed with the SEC after the date of this prospectus. We incorporate by reference the documents listed below filed by us and any future filings made after the date of this prospectus with the SEC under sections 13(a), 13(c), 14 or 15(d) of the Exchange Act until the termination of this offering (other than information furnished and not filed with the SEC):

- the amendment to the Annual Report on Form 10-K of Holly Energy Partners, L.P. for the year ended December 31, 2008, as filed with the SEC on May 1, 2009;
- the Annual Report on Form 10-K of Holly Energy Partners, L.P. for the year ended December 31, 2008, as filed with the SEC on February 17, 2009;
- the Quarterly Report on Form 10-Q of Holly Energy Partners, L.P. for the quarter ended March 31, 2009, as filed with the SEC on April 30, 2009;
- the Quarterly Report on Form 10-Q of Holly Energy Partners, L.P. for the quarter ended June 30, 2009, as filed with the SEC on July 31, 2009;
- the Quarterly Report on Form 10-Q of Holly Energy Partners, L.P. for the quarter ended September 30, 2009, as filed with the SEC on October 30, 2009;
- the Current Reports on Form 8-K of Holly Energy Partners, L.P., as filed with the SEC on January 7, 2009, May 6, 2009, June 5, 2009, August 6, 2009, and October 21, 2009 (excluding any information furnished pursuant to Item 2.02 or Item 7.01 on any Current Report on Form 8-K); and
- the description of our common units contained in our registration statement on Form 8-A, as filed with the SEC on June 21, 2004, and any subsequent amendment thereto filed for the purpose of updating such description.

The SEC maintains a web site on the Internet at http://www.sec.gov. Our periodic reports and other information filed by us with the SEC can be downloaded from the SEC s web site and can also be inspected at the offices of the New

York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

We will provide without charge to each person, including any beneficial owner, to whom this prospectus is delivered, upon written or oral request, a copy of any document incorporated by reference in this prospectus (other than exhibits to any such document not described above) and our partnership agreement. Requests for such documents should be directed to Holly Energy Partners, L.P., 100 Crescent Court, Suite 1600, Dallas, Texas 75201, Attention: Chief Financial Officer; telephone number (214) 871-3555.

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PROSPECTUS

Holly Energy Partners, L.P.
Holly Energy Finance Corp.

$1,000,000,000

COMMON UNITS
PREFERRED UNITS
DEBT SECURITIES

We may from time to time offer the following securities under this prospectus:

common units representing limited partner interests in Holly Energy Partners, L.P.;

preferred units representing limited partner interests in Holly Energy Partners, L.P.; and

debt securities of Holly Energy Partners, L.P.

Holly Energy Finance Corp. may act as co-issuer of the debt securities and certain other subsidiaries of Holly Energy Partners, L.P. may guarantee the debt securities.

This prospectus provides you with a general description of the securities we may offer. Each time we sell securities we will provide a prospectus supplement that will contain specific information about the terms of that offering. The amount of any securities offered and the price at which those securities are offered will be determined at the time of each offering. Any prospectus supplement may also add, update or change information contained in this prospectus. You should read carefully this prospectus and any prospectus supplement before you invest. You should also read the documents we have referred you to in the Where You Can Find More Information section of this prospectus for information about us, including our financial statements.

Our common units are listed on the New York Stock Exchange under the trading symbol HEP. We will provide information in the prospectus supplement for the expected trading market, if any, for any preferred units or debt securities that we issue.

Unless otherwise specified in a prospectus supplement, any of our senior debt securities, when and if issued, will be unsecured and will rank equally with our other unsecured and unsubordinated indebtedness, and any of our subordinated debt securities, when and if issued, will be subordinated in right of payment to our senior debt.

Limited partnerships are inherently different from corporations. You should review carefully each of the factors referred to under Risk Factors beginning on page 3 of this prospectus and contained in the applicable prospectus supplement and in the documents incorporated by reference herein and therein for a discussion of important risks you should consider before investing in our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

This prospectus may not be used to consummate sales of securities by the Registrants unless accompanied by a prospectus supplement.

The date of this prospectus is December 4, 2008.

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You should rely only on the information contained or incorporated by reference in this prospectus or any prospectus supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information incorporated by reference or provided in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of each document.

Our, we, us and Holly Energy Partners as used in this prospectus refer to Holly Energy Partners, L.P. or to Holly Energy Partners, L.P. and certain of its subsidiaries collectively, including its subsidiary Holly Energy Finance Corp., as the context requires.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (the Commission) using a shelf registration process. Under this shelf registration process, we may offer from time to time up to $1,000,000,000 of our securities. Each time we offer securities, we will provide you with a prospectus supplement that will describe, among other things, the specific amounts and prices of the securities being offered and the terms of the offering. Any prospectus supplement may add, update or change information contained in this prospectus. Any statement that we make in this prospectus will be modified or superseded by any inconsistent statement made by us in any prospectus supplement. The information in this prospectus is accurate as of its date. Therefore, before you invest in our securities, you should carefully read this prospectus and any prospectus supplement relating to the securities offered to you together with the additional information described under the heading Where You Can Find More Information.

WHO WE ARE

Holly Energy Partners, L.P. is a Delaware limited partnership engaged principally in the business of operating a system of petroleum product and crude oil pipelines in Texas, New Mexico, Oklahoma and Utah, distribution terminals in Texas, New Mexico, Arizona, Utah, Idaho and Washington and refinery tankage in New Mexico and Utah. We generate revenues by charging tariffs for transporting petroleum products and crude oil through our pipelines and by charging fees for terminalling petroleum products and other hydrocarbons, and storing and providing other services at our storage tanks and terminals. We do not take ownership of products that we transport or terminal; therefore, we are not directly exposed to changes in commodity prices. We serve Holly Corporation s refineries in New Mexico and Utah under three 15-year pipeline, tankage and terminal agreements expiring in July 2019, July 2020 and February 2023 and Alon USA, Inc. s (Alon) Big Spring Refinery under a separate pipelines and terminals agreement expiring in February 2020. We are dedicated to generating stable cash flows and growing our business. Our assets include:

Pipelines:

- approximately 780 miles of refined product pipelines, including 340 miles of leased pipelines, that transport gasoline, diesel and jet fuel principally from Holly Corporation s Navajo Refinery in New Mexico to Holly Corporation s customers in the metropolitan and rural areas of Texas, New Mexico, Arizona, Colorado, Utah and northern Mexico;
- approximately 510 miles of refined product pipelines that transport refined products from Alon s Big Spring refinery in Texas to customers in Texas and Oklahoma;
- two parallel 65-mile pipelines that transport intermediate feedstocks and crude oil from Holly Corporation s Lovington, New Mexico refining facilities to Holly Corporation s Artesia, New Mexico refining facilities;
- a 36-mile jet fuel pipeline which runs from Artesia to Roswell, New Mexico;
- approximately 10 miles of crude and refined product pipelines which service Holly Corporation s Woods Cross refinery;
- approximately 860 miles of crude oil trunk, gathering and lease connection pipelines which service Holly Corporation s Lovington and Artesia refining facilities; and

a 70% interest in Rio Grande Pipeline Company, a joint venture that owns a 249-mile refined product pipeline that transports liquid petroleum gases, or LPGs, from West Texas to the Texas/Mexico border near El Paso for further transport into northern Mexico.

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Refined Product Terminals:

- four refined product terminals, located in El Paso, Texas; Moriarty and Bloomfield, New Mexico; and Tucson, Arizona, with an aggregate capacity of approximately 1 million barrels, that are integrated with our refined product pipeline system that serves Holly Corporation s Navajo Refinery;

- three refined product terminals (two of which are 50% owned), located in Burley and Boise, Idaho, and Spokane, Washington, with an aggregate capacity of approximately 500,000 barrels, that serve third-party common carrier pipelines;

- one refined product terminal near Mountain Home, Idaho, with a capacity of 120,000 barrels, that serves a nearby United States Air Force Base;

- two refined product terminals, located in Wichita Falls and Abilene, Texas, and one tank farm in Orla, Texas with aggregate capacity of 480,000 barrels, that are integrated with our refined product pipelines that serve Alon s Big Spring, Texas refinery;

- two refined product truck loading racks, one located within Holly Corporation s Navajo Refinery and one located within Holly Corporation s Woods Cross Refinery near Salt Lake City, Utah; and

- a Roswell, New Mexico jet fuel terminal leased through September 2011.

Crude Oil Storage:

- approximately 600,000 barrels of on-site crude oil tankage at Holly Corporation s Navajo and Woods Cross Refineries.

Holly Energy Finance Corp. (Holly Energy Finance) is a Delaware corporation and wholly-owned subsidiary of Holly Energy Partners organized for the sole purpose of co-issuing certain of our debt securities. Holly Energy Finance does not have any operations of any kind and does not generate any revenue other than as may be incidental to its activities as a co-issuer of any of our debt securities.

Our principal executive offices are located at 100 Crescent Court, Suite 1600, Dallas, Texas 75201, and our telephone number is (214) 871-3555. Our website is located at http://www.hollyenergypartners.com. We make our periodic reports and other information filed with or furnished to the Commission available, free of charge, through our website, as soon as reasonably practicable. Information on our website or any other website, is not incorporated by reference into this prospectus and does not constitute a part of this prospectus unless specifically so designated and filed with the Commission.

THE SUBSIDIARY GUARANTORS

Throughout this prospectus, we refer to each of the following subsidiaries of Holly Energy Partners as the Subsidiary Guarantors : HEP Logistics GP, L.L.C., Holly Energy Partners Operating, L.P., HEP Pipeline GP, L.L.C., HEP Refining GP, L.L.C., HEP Mountain Home, L.L.C., HEP Pipeline, L.L.C., HEP Refining, L.L.C., HEP Woods Cross, L.L.C., HEP Navajo Southern, L.P., HEP Pipeline Assets, Limited Partnership, HEP Refining Assets, L.P. and HEP Fin Tex/Trust River, L.P. Each of the Subsidiary Guarantors may jointly and severally and unconditionally guarantee our payment obligations under any series of debt securities offered by this prospectus and any prospectus supplement.

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RISK FACTORS

An investment in our securities involves risks. Before you invest in our securities you should carefully consider those risk factors included in our most recent Annual Report on Form 10-K, as supplemented by our Quarterly Reports on Form 10-Q, each of which is incorporated herein by reference, and those risk factors that may be included in the applicable prospectus supplement together with all of the other information included in this prospectus, any prospectus supplement and the documents we incorporate by reference in evaluating an investment in our securities. This prospectus also contains forward-looking statements that involve risks and uncertainties. Please read Forward-Looking Statements. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors, including the risks described in the foregoing documents and the other information included in, or incorporated by reference into, this prospectus. If any of these risks occur, our business, financial condition or results of operations could be adversely affected. In that case, we may be unable to pay distributions to our untiholders, or to pay interest on, or the principal of, any debt securities. In that event, the trading price of our securities could decline and you could lose all or part of your investment. When we offer and sell any securities pursuant to a prospectus supplement, we may include additional risk factors relevant to such securities in the prospectus supplement.

FORWARD-LOOKING STATEMENTS

This prospectus and some of the documents we incorporate by reference contain various forward-looking statements and information that are based on our beliefs and those of our general partner, as well as assumptions made by and information currently available to us. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. When used in this prospectus or the documents we have incorporated herein or therein by reference, words such as anticipate, project, expect, plan, goal, forecast, intend, could, b similar expressions and statements regarding our plans and objectives for future operations, are intended to identify forward-looking statements. Although we and our general partner believe that such expectations reflected in such forward-looking statements are reasonable, neither we nor our general partner can give assurances that such expectations will prove to be correct. Such statements are subject to a variety of risks, uncertainties and assumptions. 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. Among the key risk factors that may have a direct bearing on our results of operations and financial condition are:

- Risks and uncertainties with respect to the actual quantities of petroleum products and crude oil shipped on our pipelines and/or terminalled in our terminals;
- The economic viability of those Holly Corporation subsidiaries we contract with as well as Alon USA, Inc. and our other customers;
- The demand for refined petroleum products in markets we serve;
- Our ability to successfully purchase and integrate additional operations in the future;
- Our ability to complete previously announced pending or contemplated acquisitions;
- The availability and cost of additional debt and equity financing;

The possibility of reductions in production or shutdowns at refineries utilizing our pipeline and terminal facilities;

The effects of current and future government regulations and policies;

Our operational efficiency in carrying out routine operations and capital construction projects;

The possibility of terrorist attacks and the consequences of any such attacks;

General economic conditions; and

Other financial, operations and legal risks and uncertainties detailed from time to time in our Securities and Exchange Commission filings.

Other factors described herein, or factors that are unknown or unpredictable, could also have a material adverse effect on future results. You should not put undue reliance on any forward-looking statements. Please review the risk factors described under Risk Factors in this prospectus and any prospectus supplement and in the Risk Factors section of our most recent Annual Report on Form 10-K and, to the extent applicable, our Quarterly Reports on Form 10-Q. Except as required by securities laws, we do not intend to update these forward-looking statements and information.

USE OF PROCEEDS

Except as otherwise provided in the applicable prospectus supplement, we will use the net proceeds from any sale of securities described in this prospectus for general partnership purposes, which may include, among other things, funding acquisitions of assets or businesses, working capital, capital expenditures, investments in subsidiaries, the retirement of existing debt and/or the repurchase of common units or other securities. The prospectus supplement for any particular offering of securities using this prospectus will disclose the actual use of the net proceeds from the sale of such securities. The exact amounts to be used and when the net proceeds will be applied to partnership purposes will depend on a number of factors, including our funding requirements and the availability of alternative funding sources.

RATIO OF EARNINGS TO FIXED CHARGES

For purposes of calculating the ratio of earnings to fixed charges, earnings represent income before income tax expense before deducting fixed charges. Fixed charges include interest and 30% of the total operating lease rental expense, which is the portion deemed to be interest. Our ratio of earnings to fixed charges for each of the periods indicated is as follows:

	Nine Months Ended September 30,	Years Ended December 31,				
	2008	2007	2006	2005	2004	2003
Ratio of earnings to fixed charges	2.22	3.67	2.91	3.43	16.13	1.27

DESCRIPTION OF DEBT SECURITIES

Holly Energy Partners may issue debt securities in one or more series and Holly Energy Finance may be a co-issuer of one or more series of such debt securities. When used in this section, references to we, us and our refer to Holly Energy Partners and, if Holly Energy Finance co-issues any debt securities, Holly Energy Finance. References to an Indenture refer to the particular Indenture under which we issue a series of debt securities.

The following description sets forth the general terms and provisions that will apply to any of our debt securities. Each prospectus supplement will state the particular terms that will apply to any debt securities included in the supplement.

General

The Indentures

We will issue our debt securities under either a Senior Indenture or a Subordinated Indenture, among us, a trustee that we will name in the related prospectus supplement and, as applicable, any Subsidiary Guarantors. The term Trustee as

used in this prospectus shall refer to the trustee under any Indenture. Any debt securities will be governed by the applicable provisions of the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939. We, the Trustee and, as applicable, the Subsidiary Guarantors, may enter into supplements to the applicable Indenture from time to time. The debt securities will be either senior debt securities or subordinated debt securities.

Neither Indenture contains provisions that would afford holders of debt securities protection in the event of a sudden and significant decline in our credit quality or a takeover, recapitalization or highly leveraged or

similar transaction. Accordingly, we could in the future enter into transactions that could increase the amount of indebtedness outstanding at that time or otherwise adversely affect our capital structure or credit rating.

This description is a summary of the material provisions of the debt securities and the Indentures. We urge you to read the forms of Senior Indenture and Subordinated Indenture filed as exhibits to the registration statement of which this prospectus is a part because those Indentures, and not this description, govern your rights as a holder of our debt securities.

The Debt Securities

Any series of debt securities that we issue:

- will be the general obligations of Holly Energy Partners and Holly Energy Finance, if Holly Energy Finance co-issues such debt securities;
- will be general obligations of the Subsidiary Guarantors, if guaranteed by them; and
- may be subordinated to our Senior Indebtedness and that of any Subsidiary Guarantors.

The Indenture does not limit the total amount of debt securities that we may issue. We may issue debt securities under the Indenture from time to time in separate series, up to the aggregate amount authorized for each such series.

Specific Terms of Each Series of Debt Securities to be Described in the Prospectus Supplement

We will prepare a prospectus supplement and either a supplemental indenture, or authorizing resolutions of the board of directors of our general partner s general partner, accompanied by the officers certificate, relating to any series of debt securities that we offer, which will include specific terms relating to some or all of the following:

- the form and title of the debt securities;
- the total principal amount of the debt securities;
- the date or dates on which the debt securities may be issued;
- whether the debt securities are senior or subordinated debt securities;
- the currency or currencies in which principal and interest will be paid, if not in U.S. dollars;
- the portion of the principal amount which will be payable if the maturity of the debt securities is accelerated;
- any right we may have to defer payments of interest by extending the dates payments are due and whether interest on those deferred amounts will be payable;
- the dates on which the principal and premium, if any, of the debt securities will be payable;
- the interest rate or rates which the debt securities will bear, or by which the debt securities will accrete in value, and the interest payment dates for the debt securities;
- any conversion or exchange provisions;

any optional redemption provisions;

any sinking fund or other provisions that would obligate us to repurchase or otherwise redeem the debt securities;

whether the debt securities are (i) to be co-issued by Holly Energy Finance and (ii) entitled to the benefits of any guarantees by the Subsidiary Guarantors;

whether the debt securities may be issued in amounts other than $1,000 each or multiples thereof;

any changes to or additional events of default or covenants;

- any changes to the defeasance or discharge provisions of the Indenture;
- the subordination, if any, of the debt securities and any changes to the subordination provisions of the Subordinated Indenture; and
- any other terms of the debt securities.

This description of debt securities will be deemed modified, amended or supplemented by any description of any series of debt securities set forth in a prospectus supplement related to that series.

The prospectus supplement also will describe any material United States federal income tax consequences or other special considerations regarding the applicable series of debt securities, including, without limitation, those relating to:

- debt securities with respect to which payments of principal, premium or interest are determined with reference to an index or formula, including changes in prices of particular securities, currencies or commodities;
- debt securities with respect to which payments of interest may be made in kind in lieu of, or in addition to, cash;
- debt securities with respect to which principal, premium or interest is payable in a foreign or composite currency;
- debt securities that are issued at a discount below their stated principal amount, bearing no interest or interest at a rate that at the time of issuance is below market rates; and
- variable rate debt securities that are exchangeable for fixed rate debt securities.

At our option, we may make cash interest payments by check mailed to the registered holders of debt securities or, if so stated in the applicable prospectus supplement, at the option of a holder by wire transfer to an account designated by the holder.

Unless otherwise provided in the applicable prospectus supplement, fully registered securities may be transferred or exchanged at the office of the Trustee at which its corporate trust business is principally administered in the United States, subject to the limitations provided in the Indenture, without the payment of any service charge, other than any applicable tax or governmental charge.

Any funds we pay to a paying agent for the payment of amounts due on any debt securities that remain unclaimed for two years will be returned to us, and the holders of the debt securities must look only to us for payment after that time.

The Subsidiary Guarantees

Our payment obligations under any series of debt securities may be jointly and severally, fully and unconditionally guaranteed by any of the Subsidiary Guarantors. If a series of debt securities is so guaranteed, the Subsidiary Guarantors will execute a notation of guarantee as further evidence of their guarantee. The applicable prospectus supplement will describe the terms of any guarantee by the Subsidiary Guarantors.

The obligations of each Subsidiary Guarantor under its guarantee of the debt securities will be limited to the maximum amount that will not result in the obligations of the Subsidiary Guarantor under the guarantee constituting a

fraudulent conveyance or fraudulent transfer under federal or state law, after giving effect to:

all other contingent and fixed liabilities of the Subsidiary Guarantor; and

any collections from or payments made by or on behalf of any other Subsidiary Guarantors in respect of the obligations of the Subsidiary Guarantor under its guarantee.

The guarantee of any Subsidiary Guarantor may be released under certain circumstances. If we exercise our legal or covenant defeasance option with respect to debt securities of a particular series, or satisfy and discharge the Indenture with respect to that series, as described below under Defeasance and Discharge, then

any Subsidiary Guarantor will be released with respect to that series. Further, if no default has occurred and is continuing under the Indenture, and to the extent not otherwise prohibited by the Indenture, a Subsidiary Guarantor will be unconditionally released and discharged from its guarantee:

- automatically upon any sale, exchange or transfer, whether by way of merger or otherwise, to any person that is not our affiliate, of all of our direct or indirect limited partnership or other equity interests in the Subsidiary Guarantor;
- automatically upon the merger of the Subsidiary Guarantor into us or any other Subsidiary Guarantor or the liquidation and dissolution of the Subsidiary Guarantor; or
- following delivery of a written notice by us to the Trustee, upon the discharge or release of all guarantees by the Subsidiary Guarantor of any debt of ours under any credit facility, except a discharge or release by or as a result of payment under such guarantee.

If a series of debt securities is guaranteed by the Subsidiary Guarantors and is designated as subordinate to our Senior Indebtedness, then the guarantees by the Subsidiary Guarantors will be subordinated to the Senior Indebtedness of the Subsidiary Guarantors to substantially the same extent as the series is subordinated to our Senior Indebtedness. See Subordination.

Specific Covenants

The prospectus supplement applicable to any particular series of debt securities will contain a description of the important financial and other covenants that apply to us and our subsidiaries that are added to the Indenture specifically for the benefit of holders of a particular series.

The Indenture will contain the following covenants for the benefit of the holders of all series of debt securities:

Reports

So long as any debt securities are outstanding, we will:

- for as long as we are required to file information with the Commission pursuant to the Securities and Exchange Act of 1934 (the Exchange Act), file with the Trustee, within 15 days after we file the same with the Commission, copies of the annual reports and of the information, documents and other reports which we are required to file with the Commission pursuant to the Exchange Act;
- if we are not required to file information with the Commission pursuant to the Exchange Act, file with the Trustee, within 15 days after we would have been required to file the same with the Commission, financial statements and a Management s Discussion and Analysis of Financial Condition and Results of Operations, both comparable to what we would have been required to file with the Commission had we been subject to the reporting requirements of the Exchange Act; and
- if we are required to furnish annual or quarterly reports to our unitholders pursuant to the Exchange Act, file with the Trustee and mail to the holders any annual report or other reports sent to unitholders generally.

The availability to the public of the foregoing materials on the Commission s website or on our website shall be deemed to satisfy the foregoing delivery obligations.

Merger, Consolidation or Sale of Assets

We may, without the consent of the holders of any of the debt securities, consolidate with or sell, lease, convey or otherwise dispose of all or substantially all of our assets to, or merge with or into, any partnership, limited liability company or corporation if:

the entity surviving any such consolidation or merger or to which such assets shall have been transferred (the successor) is us or the successor is a domestic partnership, limited liability company

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or corporation and expressly assumes all of our obligations and liabilities under the Indenture and the debt securities; provided that Holly Energy Finance may not consolidate with or merge into any entity other than a domestic corporation so long as we are not a corporation;

immediately after giving effect to the transaction, no default or Event of Default (as defined below) has occurred and is continuing;

if we are not the continuing entity, then any Subsidiary Guarantor has confirmed that its guarantee will continue to apply to the debt securities; and

we have delivered to the Trustee an officers certificate and an opinion of counsel, each stating that such consolidation, merger or disposition complies with the Indenture.

The successor will be substituted for us in the Indenture with the same effect as if it had been an original party to the Indenture. Thereafter, the successor may exercise the rights and powers of us under the Indenture, in our name or in its own name. If we dispose of all or substantially all of our assets, we will be released from all liabilities and obligations under the Indenture and under the debt securities except that no such release will occur in the case of a lease of all or substantially all of our assets.

Events of Default, Remedies and Default

Events of Default

Each of the following events will be an Event of Default under the Indenture with respect to a series of debt securities, except as set forth in any prospectus supplement:

default in any payment of interest on any debt securities of that series when due that continues for 30 days;

default in the payment of principal of or premium, if any, on any debt securities of that series when due at its stated maturity, upon redemption, upon required repurchase or otherwise;

default in the payment of any sinking fund payment on any debt securities of that series when due;

failure by us or, if the series of debt securities is guaranteed by any Subsidiary Guarantor, by such Subsidiary Guarantor, for 60 days (or 180 days in the case of a failure to deliver to the Trustee the reports described under Reports above) after written notice to comply with any of the other agreements contained in the Indenture, any supplement to the Indenture or any board resolution authorizing the issuance of that series;

certain events of bankruptcy, insolvency or reorganization of us or, if the series of debt securities is guaranteed by any Subsidiary Guarantor, of any such Subsidiary Guarantor that is a Significant Subsidiary Guarantor (as defined below) or any group of Subsidiary Guarantors that, taken together, would constitute a Significant Subsidiary Guarantor; or

if the series of debt securities is guaranteed by any Subsidiary Guarantor:

any of the guarantees ceases to be in full force and effect, except as otherwise provided in the Indenture;

any of the guarantees is declared null and void in a judicial proceeding; or

any Subsidiary Guarantor denies or disaffirms its obligations under the Indenture or its guarantee.

A Significant Subsidiary Guarantor means any Subsidiary Guarantor that would be a significant subsidiary as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act of 1933 (the Securities Act), as such Regulation is in effect on the date of the Indenture.

Exercise of Remedies

If an Event of Default, other than an Event of Default described in the fifth bullet point above, occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the outstanding debt securities of that series may declare the entire principal of, premium, if any, and accrued and unpaid interest, if any, on all the debt securities of that series to be due and payable immediately.

A default under the fourth bullet point above will not constitute an Event of Default until the Trustee or the holders of 25% in principal amount of the outstanding debt securities of that series notify us and, if the series of debt securities is guaranteed by any Subsidiary Guarantor, any such Subsidiary Guarantor, of the default and such default is not cured within 60 days (or 180 days in the case of a failure to deliver to the Trustee the reports described under Reports above) after receipt of notice.

If an Event of Default described in the fifth bullet point above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all outstanding debt securities of all series will become immediately due and payable without any declaration of acceleration or other act on the part of the Trustee or any holders.

The holders of a majority in principal amount of the outstanding debt securities of a series may rescind any declaration of acceleration by the Trustee or the holders with respect to the debt securities of that series but only if:

- rescinding the declaration of acceleration would not conflict with any judgment or decree of a court of competent jurisdiction; and

- all existing Events of Default have been cured or waived, other than the nonpayment of principal, premium or interest on the debt securities of that series that has become due solely by the declaration of acceleration.

If an Event of Default occurs and is continuing, the Trustee will be under no obligation, except as otherwise provided in the Indenture, to exercise any of the rights or powers under the Indenture at the request or direction of any of the holders unless such holders have offered to the Trustee reasonable indemnity or security against any costs, liability or expense. No holder may pursue any remedy with respect to the Indenture or the debt securities of any series, except to enforce the right to receive payment of principal, premium, if any, or interest when due, unless:

- such holder has previously given the Trustee notice that an Event of Default with respect to that series is continuing;

- holders of at least 25% in principal amount of the outstanding debt securities of that series have requested that the Trustee pursue the remedy;

- such holders have offered the Trustee reasonable indemnity or security against any cost, liability or expense;

- the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of indemnity or security; and

- the holders of a majority in principal amount of the outstanding debt securities of that series have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

The holders of a majority in principal amount of the outstanding debt securities of a series have the right, subject to certain restrictions, to direct the time, method and place of conducting any proceeding for any remedy available to the

Trustee or of exercising any right or power conferred on the Trustee with respect to that series of debt securities. The Trustee, however, may refuse to follow any direction that:

conflicts with law;

is inconsistent with any provision of the Indenture;

the Trustee determines is unduly prejudicial to the rights of any other holder;

would involve the Trustee in personal liability.

Notice of an Event of Default

Within 30 days after the occurrence of any default (meaning an event that is, or after the notice or passage of time would be, an Event of Default) or Event of Default, we are required to give written notice to the Trustee and indicate the status of the default or Event of Default and what action we are taking or propose to take to cure it. In addition, we are required to deliver to the Trustee, within 120 days after the end of each fiscal year, a compliance certificate indicating that we have complied with all covenants contained in the Indenture or whether any default or Event of Default has occurred during the previous year.

If a default occurs and is continuing, the Trustee must mail to each holder a notice of the default by the later of 90 days after the default occurs or 30 days after the Trustee knows of the default. Except in the case of a default in the payment of principal, premium, if any, or interest with respect to any debt securities, the Trustee may withhold such notice, but only if and so long as the board of directors, the executive committee or a committee of directors or responsible officers of the Trustee in good faith determines that withholding such notice is in the interests of the holders.

Amendments and Waivers

Without the consent of any holder of debt securities affected, we, the Trustee and any Subsidiary Guarantors, as applicable, may amend or supplement the Indenture to:

cure any ambiguity, omission, defect or inconsistency;

convey, transfer, assign, mortgage or pledge any property to or with the Trustee;

provide for the assumption by a successor of our obligations under the Indenture;

add any Subsidiary Guarantor with respect to the debt securities;

release Holly Energy Finance as an issuer under the Indenture under certain circumstances;

change or eliminate any restriction on the payment of principal of, or premium, if any, on, any debt securities;

add covenants for the benefit of the holders or surrender any right or power conferred upon us or any Subsidiary Guarantor;

make any change that does not adversely affect the interests of any holder;

add or appoint a successor or separate Trustee;

comply with any requirement of the Commission in connection with the qualification of the Indenture under the Trust Indenture Act of 1939;

conform the text of the Indenture or any guarantee to any provision of the Description of Debt Securities in this prospectus or any prospectus supplement, to the extent that such provision was intended to be a verbatim recitation of a provision of the Indenture or the guarantee;

provide for the issuance of additional debt securities in accordance with the limitations set forth in the Indenture as of the date of the Indenture; or

establish the form or terms of debt securities of any series to be issued under the Indenture.

In addition, we, the Trustee and any Subsidiary Guarantors, may amend the Indenture if the holders of a majority in principal amount of all debt securities of each series that would be affected then outstanding under such Indenture consent to it. We, the Trustee and any Subsidiary Guarantors, as applicable, may not, however,

without the consent of each holder of outstanding debt securities of each series that would be affected, amend the Indenture to:

reduce the percentage in principal amount of debt securities of any series whose holders must consent to an amendment;

reduce the rate of or extend the time for payment of interest on any debt securities;

reduce the principal of or extend the stated maturity of any debt securities;

reduce the premium payable upon the redemption of any debt securities or change the time at which any debt securities may or shall be redeemed;

make any debt securities payable in other than U.S. dollars;

impair the right of any holder to receive payment of premium, principal or interest with respect to such holder s debt securities on or after the applicable due date;

impair the right of any holder to institute suit for the enforcement of any payment with respect to such holder s debt securities;

in the case of any subordinated debt securities, make any changes to the subordination provisions that adversely affects any holder of such securities;

release any security that has been granted in respect of the debt securities, other than in accordance with the Indenture;

make any change in the amendment provisions which require each holder s consent;

make any change in the waiver provisions; or

except as provided in the Indenture, release any Subsidiary Guarantor or modify the guarantee of any Subsidiary Guarantor in any manner adverse to the holders.

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. After an amendment under the Indenture requiring the consent of any holders becomes effective, we are required to mail to all holders a notice briefly describing the amendment. The failure to give, or any defect in, such notice, however, will not impair or affect the validity of the amendment.

The holders of a majority in principal amount of the outstanding debt securities of each affected series, on behalf of all such holders, and subject to certain rights of the Trustee, may waive:

compliance by us or a Subsidiary Guarantor with certain restrictive provisions of the Indenture; and

any past default or Event of Default under the Indenture;

except that such majority of holders may not waive a default:

in the payment of principal, premium or interest; or

in respect of a provision that under the Indenture cannot be amended without the consent of all holders of the series of debt securities that is affected.

Defeasance and Discharge

At any time, we may terminate, with respect to debt securities of a particular series, all our obligations under such series of debt securities and the Indenture, which we call a legal defeasance. If we decide to make a legal defeasance, however, we may not terminate our obligations:

relating to the defeasance trust;

to register the transfer or exchange of the debt securities;

to replace mutilated, destroyed, lost or stolen debt securities; or

to maintain a registrar and paying agent in respect of the debt securities.

At any time we may also effect a covenant defeasance, which means we have elected to terminate our obligations under:

covenants applicable to a series of debt securities, including any covenant that is added specifically for such series and is described in a prospectus supplement;

the bankruptcy provisions with respect to any Significant Subsidiary Guarantor or group of Subsidiary Guarantors that, taken together, constitute a Significant Subsidiary Guarantor; and

the guarantee provision described under Events of Default, Remedies and Notices Events of Default above with respect to a series of debt securities, if applicable, and any Events of Default that is added specifically for such series and described in a prospectus supplement.

We may exercise our legal defeasance option notwithstanding our prior exercise of our covenant defeasance option. If we exercise our legal defeasance option, payment of the affected series of debt securities may not be accelerated because of an Event of Default with respect to that series. If we exercise our covenant defeasance option, payment of the defeased series of debt securities may not be accelerated because of an Event of Default with respect to that series specified in the fourth, fifth (with respect only to a Subsidiary Guarantor (if any)) or sixth bullet points under Events of Default above or an Event of Default that is added specifically for such series and described in a prospectus supplement.

In order to exercise either defeasance option, we must:

irrevocably deposit in trust with the Trustee money or certain U.S. government obligations for the payment of principal, premium, if any, and interest on the series of debt securities to redemption or stated maturity, as the case may be;

comply with certain other conditions, including that no default has occurred and is continuing after the deposit in trust; and

deliver to the Trustee of an opinion of counsel to the effect that holders of the series of debt securities will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred. In the case of legal defeasance only, such opinion of counsel must be based on a ruling of the Internal Revenue Service or other change in applicable federal income tax law.

If we exercise either our legal defeasance option or our covenant defeasance option, any guarantee by a Subsidiary Guarantor will terminate with respect to the defeased series of debt securities.

In addition, we may satisfy and discharge all our obligations under the Indenture with respect to debt securities of a particular series, other than our obligation to register the transfer of and exchange such debt securities, provided that we either:

- deliver all outstanding debt securities of such series to the Trustee for cancellation; or

- all such debt securities not so delivered for cancellation have either become due and payable or will become due and payable at their stated maturity within one year or are called for redemption within one year, and in the case of this bullet point, we have deposited with the Trustee in trust an amount of cash sufficient to pay the entire indebtedness of such debt securities, including interest to the stated maturity or applicable redemption date.

No Personal Liability of Directors, Officers, Employees and Unitholders

No past, present or future director, officer, partner, member, employee, incorporator, manager or unitholder or other owner of any equity interest in us, our general partner or any Subsidiary Guarantors, as

applicable, will have any liability for any obligations of us or any Subsidiary Guarantors under any debt securities, any Indenture, any guarantee of any debt securities or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of any debt security accepting such debt security waives and releases all such liability. The waiver and release are part of the consideration for issuance of any debt securities and any guarantee. The waiver may not be effective to waive liabilities under the federal securities laws.

Subordination

Debt securities of a series may be subordinated to our Senior Indebtedness, which we define generally to include any obligation created or assumed by us (or, if the series is guaranteed, any Subsidiary Guarantors) for the repayment of borrowed money and any guarantee thereof, whether outstanding or hereafter issued, unless, by the terms of the instrument creating or evidencing such obligation, it is provided that such obligation is subordinate or not superior in right of payment to the subordinated debt securities (or, if the series is guaranteed, the guarantee of any Subsidiary Guarantor), or to other obligations which are pari passu with or subordinated to the subordinated debt securities (or, if the series is guaranteed, the guarantee of any Subsidiary Guarantor). Subordinated debt securities will be subordinate in right of payment, to the extent and in the manner set forth in the Indenture and the prospectus supplement relating to such series, to the prior payment of all of our indebtedness and that of any Subsidiary Guarantor that is designated as Senior Indebtedness with respect to the series.

The holders of Senior Indebtedness of ours or, if applicable, any Subsidiary Guarantor, will receive payment in full of the Senior Indebtedness before holders of any subordinated debt securities will receive any payment of principal, premium or interest with respect to the subordinated debt securities upon any payment or distribution of our assets or, if applicable to any series of outstanding debt securities, the Subsidiary Guarantors assets, to creditors:

- upon a liquidation or dissolution of us or, if applicable to any series of outstanding debt securities, the Subsidiary Guarantors; or

- in a bankruptcy, receivership or similar proceeding relating to us or, if applicable to any series of outstanding debt securities, to the Subsidiary Guarantors.

Until the Senior Indebtedness is paid in full, any distribution to which holders of subordinated debt securities would otherwise be entitled will be made to the holders of Senior Indebtedness, except that the holders of subordinated debt securities may receive units representing limited partner interests and any debt securities that are subordinated to Senior Indebtedness to at least the same extent as the subordinated debt securities.

If we do not pay any principal, premium or interest with respect to Senior Indebtedness within any applicable grace period (including at maturity), or any other default on Senior Indebtedness occurs and the maturity of the Senior Indebtedness is accelerated in accordance with its terms, we may not:

- make any payments of principal, premium, if any, or interest with respect to subordinated debt securities;

- make any deposit for the purpose of defeasance or discharge of the subordinated debt securities; or

- repurchase, redeem or otherwise retire any subordinated debt securities, except that in the case of subordinated debt securities that provide for a mandatory sinking fund, we may deliver subordinated debt securities to the Trustee in satisfaction of our sinking fund obligation, unless, in any case,

  - the default has been cured or waived and any declaration of acceleration has been rescinded;

the Senior Indebtedness has been paid in full in cash; or

we and the Trustee receive written notice approving the payment from the representative of each issue of Designated Senior Indebtedness.

During the continuance of any default, other than a default described in the immediately preceding paragraph, that may cause the maturity of any Designated Senior Indebtedness to be accelerated immediately without further notice, other than any notice required to effect such acceleration, or the expiration of any applicable grace periods, we may not pay the subordinated debt securities for a period called the Payment Blockage Period. Generally, Designated Senior Indebtedness will include:

any specified issue of Senior Indebtedness of at least $100 million; and

any other Senior Indebtedness that we may designate in respect of any series of subordinated debt securities.

A Payment Blockage Period will commence on the receipt by us and the Trustee of written notice of the default, called a Blockage Notice, from the representative of any Designated Senior Indebtedness specifying an election to effect a Payment Blockage Period and will end 179 days thereafter.

The Payment Blockage Period may be terminated before its expiration:

by written notice from the person or persons who gave the Blockage Notice;

by repayment in full in cash of the Designated Senior Indebtedness with respect to which the Blockage Notice was given; or

if the default giving rise to the Payment Blockage Period is no longer continuing.

Unless the holders of the Designated Senior Indebtedness have accelerated the maturity of the Designated Senior Indebtedness, we may resume payments on the subordinated debt securities after the expiration of the Payment Blockage Period.

Generally, not more than one Blockage Notice may be given in any period of 360 consecutive days. The total number of days during which any one or more Payment Blockage Periods are in effect, however, may not exceed an aggregate of 179 days during any period of 360 consecutive days.

After all Senior Indebtedness is paid in full and until the subordinated debt securities are paid in full, holders of the subordinated debt securities shall be subrogated to the rights of holders of Senior Indebtedness to receive distributions applicable to Senior Indebtedness.

As a result of the subordination provisions described above, in the event of insolvency, the holders of Senior Indebtedness, as well as certain of our general creditors, may recover more, ratably, than the holders of the subordinated debt securities.

Book-Entry System

We may issue debt securities of a series in the form of one or more global certificates, each of which we refer to as a global security, registered in the name of a depositary or a nominee of a depositary. We expect that The Depository Trust Company, New York, New York, or DTC, will act as depositary. If we issue debt securities of a series in book-entry form, we will issue one or more global certificates that will be deposited with or on behalf of DTC and will not issue physical certificates to each holder. A global security may not be transferred unless it is exchanged in whole or in part for a certificated security, except that DTC, its nominees and their successors may transfer a global security as a whole to one another.

Beneficial interests in global debt securities will be shown on, and transfers of global debt securities will be made only through, records maintained by DTC and its participants.

DTC has advised us as follows:

> DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC holds and provides asset servicing for securities that its participants (known as direct participants) deposit with DTC. DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between direct participants accounts, thereby eliminating the need for physical movement of securities certificates.

Direct participants in DTC include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

Access to the DTC system is also available to others, known as indirect participants, such as U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

The rules applicable to DTC participants are on file with the Commission.

Any purchases of debt securities under the DTC system must be made by or through direct participants, which will receive a credit for the debt securities on DTC s records. The ownership interest of each actual purchaser of debt securities is in turn to be recorded on the direct and indirect participants records. Beneficial owners of the debt securities will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participants through which the beneficial owner entered into the transaction. Transfers of ownership interests in the debt securities are to be accomplished by entries made on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in the debt securities, except in the event that use of the book-entry system for the debt securities is discontinued.

Because DTC can only act on behalf of direct participants, who in turn act on behalf of indirect DTC participants and certain banks, the ability of a person having a beneficial interest in a security held in DTC to transfer or pledge that interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of that interest, may be affected by the lack of a physical certificate of that interest. The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form in order to transfer or perfect a security interest in those securities. Consequently, the ability to transfer beneficial interests in a security held in DTC to those persons may be limited.

DTC has advised us that it will take any action permitted to be taken by a holder of debt securities (including, without limitation, the presentation of debt securities for exchange) only at the direction of one or more of the participants to whose accounts with DTC interests in the relevant debt securities are credited, and only in respect of the portion of the aggregate principal amount of the debt securities as to which that participant or those participants has or have given the direction. However, in certain circumstances, DTC will exchange the global securities held by it for certificated debt securities, which it will distribute to its participants.

To facilitate subsequent transfers of ownership interests in the debt securities, all debt securities deposited by direct participants with DTC are registered in the name of DTC s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of debt securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the debt securities; DTC s records reflect only the identity of the direct participants to whose accounts such debt securities are credited, which may or may not be the beneficial owners. The direct and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by, direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the global securities. Under its usual procedures, DTC mails an omnibus proxy to the issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co. s consenting or voting rights to those direct participants to whose accounts the debt securities are credited on the record date (identified in the listing attached to the omnibus proxy).

All payments on the global securities will be made to Cede & Co., as holder of record, or such other nominee as may be requested by an authorized representative of DTC. DTC s practice is to credit direct participants accounts upon DTC s receipt of funds and corresponding detail information from us or the Trustee on payment dates in accordance with their respective holdings shown on DTC s records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such participant and not of DTC, us, the Trustee or any Subsidiary Guarantor, as applicable, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) shall be the responsibility of us or the Trustee. Disbursement of such payments to direct participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of direct and indirect participants.

Neither we, the Trustee nor any Subsidiary Guarantor, as applicable, will have any responsibility or obligation to direct or indirect participants, or the persons for whom they act as nominees, with respect to the accuracy of the records of DTC, its nominee, any other depositary or its nominee, or any participant with respect to any ownership interest in any debt securities, or payments to, or the providing of notice to participants or beneficial owners.

The Trustee

We may appoint a separate trustee for any series of debt securities. We may maintain banking and other commercial relationships with the Trustee and its affiliates in the ordinary course of business, and the Trustee may own debt securities.

Governing Law

The Indenture and any series of debt securities will be governed by, and construed in accordance with, the laws of the State of New York.

DESCRIPTION OF OUR COMMON UNITS AND PREFERRED UNITS

Common Units

Our common units represent limited partner interests that entitle the holders to participate in our cash distributions and to exercise the rights and privileges available to limited partners under our partnership agreement. For a description of the relative rights and preferences of holders of common units and our general partner in and to cash distributions, please carefully review this section and the section Cash Distribution Policy in this prospectus.

Our outstanding common units are listed on the New York Stock Exchange, or NYSE, under the symbol HEP. Any additional common units we issue will also be listed on the NYSE.

The transfer agent and registrar for our common units is American Stock Transfer & Trust Company.

Number of Units

We currently have outstanding 8,390,000 common units, 7,000,000 subordinated units and 937,500 Class B subordinated units which were issued to Alon in connection with the acquisition of certain pipelines,

terminals and related assets. See Subordinated Units. There is currently no established public trading market for our subordinated units or Class B subordinated units.

Status as Limited Partner or Assignee

Except as described below under Limited Liability, the common units will be fully paid, and unitholders will not be required to make additional capital contributions to us.

Limited Liability

Assuming that a limited partner does not participate in the control of our business within the meaning of the Delaware Revised Uniform Limited Partnership Act (the Delaware Act) and that he otherwise acts in conformity with the provisions of our partnership agreement, his liability under the Delaware Act will be limited, subject to some possible exceptions, generally to the amount of capital he is obligated to contribute to us in respect of his units plus his share of any undistributed profits and assets. If it were determined, however, that the right of, or exercise of the right by, the limited partners as a group:

- to remove or replace our general partner;
- to approve some amendments to our partnership agreement; or
- to take other action under our partnership agreement;

constituted participation in the control of our business for the purposes of the Delaware Act, then the limited partners could be held personally liable for our obligations under the laws of Delaware to the same extent as our general partner. This liability would additionally extend to persons who transact business with us who reasonably believe that the limited partner is a general partner. Neither our partnership agreement nor the Delaware Act specifically provides for legal recourse against our general partner if a limited partner were to lose limited liability through any fault of our general partner. While this does not mean that a limited partner could not seek legal recourse, we know of no precedent for such a claim in Delaware case law.

Under the Delaware Act, a limited partnership may not make a distribution to a partner to the extent that at the time of the distribution, after giving effect to the distribution, all liabilities of the partnership, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, exceed the fair value of the assets of the limited partnership.

For the purposes of determining the fair value of the assets of a limited partnership, the Delaware Act provides that the fair value of the property subject to liability of which recourse of creditors is limited shall be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds the nonrecourse liability. The Delaware Act provides that a limited partner who receives a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Act is liable to the limited partnership for the amount of the distribution for three years from the date of the distribution. Under the Delaware Act, an assignee who becomes a substituted limited partner of a limited partnership is liable for the obligations of his assignor to make contributions to the partnership, except the assignee is not obligated for liabilities unknown to him at the time he became a limited partner and that could not be ascertained from our partnership agreement.

We conduct business in seven states. We may conduct business in other states in the future. Maintenance of our limited liability as a limited partner of our operating partnership may require compliance with legal requirements in the jurisdictions in which our operating partnership conducts business, including qualifying our subsidiaries to do

business there.

Limitations on the liability of limited partners for the obligations of a limited partnership have not been clearly established in many jurisdictions. If, by virtue of our limited partner interest in our operating partnership or otherwise, it were determined that we were conducting business in any state without compliance with the applicable limited partnership or limited liability company statute, or that the right of, or exercise of the right by, the limited partners as a group, to remove or replace our general partner, to approve some amendments to our partnership agreement, or to take other action under our partnership agreement constituted

participation in the control of our business for purposes of the statutes of any relevant jurisdiction, then the limited partners could be held personally liable for our obligations under the law of that jurisdiction to the same extent as our general partner under the circumstances. We will operate in a manner that our general partner considers reasonable and necessary or appropriate to preserve the limited liability of the limited partners.

Voting Rights

Unless otherwise noted or the context otherwise requires, references in this section Voting Rights to subordinated units include both our subordinated units and our Class B subordinated units.

Our general partner manages and operates us. Unlike the holders of common stock in a corporation, the holders of our units have only limited voting rights on matters affecting our business. They have no right to elect our general partner, or the directors of our general partner, on an annual or other continuing basis. On those matters that are submitted to a vote of unitholders, each record holder of a unit has a vote according to his percentage interest in us, although additional limited partner interests having special voting rights could be issued. However, if at any time any person or group, other than the general partner and its affiliates, or a direct or subsequently approved transferee of the general partner or its affiliates, acquires, in the aggregate, beneficial ownership of 20% or more of any class of units then outstanding, that person or group will lose voting rights on all of its units and the units may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes, determining the presence of a quorum, or for other similar purposes.

Unitholders will not have voting rights except with respect to the following matters which require the unitholder vote specified below. Matters requiring the approval of a unit majority require:

- during the subordination period for the subordinated units, (i) the approval of a majority of the common units, excluding those common units held by our general partner and its affiliates, and (ii) the approval of a majority of the subordinated units and Class B subordinated units voting as a single class;

- after the end of the subordination period for the subordinated units but prior to the end of the subordination period for the Class B subordinated units, the approval of a majority of the outstanding units; and

- after the end of the subordination periods for both our subordinated units and our Class B subordinated units, the approval of a majority of the outstanding units.

In voting their common and subordinated units, the general partner and its affiliates will have no fiduciary duly or obligation whatsoever to us or the limited partners, including any duty to act in good faith or in the best interests of us and the limited partners.

Issuance of additional common units or units of equal rank with the common units during the subordination period	Unit majority, with certain exceptions.
Issuance of units senior to the common units during the subordination period	Unit majority.
Issuance of units junior to the common units during the subordination period	No approval rights.
Issuance of additional units after the subordination period	No approval rights.

Amendment of the partnership agreement	Certain amendments may be made by the general partner without the approval of the unitholders. Other amendments generally require the approval of a unit majority.

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Merger of our partnership or the sale of all or substantially all of our assets	Unit majority.
Amendment of the partnership agreement of our operating partnership and other action taken by us as a limited partner of the operating partnership	Unit majority if such amendment or other action would adversely affect our limited partners (or any particular class of limited partners) in any material respect.
Dissolution of our partnership	Unit majority.
Reconstitution of our partnership upon dissolution	Unit majority.
Withdrawal of the general partner	Under most circumstances, the approval of a majority of the common units, excluding common units held by the general partner and its affiliates, is required for the withdrawal of the general partner prior to June 30, 2014 in a manner which would cause a dissolution of our partnership.
Removal of the general partner	Not less than 662/3% of the outstanding units, voting as a single class, including units held by our general partner and its affiliates.
Transfer of the general partner interest	Our general partner may transfer all, but not less than all, of its general partner interest in us without a vote of our unitholders to an affiliate or another person in connection with its merger or consolidation with or into, or sale of all or substantially all of its assets to such person. The approval of a majority of the common units, excluding common units held by the general partner and its affiliates, is required in other circumstances for a transfer of the general partner interest to a third party prior to June 30, 2014.
Transfer of incentive distribution rights	Except for transfers to an affiliate or another person as part of the general partner s merger or consolidation with or into, or sale of all or substantially all of its assets to such person, the approval of a majority of the common units, excluding common units held by our general partner and its affiliates, voting separately as a class, is required in most circumstances for a transfer of the incentive distribution rights to a third party prior to June 30, 2014.
Transfer of ownership interests in the general partner	No approval required at any time.

Transfer of Common Units

The purchase of any common units offered by this prospectus and any prospectus supplement is accomplished through the completion, execution and delivery of a transfer application. Additionally, any later transfers of common units will not be recorded by the transfer agent or recognized by us unless the transferee executes and delivers a transfer application. By executing and delivering a transfer application, a purchaser or transferee of common units:

- becomes the record holder of the common units and is an assignee until admitted into our partnership as a substituted limited partner;
- automatically requests admission as a substituted limited partner in our partnership;
- agrees to be bound by the terms and conditions of, and executes, our partnership agreement;

represents that such transferee has the capacity, power and authority to enter into the partnership agreement;

grants powers of attorney to officers of our general partner and any liquidator of us as specified in the partnership agreement; and

gives the consents and approvals contained in our partnership agreement.

An assignee will become a substituted limited partner of our partnership for the transferred common units upon admission by our general partner and the recording of the name of the assignee on our books and records. Our general partner intends to admit assignees as substituted limited partners on a quarterly basis.

A transferee s broker, agent or nominee may complete, execute and deliver a transfer application. We are entitled to treat the nominee holder of a common unit as the absolute owner. In that case, the beneficial holder s rights are limited solely to those that it has against the nominee holder as a result of any agreement between the beneficial owner and the nominee holder.

Common units are securities and are transferable according to the laws governing transfer of securities. In addition to other rights acquired upon transfer, the transferor gives the transferee the right to request admission as a substituted limited partner in our partnership for the transferred common units. A purchaser or transferee of common units who does not execute and deliver a transfer application obtains only:

the right to assign the common unit to a purchaser or other