HOLLY CORP

FORM 8-K
(Current report filing)

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Address	2828 N. HARWOOD SUITE 1300 DALLAS, TX 75201
Telephone	2148713555
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Industry	Oil & Gas Operations
Sector	Energy
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 16, 2009 (April 16, 2009)

HOLLY CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	**001-03876** (Commission File Number)	**75-1056913** (I.R.S. Employer Identification Number)

100 Crescent Court, Suite 1600 Dallas, Texas (Address of principal executive offices)	**75201-6915** (Zip code)

Registrant's telephone number, including area code: **(214) 871-3555**

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01. Regulation FD Disclosure .

On April 16, 2009, Holly Corporation (the "Company") issued a press release announcing that the Company has entered into a definitive agreement with Sunoco Inc. (R&M) ("Sunoco") to acquire Sunoco's Tulsa Refinery. Additionally, the Company has scheduled a conference call to present additional information regarding this acquisition. A copy of the press release and the presentation slides to be discussed at the conference call are attached hereto as Exhibits 99.1 and 99.2, respectively, and incorporated herein in their entirety.

In accordance with General Instruction B.2. of Form 8-K, the information furnished in this report on Form 8-K, including Exhibits 99.1 and 99.2, shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 ("Exchange Act"), or otherwise subject to the liabilities of that section, unless the Company specifically incorporates it by reference in a document filed under the Exchange Act or the Securities Act of 1933. By filing this report on Form 8-K and furnishing this information, the Company makes no admission as to the materiality of any information in this report, including Exhibits 99.1 and 99.2, or that any such information includes material investor information that is not otherwise publicly available.

The information contained in this report on Form 8-K, including the information contained in Exhibits 99.1 and 99.2, is intended to be considered in the context of the Company's Securities and Exchange Commission ("SEC") filings and other public announcements that the Company may make, by press release or otherwise from time to time. The Company disclaims any current intention to revise or update the information contained in this report, including the information contained in Exhibits 99.1 and 99.2, although the Company may do so from time to time as its management believes is warranted. Any such updating may be made through the furnishing or filing of other reports or documents with the SEC, through press releases or through other public disclosure.

Item 9.01 Financial Statements and Exhibits .

(c) Exhibits .

99.1	—	Press release of the Company issued April 16, 2009 announcing a definitive agreement to acquire Sunoco's Tulsa Refinery.*
99.2	—	Presentation slides to be discussed by the Company during the scheduled conference call on April 16, 2009 at which additional information regarding the acquisition will be presented.*

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* Furnished herewith.

SIGNATURES

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

HOLLY CORPORATION

By: /s/ Bruce R. Shaw
Bruce R. Shaw
Senior Vice President and Chief Financial Officer

Date: April 16, 2009

EXHIBIT INDEX

Exhibit Number		Exhibit Title
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99.2	—	Presentation slides to be discussed by the Company during the scheduled conference call on April 16, 2009 at which additional information regarding the acquisition will be presented.*

* Furnished herewith.

Exhibit 99.1

Holly Corporation Announces Definitive Agreement to Acquire Sunoco's Tulsa Refinery

Dallas, Texas, April 16, 2009 — Holly Corporation (NYSE:HOC) ("Holly") announced today that Holly Refining & Marketing — Mid-Con, L.L.C. ("HRMM"), a wholly owned subsidiary, and Sunoco Inc. (R&M) (NYSE:SUN) ("Sunoco") have entered into a definitive agreement under which HRMM will purchase Sunoco's 85,000 barrel per day (BPD) Tulsa refinery and associated businesses.

Under the terms of the agreement, HRMM will pay Sunoco $65 million at closing for the refinery. The transaction will also include inventory which will be valued at market prices at closing. Holly will also receive as part of the acquisition an assignment of the Sunoco specialty lubricant product trademarks in North America and a license to use the same in Central and South America. The transaction, which is expected to close by June 1, 2009, is subject to approval by certain regulatory agencies as well as other usual and customary closing conditions.

Matt Clifton, Chairman of the Board and Chief Executive Officer of Holly, said, "We are extremely excited about acquiring this complex refinery and its specialty lubricant products business. In addition to a very attractive price, the Tulsa acquisition provides Holly with added asset, geographic, and product diversity. The Tulsa refinery produces an industry-recognized portfolio of specialty lube oils, process oils and waxes, as well as transportation fuels. The talented Tulsa employees and the specialty lubricant products management team who will be joining Holly have done a great job optimizing the capabilities of the facility. By leveraging the respected Sunoco specialty lubricant product trademarks and formulations, the facility has consistently realized very strong gross margins on these specialty lubricant products. This strength in specialty lubricant products, together with an approximate 40 percent yield of diesel and jet fuel and the bottoms upgrading capabilities of the plant's coker, has allowed the overall operation to deliver attractive gross margins and solid financial results. The facility's proximity to and direct pipeline connection from the Cushing, Oklahoma, crude oil hub combined with its ability to deliver directly into Burlington Northern's Tulsa railroad yard and Magellan's pipeline system, allows the facility to competitively supply transportation fuels to a number of attractive mid-continent markets. We would like to thank the many public officials in the state of Oklahoma and the city of Tulsa for their efforts in supporting this transaction"

Clifton added, "Holly plans to construct a new diesel desulfurizer and associated equipment at the Tulsa refinery by the end of 2011. This addition will allow the facility to produce all of its diesel fuel as ultra low sulfur diesel. We estimate the cost of the project, which will be expended primarily in 2010 and 2011, to be approximately $150 million. By replicating similar projects just completed at Holly's two existing refineries, we are confident that we can execute this project in a very cost-effective and efficient manner. We view this acquisition as an attractive addition to Holly's facilities in New Mexico and Utah, increasing Holly's overall refining capacity by over 60% to 216,000 BPSD while adding the Mid-continent to our existing Rocky Mountain and Southwest markets. The Tulsa acquisition, at its attractive purchase price, adds a significant potential income producing contributor to our profitable and recently upgraded refineries while maintaining our strong balance sheet. We are confident that this transaction will create significant value for Holly shareholders."

Holly anticipates that the transaction, the purchase of inventory and associated future capital spending will be funded from cash on hand, cash generated from operations and from the company's recently expanded $300 million revolving credit facility.

Holly has scheduled a conference call for Thursday, April 16, 2009 at 10:00 AM Eastern Time to present additional information regarding this acquisition. Listeners may access this call by dialing (888) 548-4639. The ID# for this call is 95758763. For those who would like to listen to this call via the internet, you may access the call at http://www.videonewswire.com/event.asp?id=57925 .

Holly will also post a series of presentation slides on its website with additional detail regarding this transaction. These slides can be accessed approximately one hour prior to the conference call and webcast, and can be accessed at www.hollycorp.com . The slides will be posted on the Investors page, in the Conferences & Presentations section, which can be accessed by selecting "Investors" at the top of the home page.

Additionally, listeners may replay this call approximately two hours after the call concludes by dialing (800) 642-1687. This audio archive will be available through April 30, 2009.

About Holly Corporation

Holly Corporation, headquartered in Dallas, Texas, is an independent petroleum refiner and marketer that produces high value light products such as gasoline, diesel fuel and jet fuel. Holly operates through its subsidiaries a 100,000 barrel per day ("bpd") refinery located in Artesia, New Mexico and a 31,000 bpd refinery in Woods Cross, Utah. Holly also owns a 46% interest (including the general partner interest) in Holly Energy Partners, L.P.

The following is a "safe harbor" statement under the Private Securities Litigation Reform Act of 1995: The statements in this press release relating to matters that are not historical facts are "forward-looking statements" based on management's beliefs and assumptions using currently available information and expectations as of the date hereof, are not guarantees of future performance and involve certain risks and uncertainties, including those contained in our filings with the Securities and Exchange Commission. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that our expectations will prove correct. Therefore, actual outcomes and results could materially differ from what is expressed, implied or forecast in such statements. Such differences could be caused by a number of factors including, but not limited to, risks and uncertainties with respect to the actions of actual or potential competitive suppliers of refined petroleum products in Holly's markets, the demand for and supply of crude oil and refined products, the spread between market prices for refined products an market prices for crude oil, the possibility of constraints on the transportation of refined products, the possibility of inefficiencies, curtailments or shutdowns in refinery operations or pipelines, effects of governmental regulations and policies, the availability and cost of financing to Holly, the effectiveness of Holly's capital investments and marketing strategies, the ability of Holly to acquire refined product operations or pipeline and terminal operations on acceptable terms and to integrate any future acquired operations, our ability to complete the acquisition of the Tulsa refinery, our ability to successfully integrate the operations of the Tulsa refinery into our business, Holly's efficiency in carry out construction projects, the possibility of terrorist attacks and the consequences of any such attacks, general economic conditions, and other financial, operational and legal risks and uncertainties detailed from time to time in Holly's Securities and Exchange Commission filings. The forward-looking statements speak only as of the date made and, other than as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

FOR FURTHER INFORMATION, contact

Bruce R. Shaw, Senior Vice President & CFO
M. Neale Hickerson, Vice President, Investor Relations

Holly Corporation
214/871-3555

Exhibit 99.2

Holly Corporation

Acquisition of Sunoco's
Tulsa Refinery

Presented
April 16, 2009

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CORPORATION

Disclosure Statement

Statements made during the course of this presentation that are not historical facts are "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are inherently uncertain and necessarily involve risks that may affect the business prospects and performance of Holly Corporation, and actual results may differ materially from those discussed during the presentation. Such risks and uncertainties include but are not limited to risks and uncertainties with respect to the actions of actual or potential competitive suppliers and transporters of refined petroleum products in Holly's markets, the demand for and supply of crude oil and refined products, the spread between market prices for refined products and market prices for crude oil, the possibility of constraints on the transportation of refined products, the possibility of inefficiencies or shutdowns in refinery operations or pipelines, effects of governmental regulations and policies, the availability and cost of financing to Holly, the effectiveness of Holly's capital investments and marketing and acquisition strategies, the possibility of terrorist attacks and the consequences of any such attacks, our ability to complete the acquisition of the Tulsa refinery, our ability to successfully integrate the operations of the Tulsa refinery into our business, and general economic conditions. Additional information on risks and uncertainties that could affect the business prospects and performance of Holly is provided in in filings made from time to time with the Securities and Exchange Commission. All forward-looking statements included in this presentation are expressly qualified in their entirety by the foregoing cautionary statements. Holly undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

<u>Note about Tulsa refinery financial information</u>: The historical and projected financial information in this presentation relating to the Tulsa refinery is based on financial information, some of which is unaudited, provided to Holly Corporation by Sunoco Inc. (R&M), the seller in the proposed transaction for Holly Corporation's purchase of the Tulsa refinery. While Holly Corporation believes this information to be accurate and has received representations as to its accuracy (subject to certain limitations), it cannot assure that the information is accurate.

Presentation Topics

- Tulsa Acquisition
  - Transaction Summary
  - Asset Strengths and Strategic Drivers
  - Required Capital
  - Financials & Metrics
- Holly Strengths
- Appendix
  - Tulsa Refinery Flow Diagram and Units
  - Holly's Historical Strong Returns and Financial Position
  - Definitions and Non-GAAP Reconciliations

Tulsa Acquisition – Transaction Summary

Asset Summary:

Tulsa refinery has crude capacity of 85,000 BPSD

- High complexity: 10.4 Nelson complexity factor
- Produces high value specialty lubricant products and transportation fuels
- Strategic location - direct pipeline connection to Cushing crude oil hub and Magellan product system that supplies the Mid-Continent market
- Assets include 3.2 million bbls of storage & related logistic assets
- Assignment of the Sunoco specialty lubricant products trademark for N. America and license for S. America

Purchase Summary:

Holly has executed an Asset Purchase Agreement to acquire Sunoco's Tulsa, Oklahoma refinery

- $65 million in cash at closing to purchase refinery property, plant and equipment
- Inventory to be purchased at closing market prices
- Expected closing: June 1, 2009

Off-take Agreement:

Five year off-take agreement for gas oil to Sunoco

EPA Waiver:

EPA waiver is expected to be granted which extends the existing ULSD compliance deadline to November 2011

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Tulsa Acquisition – Asset Strengths and Strategic Drivers

- **High complexity / historically strong EBITDA producing facility**
  - Purchase price is < than $1,000/KBPD and .5 x 2008 EBITDA

- **Asset replacement value is estimated to be $1.6B**

- **Significant production of high value specialty lubricant products and transportation fuels**
  - Specialty lubricant products (specialty oils, waxes & modifiers) –17%
  - Diesel/jet – 40%
  - Gasoline – 22%

  $\left.\begin{array}{l}\text{Diesel/jet – 40\%}\\ \text{Gasoline – 22\%}\end{array}\right\}$ *2:1 Distillate to Gasoline yields ratio*

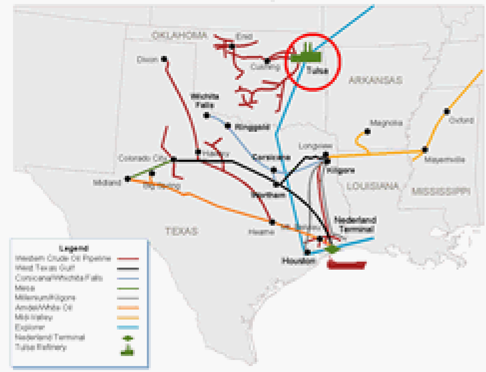
- **Benefits from Group 3 higher fuels margins while having access to attractive Mid-Continent markets**

- **Strategic logistics location near Cushing crude oil hub providing availability and inventory advantages.**
  - Primarily WTI type crudes

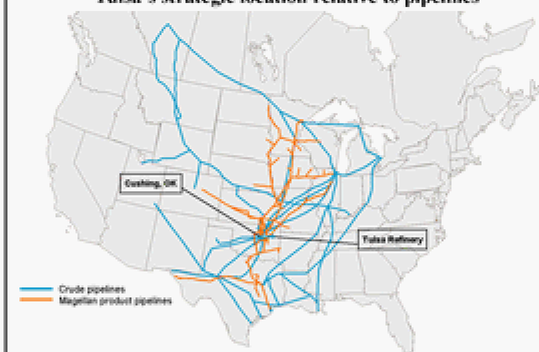
- **Excellent Health, Safety & Environmental track record**
  - Multiple NPRA awards for excellence in safety
  - Experienced and dedicated plant personnel

- **Recent maintenance turnaround completed**
  - $42 million spent in 2007 on 6 week facility-wide turnaround

Crude Supply Logistics Map



Tulsa's strategic location relative to pipelines



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Tulsa Acquisition - Required Capital

Planned Project

- Construction of new diesel hydrotreater and sulfur plant
  - Replicates recent projects executed at Holly's other two refineries
- Expected Cost - $150 million
- Completion – Mid 2011
- Benefits:
  - Allows all diesel to be produced as Ultra Low Sulfur Diesel ("ULSD")
  - Upgrades coker distillate and extracts to ULSD

Maintenance

- Approximately $10 million per year in maintenance capital planned
- $25-30 million every five years for turnaround
  - Most recent turnaround took place Summer 2007

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Tulsa Acquisition – Financials & Metrics

Tulsa Historical Financial & Operational Data (1)

Tulsa - Historical Metrics	2005	2006	2007 (2)	2008
Crude Charge (MBPD)	78.0	77.7	67.3	76.8
EBITDA ($MM) (3)	$98	$214	$172	$153

(1) Provided by Sunoco
(2) Major turnaround mid-2007 during which Sunoco spent $42MM on turnaround
(3) 2008 EBITDA includes add back of non-cash asset write-down and environmental accrual

Holly Historical Financial & Operational Data

Holly - Historical Metrics	2005	2006	2007	2008
Crude Charge (MBPD)	96.0	96.6	103.5	100.7
EBITDA ($MM)	$303	$414	$529	$262

Note: See EBITDA reconciliations on page 14

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Holly Strengths

- Tulsa addition plus recently completed existing refinery expansions will raise refining capacity from 111,000 BPSD in 2008 to 216,000 BPSD
- All three refineries are high complexity facilities positioned to competitively serve our historically high margin Rocky Mountain and Southwest markets while adding attractive Midwest markets to diversify market reach
- Expanded product line portfolio by incorporating Tulsa's historically strong margin specialty lubricant products (base oil, extracts, and waxes) business
- Track record of superior returns on capital, strong balance sheet and cash flow generation among peers
- Capital projects with significant impact relative to current cash flow
  - Strong growth orientation in capital deployment ("Offensive play")
  - Increased optionality in capital deployment ("Defensive play")
  - New diversification in market reach and product outputs coming from Tulsa acquisition
- Proven management team to execute on consistent operations & efficient capital deployment, with track record of successful acquisition integration and performance improvement
  - Woods Cross acquisition in 2003
  - Three expansions at Navajo Refinery this decade (2003, 2006, 2009)
  - Woods Cross expansion & reconfiguration in 2008

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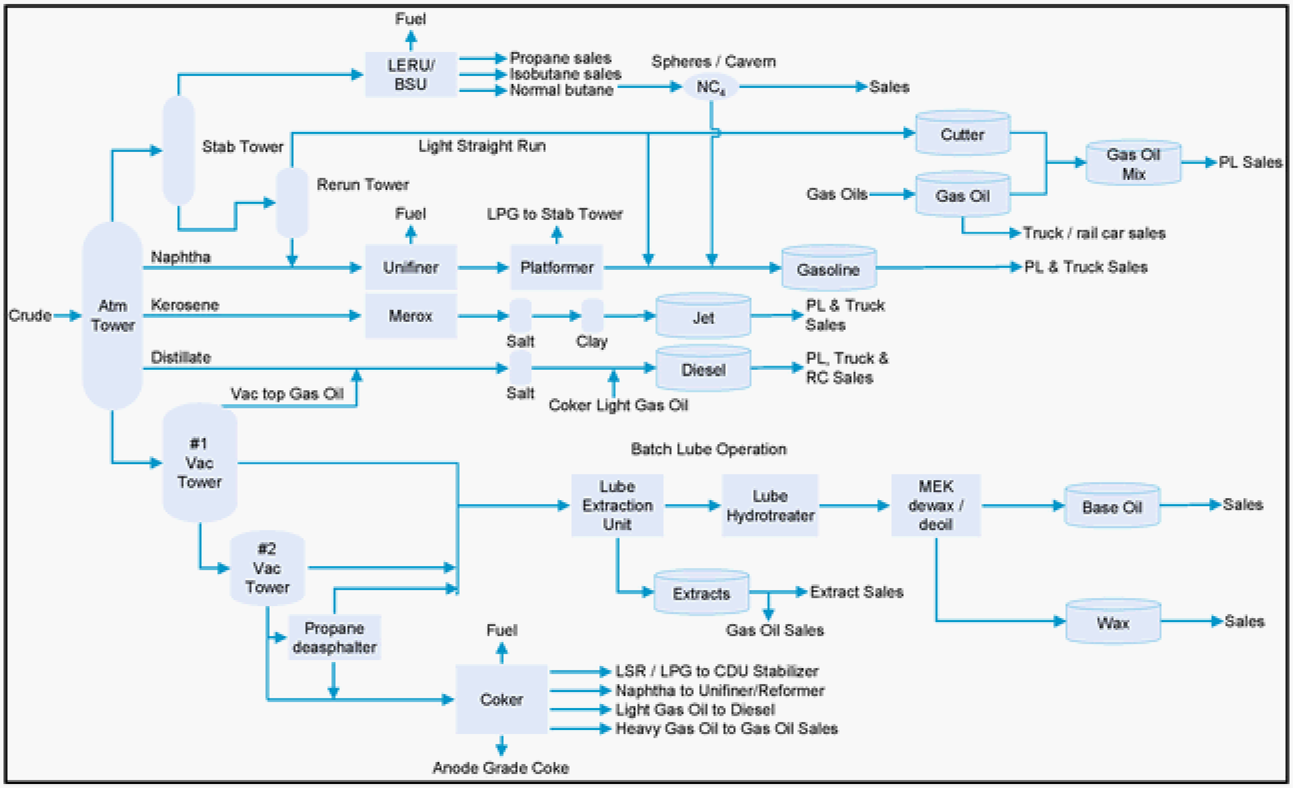
Appendix

- Tulsa Refinery Flow Diagram and Units
- Holly's Historical Strong Returns and Financial Position
- Definitions and Non-GAAP Reconciliations

Tulsa Process Flow Diagram



Process Unit Summary

Unit	Current Design Capacity (bbl/d)	Average Throughput (bbl/d)	
		2006	2007 [(1)]
Crude (w/ LERU) [(2)]	85,000	77,700	67,500
MEROX	12,000	8,350	7,000
Unifiner	25,000	17,700	14,500
#2 Platformer (motor reformer)	22,500	17,700	14,500
Propane De-asphalting	11,500	9,300	8,300
Lube Extraction Unit	19,500	17,300	14,800
MEK Dewaxing	12,500	10,900	9,500
Delayed Coker	9,300	7,400	7,100
Butane Splitter	3,400	1,800	1,600

(1) The Refinery had a major turnaround during June and early July 2007.
(2) LERU – Light Ends Recovery Unit.

Holly's Strong Returns and Financial Position

- High returns on investment capital
- Strong cash flow generation
- Currently no long-term debt
- Strong balance sheet for growth

Holly Return on Invested Capital				
2004	2005	2006	2007	2008
26%	45%	63%	63%	22%

Holly Debt to Equity				
2004	2005	2006	2007	2008
3%	0%	0%	0%	0%

Calculations for invested capital and debt excludes Holly Energy Partners debt & borrowings, which are included on the Holly consolidated balance sheet with the reconsolidation of Holly Energy beginning March 2008 .

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Definitions

BPD: the number of barrels per calendar day of crude oil or petroleum products.

BPSD: the number of barrels per stream day of crude oil or petroleum products.

EBITDA: Earnings before interest, taxes, depreciation and amortization, which we refer to as EBITDA, is calculated as net income plus (i) interest expense net of interest income, (ii) income tax provision, and (iii) depreciation, depletion and amortization. EBITDA is not a calculation based upon accounting principles generally accepted in the United States; however, for Holly Corporation, the historical amounts included in the EBITDA calculation are derived from amounts included in our consolidated financial statements, and for the Tulsa refinery, the historical amounts included in the EBITDA calculation are derived from amounts provided to Holly Corporation by Sunoco Inc. (R&M). EBITDA should not be considered 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. EBITDA is not necessarily comparable to similarly titled measures of other companies. EBITDA is presented here because it is a widely used financial indicator used by investors and analysts to measure performance. EBITDA is also used by our management for internal analysis and as a basis for financial covenants. For the Tulsa refinery, we have added back in the 2008 EBITDA calculation certain non-cash unusual charges for asset write-downs and for a sulfur credit environmental accrual. A reconciliation of historical and projected EBITDA to net income for the Tulsa refinery, based on financial information provided by Sunoco to Holly, is provided on slide 19 of this presentation. For Holly Corporation, our historical EBITDA is reconciled to income from continuing operations as presented in our Form 10-K for the year ended December 31, 2008, filed with the SEC (the reconciliations are located immediately after Item 7A).

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Non-GAAP Reconciliations

For Sunoco Tulsa Refinery	2005	2006	2007	2008
	Years ended Dec 31, (In thousands)			
Income	$ 56,094	$ 128,564	$ 101,371	$ (31,017)
Add provision for income tax	34,031	77,883	59,483	(24,218)
Add interest expense	-	-	-	-
Subtract interest income	-	-	-	-
Add depreciation and amortization	7,953	7,441	11,159	15,641
Add provision for asset write-downs	-	-	-	158,749
Add sulfur credit environmental accrual	-	-	-	33,514
EBITDA	$ 98,078	$ 213,888	$ 172,013	$ 152,669

For Holly Corporation	2005	2006	2007	2008
	Years ended Dec 31, (In thousands)			
Income	$ 164,026	$ 246,898	$ 334,128	$ 120,558
Add provision for income tax	99,626	136,603	165,316	64,826
Add interest expense	5,101	1,076	1,086	23,955
Subtract interest income	(6,901)	(9,757)	(15,089)	(10,824)
Add depreciation and amortization	40,547	39,721	43,456	63,789
EBITDA	$ 302,399	$ 414,541	$ 528,897	$ 262,304

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